



Cummins India Limited

Annual Report 2004

Partnerships for powerful performance





CONTENTS

Letter to Shareholders	1
Board of Directors	16
Financial Summary - 5 years	18
Directors Report and Financial Statements of CIL - Cummins India Limited	19
Consolidated Balance Sheet and Profit and Loss Account of CIL and its Subsidiary Companies	124



Respected Shareholder,

Year 2003-2004 was a positive year for the economic and social landscape of the country. Cummins India continued its journey of progress with a sense of purpose and direction. Our road to sustainable and profitable growth for our stakeholders is guided by our vision of "**Making people's lives better by unleashing the Power of Cummins**". For all of us at Cummins this vision statement is our anchor.

The vision statement is elucidated further by our mission. These two keep us rooted to our core values which we follow like a "mantra" in our day-to-day dealing with all stakeholders. Our mission statements are as follows:

Motivating people to act like owners working together : At CIL we continue to be organized into two interdependent customer focused business units, the Engine Business Unit (EBU) and the Power Generation Business Unit (PGBU). Our facilities at Pune and Daman concentrate on design and manufacture of diesel and natural gas engines and generators for all applications. We market our products for power generation application via our exclusive tie-ups with three Generator OEMs Powerica Ltd., Jakson Ltd. and Sudhir Gensets Ltd.

**Motivating people
to act like owners
working together**

We also offer comprehensive solutions such as Power Consulting, this enables customer's to lower their energy costs, rental options for gensets, and also design, construction and operation of diesel and natural gas based captive power plants.

Within each of these customer focused business units, we have many "performance cells" and cross-functional teams that work together seamlessly to achieve common objectives. Their performance is measured on clearly identified qualitative and quantitative targets which they own. With this approach we have fostered an entrepreneurial culture and close alignment with customer needs within a large company.



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

Exceeding customer expectations by always being first to market with the best offerings : We continued to pioneer many new and innovative products and services in the last year. We launched the following products in the year:

- 8.3 litre C series engine (upto 300 HP) and generator sets which span 140-200 KVA range. This product has the best part load fuel efficiency performance, is compact and compliant with emission standards.

- The 14 litre N-14 series engine (upto 525 HP) and generator sets which span 225-380 KVA range.

- X series generator sets in the 15-25 KVA range at the lower end of our product offering where demand continued to be strong; this has achieved strong acceptance in domestic and global markets.

We have also started marketing our international range of lean-burn gas generator sets. They provide better power density, fuel efficiency and life cycle costs.

We introduced customized Engine Value Packages for several of our key accounts Indian Navy, Indian Railways and other major customers. This high degree of customization for their exacting needs earned laurels for your company. Another new introduction

was the K38 Engine Value Package for the first indigenous Surface Miner and 100 T dump truck. We also came up with the compact 4B & 6B engine series for the compressor and construction



1750 kWe QSV 91-G lean-burn natural gas based generator set at Raghav Industries Limited, Ankleshwar

equipment market. We have initiated robust Customer Support Plans for our major customers.

For the after sales support market, Cummins Diesel Sales and Service (CDS&S) launched the first of its kind 'Service Guarantee' program. This guarantees the performance standard of service, defined as : response time to customer site, accomplishing the service right the first time, and ensuring parts availability. This offering requires a very dense and evolved distribution and dealer network and commitment to the highest standards of service and support.

Launch of the X series, C series and N-14 engine



Clockwise from top :

- Jean Blackwell, CFO and Chief of Staff, Cummins Inc. and Anant J. Talaulicar, Chairman and Joint Managing Director, Cummins India Limited inaugurating "XCellaNce" the launch of the X series, C series and N-14 engine
- 8.3 litre C series engine
- 14 litre N-14 engine
- C series genset
- X series genset
- N-14 genset



35T Dump Truck powered by Cummins N-14-C



100T Dump Truck powered by Cummins KTA-38-C



LHB Power Car for Indian Railways - 2 x 500 KVA
Gensets powered by Cummins KTA-19-G4



Indian Navy Tug "INS Bhim" powered by Cummins
38 litre IMO compliant Marine Engine



India's 1st indigenous Surface Miner
powered by Cummins KTA-38-C



300 cfm portable compressors powered by Cummins 4B



Partnering with our customers to make sure they succeed : Our

initiative of "Listening" to the customer, the "Voice of the Customer" continued with zeal and a strong follow-up within the organisation. This programme was initiated in 2001 to help our employees appreciate customer concerns and get a first hand feedback from the actual users of our products. We bring in customers from diverse fields every fortnight to interact with a cross functional team of our managers and share their experience with Cummins products and services. The focus is on closing any gaps in our performance versus customer expectations.

These interactions have enabled us to take immediate and tangible actions to address many customer issues. We have formed cross-functional Customer Account Teams for each OEM. Each Account Team has members from various functions, and there are constant interactions between the team and customer representatives.

This has also helped us reduce our time to design and implement improvement programs, leverage team capabilities & build partnerships.

Partnering with our customers to make sure they succeed



We listen to our customers : Voice of the customer meeting in progress



First customer of the indigenously built X series genset being felicitated by the project leader, at the launch function



One of India's largest stadiums powered by Cummins Gensets



2.6 MWe power solution offered to Tetra Pack India Limited. Uses waste heat more effectively to reduce operating cost



Daman manufacturing facility



Engine assembly line at Daman



We did it, a century of C series engines :
The proud team



Our modern set-up at Cummins Products Division



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

Demanding that everything we do leads to a cleaner, healthier, safer environment : At Cummins India, we continue to focus on providing customers with products that offer highest emission compliance standards along with best in the class economics. Both the C and N-14 products are state-of-the-art in this area. Cummins and its Generator OEMs have been pioneers in designing and offering gensets with acoustic enclosures that exceed the toughest noise pollution norms. During the year, we made our entire range of genset products emissions compliant. We recently launched a programme with Cummins Westport Inc. to manufacture a new range of natural gas automotive engines called the B Gas International, which will be Euro III compliant. We are committed to ensuring that all our engines are compliant as per required norms. We have increased our investments in Research & Development significantly compared to the previous year.



Cummins India Limited signed an agreement with Cummins Westport Inc. to manufacture Euro III compliant natural gas engines at its Daman facility

Creating wealth for all stakeholders

Creating wealth for all stakeholders : The Company's sales were Rs. 9324 mn and profit after tax was Rs. 1092 mn which represented a growth of 12 % and 16 % respectively over the prior year respectively. As a result, all stakeholders including shareholders, employees, suppliers, customers, channel partners and the communities in which we operate have benefitted. During the year we were relentless in our pursuit of reducing costs and improving processes and quality. Our TurboKaizen initiatives have yielded exciting improvement in our work processes and in our efforts to reduce costs. We have numerous projects underway as a part of our Six-Sigma initiative to improve quality and reduce waste. To some extent they insulated us against rising input costs during the year.

Your company continued its commitment to the community in which it operates by supporting various charitable activities through our Cummins India Foundation. Our employees donated generously to calls for help and support from various social service institutions.



International recognition : Team from Cummins India Limited won the Cummins Inc. Chairman's award for the Six Sigma Black Belt project in 'Improving Capacity of STC Injectors'



Cummins employees contribute to 'Sankalpa', a residential school for mentally challenged children from the lower economic group



Global initiatives : During the year we worked hard on two important initiatives to leverage our capabilities and strengths in India for the benefit of Cummins globally.

In 2003-04, we entered into a joint venture with Cummins Inc. to participate in their global research and design setup. Cummins Research and Technology India Ltd. (C.R.T.I.). has close to 50 highly skilled engineers that work with high end computer models to design products in support of Cummins Global Technology Centers. CRTI will be a facilitator of change within the Cummins technical community as the company shifts from a testing intensive product development cycle to an analysis intensive product development cycle. With this, Cummins expects to develop more reliable products in less time at a lower cost. CRTI will deliver state-of-the-art design and analysis support to Cummins engineering projects across all businesses worldwide. CRTI will also allow us to be more responsive to our growing customer base in India and Asia.

**Global
Initiatives**



Cummins Research and Technology Institute - CRTI



"Sarva dharm sambhav" - John O' Halloran, (Head of CRTI) at the inauguration of CRTI



I am happy to inform you that your company is on course to become the sole source of K38 and K50 series engines for worldwide Cummins power generation application. Our integration with the global supply chain of Cummins Inc. is becoming stronger. Over a period of time it may help offset some of the effects of downturn in the business cycle.



Larry Griffin, Director, Overhead Team, Cummins Inc. presents Cummins Supplier Continuous Improvement Award for 2003 to Rohan Pusalkar, Executive Director, Indo Schottle Auto Parts

Leveraging on our people and values : We have a great, skilled and diverse employee base and a leadership team that is moving the organization from a 'best efforts' environment to the one that is results and performance oriented.

Leveraging on our people and values

We have embraced a company personality that aspires to be **decisive, driven to win, agile, passionate and caring**. We therefore look for and reward these attributes in each one of our employees. We accomplish our Vision and Mission based on a solid, longstanding foundation of stated core values which are Integrity, Innovation, Delivering Superior Results, Corporate Responsibility, Diversity and Global Involvement.



As you are aware I have recently assumed my responsibility as Chairman from Ravi Venkatesan. I and the Board would like to place on record his immense contribution to this organisation and stay committed to the strategic direction that has been set.

I am optimistic about the future prospects for Cummins India based on the market share position and recognition we have earned over the decades for our products and offerings. This has been a result of leading technology, reliable quality, committed customer service and competitive pricing of our offerings. The future looks bright. We are an integral part of a longstanding global company. This enables us to access state-of-the-art technology, enjoy economies of scale in sourcing and manufacturing and utilize world class processes in the areas of Analysis-Led Design, New Product Development, Six Sigma and Performance Management. We believe this will help us cope with the rapid changes in the macroeconomic environment in India. The long term trends for India's development appear positive, and we are excited about playing a significant



Recognising and rewarding employees who deliver superior results - Proud recipients of the Chairman's Award



contributory role in this development. We have set objectives of growing sales and profits aggressively over the next five years while also earning the respect of all of our stakeholders. Our financial objectives do count on a continuation of the current, positive macroeconomic trends. We have a fourfold strategy to achieve these objectives:

- **Retain and grow domestic market share**
- **Grow exports**
- **Become a low cost producer**
- **Foster a great working environment for our employees primarily via leadership as well as functional excellence**

I would like to thank all our stakeholders for their continued support and commitment to our company. We stay committed to making our stakeholders lives better by unleashing the Power of Cummins.



Anant J. Talaulicar
Chairman and Joint Managing Director



CONTINUOUS IMPROVEMENT

Our Improvement initiatives earn laurels



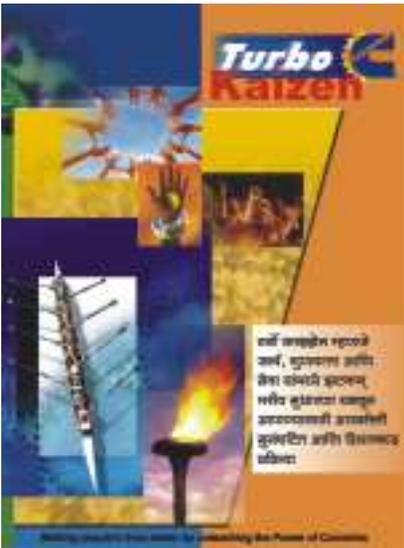
Cummins team won the award at the 17th National Convention (QCFI) for its work in Productivity Improvement of "Fuel Pump Assembly"



Hemant Urdhwarseshe, Quality Leader and Management Representative of Cummins India Limited bagged the Qimpro Silver standard (2003). This is a recognition of the company's system, processes and achievements in the quest for quality



Cummins team won the National award for work in "Energy Conservation"



TurboKaizen, a highly structured process for rapid reduction of operating costs, improving quality levels and increasing production levels, is a way of life in Cummins India Limited



TEAM BUILDING INITIATIVES AT CUMMINS

IT IS A REWARD, A CHALLENGE AND A PRIVILEGE
to be a contributing member of a TEAM





DIVERSITY IN CUMMINS



Operations Management Programme - A highly structured approach towards development of young and talented Graduate Trainee Engineers was launched. OMP at Cummins**Building pipeline of Future Leadership !**



Diversity at the workplace is our strength - Cummins encourages diversity and integrates it into organization's core systems and processes



Cummins employees contribute to society on a common platform - The Warkaris' journey for darshan of Lord Vitthal in Pandharpur. Throughout the centuries, one of the main attractions of the Warkari Panth has been its non-esoteric and non-elitist quality and its openness to all walks of life



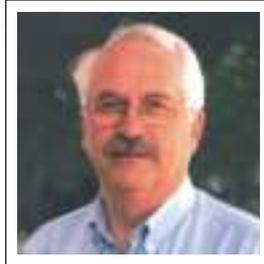
Cummins embraces the spirit of diversity. Dandiya - The folk dance of the state of Gujarat was organised inside the premises of Cummins India Limited, Pune



BOARD OF DIRECTORS



Rajeev Bakshi
Director



J M Barrowman
Alternate Director



S M Chapman
Director



Vinod Dasari
Joint Managing Director



P S Dasgupta
Director



S D Hires
Alternate Director



M A Levett
Director



Nasser Munjee
Director



B H Reporter
Director



Venu Srinivasan
Director



Anant J. Talaulicar
Chairman and Joint
Managing Director



Dr. John Wall
Director

BANKERS :

State Bank of India
Union Bank of India
The Shamrao Vithal Co-operative Bank Limited
The Saraswat Co-operative Bank Limited
Bank of Maharashtra
Bank of Baroda
State Bank of Hyderabad
HDFC Bank Limited
Citibank, N.A.
Banque Nationale De Paris
Bank of America
ICICI Bank Limited

AUDITORS :

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

REGISTRAR & TRANSFER AGENT :

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

Cummins India Limited

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

Cummins India Limited

Financial Summary - 5 Years

Rs. Crore

Particulars	2003-04	2002-03	2001-02	2000-01	1999-2000
Total income	1,009.10	877.64	777.31	882.94	846.90
Raw material	607.66	511.41	453.64	518.46	518.98
Employee cost	98.97	96.62	78.98	72.31	69.90
Mfg. exps. and overheads	69.75	68.92	73.49	87.58	74.70
Adm.,selling and other exps.	62.71	50.17	31.07	31.96	26.12
Interest	2.03	3.04	1.45	1.92	3.43
Depreciation	29.89	26.58	24.67	26.18	24.60
Net profit before tax	138.10	120.92	114.01	144.54	129.17
Tax provision on income (Net of Excess/Short provision for prior years)	28.83	26.61	27.70	35.61	35.86
Net profit after tax	109.27	94.31	86.31	108.93	93.31
Effect of restatement of opening inventory on revised basis	—	—	—	—	8.82
Balance of profit	109.27	94.31	86.31	108.93	102.13
Dividend	79.20	79.20	29.70	25.74	19.80
Additional Income tax on dividend	10.15	10.15	0.00	2.63	2.83
Earnings in foreign exchange	227.40	176.21	275.55	288.82	277.50
Dividend %	200.00	200.00	75.00	65.00	50.00
Earning per share (Rs.) (Face value of Rs. 2)	5.52	4.76	4.36	5.50	4.71

DIRECTORS' REPORT

The Directors of Cummins India Limited have pleasure in presenting the Forty-Third Annual Report and the audited accounts of the Company for the year ended March 31, 2004.

1. FINANCIAL RESULTS :

During the year under review, net sales turnover was Rs. 9,324 million (Rs. 932 crore) as against Rs. 8,320 million (Rs. 832 crore) during the corresponding previous year (12 % higher). Export earnings were Rs. 2,274 million (Rs. 227 crore) as against Rs. 1,762 million (Rs. 176 crore) during the corresponding previous year (29 % higher). Profit after tax was Rs. 1,093 million (Rs. 109 crore) against Rs. 943 million (Rs. 94 crore) (16 % higher).

	2003-2004 (Rs. '000)	<i>2002-2003 (Rs. '000)</i>
PROFIT :		
Profit before taxation	1,381,005	<i>1,209,164</i>
Net Profit for the year after tax but before tax on proposed dividend	1,092,708	<i>943,073</i>
Tax on dividend	101,475	<i>101,475</i>
Dividend	792,000	<i>792,000</i>
Transferred to General Reserve	149,233	<i>133,491</i>
Balance carried to Balance Sheet	800,000	<i>750,000</i>

2. DIVIDEND :

Your Directors have recommended final dividend of 200% on the Equity share capital of Rs. 396 million for the year ended March 31, 2004, including interim dividend of 100% declared on November 5, 2003 and paid in December 2003.

3. CONSOLIDATED FINANCIAL STATEMENTS :

The Company has prepared Consolidated Financial Statements of Cummins India Limited and its subsidiaries as at March 31, 2004, in accordance with Accounting Standard 21 (AS 21), on 'Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India. The audited Consolidated Financial Statements are circulated with the Annual Report.

4. SUBSIDIARIES :

① Cummins Diesel Sales and Service (India) Limited : (CDS&S)

The sales and other income of Cummins Diesel Sales and Service (India) Limited (CDS&S) for the year ended March 31, 2004, was Rs. 3,969 million (Rs. 397 crore) as against Rs. 3,905 million (Rs. 390 crore) during the corresponding previous year. We are pleased to inform you that CDS&S

Cummins India Limited

has declared dividend of 408 % during the year ended March 31, 2004, as against 267 % during the previous year ended March 31, 2003. CDS&S is engaged in the business of sale of and providing after-sales-service to engines and generators manufactured by your Company.

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

The sales and other income of Cummins Auto Services Limited (CASL) for the year ended March 31, 2004, was Rs. 239 million (Rs. 24 crore) as against Rs. 157 million (Rs.16 crore) during the corresponding previous year (52% higher). CASL is engaged in the business of retailing in parts and accessories for commercial vehicles, highway solutions in the form of authorised service stations and annual maintenance contracts with truck fleet owners.

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

CASL has acquired 50% of the paid-up share capital of MRC Autosolutions Private Limited (MRC) in June 2003 in addition to 50% of paid-up share capital already held by CASL since March 2002. Therefore, MRC during the year became a wholly owned subsidiary of CASL and hence, MRC has become a subsidiary of the Company. The paid-up share capital of MRC is Rs. 18 million. The sales and other income of MRC for the year ended March 31, 2004, was Rs. 14 million (Rs. 1.4 crore) as against Rs. 8 million (Rs. 0.8 crore) during the corresponding previous year. MRC is engaged in providing after market support to all kinds of commercial vehicles from its Service Station situated in Dist. Vadodara on National Highway 8, Gujarat.

It is proposed to merge MRC in CASL and accordingly, applications have been moved to the Hon'ble High Court at Bombay and Ahmedabad for approving the merger of MRC in CASL.

- **Annual Reports of subsidiaries :**

The Company has obtained approval of the Central Government dated June 1, 2004, under Section 212 (8) of the Companies Act, 1956, whereby the Company is not required to attach a copy of (i) Balance Sheet (ii) Profit and Loss Account (iii) Report of the Board of Directors and (iv) Report of the Auditors of its subsidiary companies to this Annual Report. However, the above documents of the subsidiary companies and the related detailed information will be made available to the investors of Cummins India Limited and its subsidiaries on request. Further, the Annual Accounts of the subsidiary companies will be kept open for inspection by any investor during business hours on any working day at the (i) Registered Office of the Company and (ii) Registered Office of the concerned subsidiary company.

5. JOINT VENTURES :

- a. **Nelson Engine Systems India Limited : (NESIL)**

As the members are aware, the Company has invested in Nelson Engine Systems India Limited (NESIL), a 50:50 Joint Venture Company between Fleetguard Inc., U.S.A. and your Company. The sales and other income of NESIL for the year ended March 31, 2004 was Rs.55.53 million (Rs.5.55 crore) as against Rs. 42.94 million (Rs. 4.29 crore) during the corresponding previous year

(29% higher). We are pleased to inform that NESIL has declared dividend of 10 % for the year ended March 31, 2004 as against 2.5% for the previous year. NESIL is engaged in the business of manufacture and sale of exhaust silencers and mufflers for Internal Combustion Engines.

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

During the year, the Company has invested Rs. 1.146 million in the share capital of Cummins Research and Technology India Limited (CRTI), a newly formed, 50:50 Joint Venture between Cummins Inc., U.S.A. and your Company. CRTI is engaged in providing Information Technology (IT) enabled Mechanical Engineering Development services to Cummins Inc., its subsidiaries and joint ventures across the world and has established a Research and Technology Centre at Pune.

6. CORPORATE GOVERNANCE :

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

7. DIRECTORS' RESPONSIBILITY STATEMENT :

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

1. that in the preparation of annual accounts, the applicable accounting standards had been followed and there was no material departure from the accounting standards;
2. that Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on March 31, 2004 and of the profit for the period April 1, 2003 to March 31, 2004;
3. that Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
4. that Directors had prepared the annual accounts on a going concern basis.

8. CONSERVATION OF ENERGY :

The Company continues in its mission for conservation of energy. The company has completed various energy optimisation initiatives. There is a reduction of 13% in specific energy consumption as compared to the previous year. These initiatives include :

- a. Pump house automation.
- b. Installation of variable frequency drive for water.
- c. Cycle time improvements.

Cummins India Limited

- d. Six Sigma project to improve power generation efficiency.
- e. Modification of temperature controls on equipment.
- f. Energy efficient lighting throughout shop floor, including natural light.
- g. Optimisation of fuel efficiency of diesel engines in powerhouse.

IMPACT OF THE ABOVE MEASURES :

The above initiatives have resulted in saving of 3.36 million units with a potential of 3.76 million units annualised.

9. RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION :

Your Company, with technological support from Cummins Inc., U.S.A. is committed to introduce new products and engine models that meet stringent emission norms and have higher levels of performance to satisfy market needs. The Technical Centre of your Company continues to focus on indigenisation of components for achieving cost reduction and on development of electronic controls and systems for the engines for improving fuel efficiency, performance and durability.

1. Some specific areas of R & D initiatives undertaken by the Company include :
 - (a) Completed design, development and emission certification of Genset engines for Central Pollution Control Board – India Emissions Regulations effective in 2004.
 - (b) Development of :
 - (i) New engines including diesel and alternate fuel engines.
 - (ii) High efficiency Electronic Lean burn Natural Gas engines.
 - (iii) Electronic engine monitoring and governing system for Diesel Genset engines.
 - (c) Performance optimization of engines for various applications to improve fuel efficiency, durability and emissions.
 - (d) Use of Analysis-led design for development of various engine components.
2. The benefits derived as a result of above activities are :
 - (a) Complete range of Emission compliant products is available.
 - (b) Advanced high efficiency – low emissions Natural Gas product is available.
 - (c) Improvement in quality, reliability and durability of engines and components.
 - (d) Cost reduction through indigenization.
 - (e) Reduced cost and time for development of new components.

3. Future plans :

- (a) Development of engines with alternate fuel options.
- (b) Continuous up-gradation of the Tech Centre facilities to world class levels.
- (c) Undertake joint projects with various Cummins entities in U.S.A. and U.K. for development and introduction of new type of engines, electronic controls and component design and analysis.

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

5. Expenditure on R & D :

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

	2003-2004 (Rs. '000)	2002-2003 (Rs. '000)
a) Capital	30,081	23,791
b) Recurring	150,780	120,302
c) Total	180,861	144,093
d) Total R&D expenditure as a percentage of total sales turnover	1.94%	1.73%

10. FOREIGN EXCHANGE EARNINGS AND OUTGO :

During the year under review, the Company exported 3,511 engines and achieved export earnings of Rs. 2,225 million (Rs. 222 crore).

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

	2003-2004 (Rs. '000)	2002-2003 (Rs. '000)
(a) Earnings	2,274,007	1,762,121
(b) Outgo -		
- Raw Materials/ components	1,463,006	1,385,813
- Capital equipment	5,463	61,293
- Others	811,746	284,453
	2,280,215	1,731,559

Cummins India Limited

11. DIRECTORS :

During the year under review, Mr. J.M.Rugg resigned as Director of the Company effective June 14, 2003. M/s. J.M.Barrowman, Peter McDowell and S.D.Hires stepped down as Directors of the Company effective October 28, 2003. Mr. Ravi Venkatesan stepped down as Director and Chairman of the Company effective April 1, 2004. The Board of Directors place on record their appreciation for the valuable contribution made by M/s. J.M.Rugg, J.M.Barrowman, Peter McDowell, S.D.Hires and Ravi Venkatesan as Members of the Board of the Company.

The Board of Directors in their Meeting held on July 29, 2003, have appointed Mr. Anant J. Talaulicar and Mr. Vinod Dasari as Joint Managing Directors of the Company. The resolutions for their appointment as Joint Managing Directors and revision in their remuneration are being placed in the ensuing Annual General Meeting for approval of the shareholders. The Board of Directors in their meeting held on April 20, 2004, have elected Mr. Anant J. Talaulicar as Chairman of the Board of Directors. Mr. J.M.Barrowman and Mr. S.D.Hires have been appointed as Alternate Directors to Mr. M.A.Levett and Dr. John Wall respectively effective October 28, 2003.

The Board of Directors in their Meeting held on October 28, 2003, have co-opted Dr. John Wall as an Additional Director of the Company. Resolution for appointment of Dr. John Wall as Director is being placed in the ensuing Annual General Meeting.

In accordance with the Companies Act, 1956 and Articles of Association of the Company, M/s. Rajeev Bakshi, Nasser Munjee and S.M.Chapman, Directors of the Company, retire by rotation and are eligible for re-appointment.

12. DELISTING OF EQUITY SHARES FROM PUNE STOCK EXCHANGE LIMITED :

Pursuant to approval of the shareholders in their 42nd Annual General Meeting held on July 29, 2003, the equity shares of the Company have been voluntarily delisted from Pune Stock Exchange Limited (PSE) effective January 16, 2004. The equity shares of the Company will continue to be listed on The Stock Exchange, Mumbai (BSE) and National Stock Exchange of India Limited (NSE).

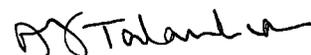
13. AUDITORS :

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

14. PARTICULARS OF EMPLOYEES :

As required under section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, a statement giving the required information relating to the employees covered thereunder is attached.

On behalf of Board of Directors,



Anant J. Talaulicar
Chairman & Joint Managing Director

Pune : June 2, 2004

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

1. Industry Structure and Developments.

1.1 Economic Trends and Implications :

- Industrial and economic growth continues to be positive. We expect GDP growth to be in the 6.5-7.0% range for the year.
- Several sectors continue to show strong growth during the year. These include Telecommunications, Realty, Construction, Pharmaceuticals and Engineering. Continued growth has a positive impact on demand for capital goods.
- Impetus given to the housing sector in the past few years has seen a surge in demand for residential properties. This has resulted in a growth in construction activity across India.
- The government focus on road construction continues. Several new projects have been started, increasing demand for road construction equipment.
- There is a significant expansion in infrastructure and investments in the Oil & Gas sector. With the commissioning of the Petronet LNG terminal in Dahej, supply of gas is expected to increase over the next few years.
- Shortfall in power supply remains high resulting in a growth of demand for standby generating sets and power rentals. Lower capacity additions shall result in widening peak deficit – estimated at around 65,000 MW by 2005.
- Increases in the price of High Speed Diesel (HSD) continue, mirroring the global increases in prices of crude oil. The increase has resulted in a shift away from HSD based generator sets for base load, continuous applications.
- During the year, import duties were reduced and Special Additional Duty (SAD) was removed. Import duties may come down further over the next 2-3 years and will increase entry of global competition into India.
- The improvement in economic scenario is estimated to have a positive impact on the Company.

1.2 Power Generation :

- During the previous year, India is estimated to have created additional capacity of around 4,300 MW.
- Electricity demand is forecast to continue to grow at 7-8% and the Company forecasts a continued demand for captive generation.
- Demand from commercial infrastructure, telecom, IT/ITES and realty markets continues to be strong. We forecast these will remain positive through the next year.

Cummins India Limited

- Fuel prices (especially Diesel) continue to rise, with another price increase likely in the next few quarters. With increase in fuel prices, many customers are focused on demand-side management and reduction in power intensity. While this will not reduce the overall demand for power generation products, it will reduce the operating hours especially for diesel generator sets.
- The new Electricity Act, 2003 and Accelerated Power Development and Reform Programme (APDRP) took more concrete shape in the past year. While several issues remain open, the continued impetus on generation, transmission restructuring will open up several new opportunities. While open access is available at a transmission level, open access in distribution remains a key issue. The new norms opening up captive generation will have a long term benefit for distributed generation and captive power plants.

1.3 Industrial :

- Expansion plans by mineral producers in Coal, Steel, Aluminium, Zinc, Titanium will result in increased demand for earthmoving equipment in the next 4-5 years.
- New Projects taking off in the roads sector including state road developments. Road construction equipment industry likely to gain momentum with these new projects.
- Water Well Rig cyclic market demand which had peaked in late 2003, declined in early 2004 and expected to continue at a lower level during the remainder of the year.

1.4 Automotive :

- Demand in the automotive industry continued to be very strong in 2003-04. Overall growth is estimated at 8-8.5% during the year. The current outlook continues to be strong during the first couple of quarters of 2004-05.
- The demand is driven by growth in commercial vehicles, especially LCVs (estimated 12%) and HCVs (8.3%). There is a strong pronounced shift towards Multi Axle Vehicles (MAVs) and the demand for higher capacity vehicles is increasing.
- With the introduction of new Bharat Stage III norms in April 2005 and power-to-weight norms, we can expect a continued shift in the trends towards higher HP vehicles and increased integration of electronic systems and after-treatment devices.
- CNG continues to emerge as an alternative fuel for transit buses, due to pollution. Currently, 11 cities have been mandated for introduction of CNG by the Hon'ble Supreme Court, but implementation progress has been slow.
- The Company has continued to extend its position in the CNG bus market, in conjunction with OEMs such as Tata Motors. Demand for CNG is also emerging from countries such as Bangladesh which have high gas availability. The Company has shipped 100 engines for buses to Tata Motors, which are expected to be completed in the first quarter of 2004-05. Initial orders have also been received from BEST, Mumbai.

2. Opportunities and Threats :

Key **Opportunities** include :

- Defence Ministry's indigenization drive leading to opportunities for powering new requirements and repowering existing equipment/vehicles of Army, Navy and Air Force.
- Indian Railway's focus on safety related equipment and new initiatives to increase their operating ratios.
- Projects/Expansions/Upgradations in Ports, Roads and other infrastructure will fuel demand for Earth Moving and Material Handling equipment.
- India's peak power demand continues to grow at approximately 8% per annum. This will be a driver for demand in the future for power generation equipment.
- The new Electricity Bill opens up avenues for distributed generation and rural electrification. These are subject to delivery of cost effective power solutions to customers, which will reduce their overall cost of energy.
- Customer requirements for one stop solutions, lower operating costs and better power to weight ratio and customized value packages
- During the past year, the Company has made significant progress in initiating several new programs for export of engines, generator sets and components to global Cummins Power Generation. This represents a continued opportunity for the Company.
- As Indian equipment manufacturers focus on global markets, their needs for international product support, emissionized products and globally competitive economics will increase. This can provide partnership opportunities for the Company to leverage its global relationship.

Key **Threats** include :

- Fuel price increases continue to drive the migration from Prime power to Standby applications in Power Generation, which will affect new equipment and spare parts demand.
- Relaxation in Import tariffs is likely to result in increased imports and competition from global players.
- Product/market extensions by other engine manufacturers into power generation and industrial applications are likely to result in increased competition.
- Potential entrants of used equipment from international markets.
- Increasing commodity prices are having a significant impact on material costs. While the Company has initiated efforts such as Turbo Kaizen to mitigate the impact of such cost increases, sustained commodity pricing trends can have an adverse impact on profitability.

Cummins India Limited

3. Segment-wise and Product-wise Performance :

3.1 Power Generation :

- The Company launched a new range of generator sets, extending its focus on the low horsepower, mid-range and heavy duty power bands. The new X range of generator sets (15-25 kVA) has been well accepted in domestic and international markets.
- The Company also launched the C series generator sets (160-200 kVA) and the N14 (320-380 kVA) for the power generation market. These represent significant improvements in terms of fuel consumption and product reliability.
- We have made inroads into the gas generator sets market with new orders for our range of lean-burn generator sets, including the QSV81/91 and QSK19.
- During the year, the Company strengthened its position by winning several key customer accounts in the fast growing IT and Telecom markets.
- The Company was the first company to develop a product line to meet the new Central Pollution Control Board (CPCB) Norms for the full range. In line with the norms, the Company has been supplying CPCB compliant products from July 1, 2003 (19-176 kw) and is confident of meeting norms for the July 1, 2004 deadline.
- The Company's initiatives to focus on key accounts/segments, customer relationship management, Out-Of-Fold customers, stronger channel integration and quality improvement resulted in a strong growth in sales of generator sets.
- Sales of services such as rentals, power consulting and energy solutions continued to grow.
- The new businesses established in past 3 years, continue to contribute significantly to the Company's power generation business and comprised over 35% of total PowerGen sales.
- Exports of generator sets and power generation equipment grew by over 120% during the past year. Feedback from global distributors and customers continues to be positive.

3.2 Industrial :

- During the year, the Company improved its performance significantly by capturing maximum business in water well rig market which peaked in 2003 and enhancing construction and mining business by executing orders through key OEMs for end customers like Coal India Subsidiaries, Steel majors and other customers.
- The Company did well in rail business by capturing maximum business for powering track maintenance machines, breakdown cranes.
- The Company fully supported Indian Navy and Indian Army for their indigenization projects and capitalized on the increased requirements for powering various equipments.
- The Company strengthened its position by enhancing relations with key OEMs and launching new value packages for different applications in compressor, construction, mining segments.

3.3 Exports and Others :

- Export of engines and components experienced smart recovery compared to previous year and registered 28% growth.

The following initiatives were launched to improve / grow Exports :

- During the year by strategically leveraging cost competitiveness, the Company became worldwide source of G-Drive / Power Generation engines of 38 liters and 50 liters.
- Introduced Advantage Rating for Heavy Duty and High Horse Power engines.
- Converted component export opportunity to high value engine opportunity.

Awards :

- The Company was presented with the Engineering Export Promotion Council's, 'ALL INDIA TROPHY FOR HIGHEST EXPORTERS 2000-01, Consumable Durable Exporters – Non-SSI', at New Delhi on September 26, 2003.

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

- The Company has made significant investments in emissionizing its entire product line of power gen equipment from 15-2000 kVA. The efforts will continue during the course of the coming year and includes upgrading several current products and introduction of new products. The Company expects the full benefit of these programs to be received in future years.
- During 2002-03, the Company initiated several programs to extend its position in power generation. The Company shall continue to focus on these initiatives and will build on its focus towards solutions. We also forecast an expansion of our current range of gas generator sets and launch of new lean-burn generator set products.
- The Company perceives that cyclic market demand for water well rigs which decreased sharply in early 2004, is expected to be at the same levels during the remainder of the year.
- The Company continues to focus on exports as a key lever of its growth strategy. During the year, we are working on several generator sets export programs and we expect they will have a strong impact over the next 24 months.
- Our focus on Six Sigma and Turbo Kaizen continued during 2003-04 and the current year. These initiatives have resulted in strong process improvements and elimination of waste, translating into sustainable bottom line benefits.
- During the year, the Company entered into a MOU with Cummins Westport Inc. to manufacture a new range of Leanburn automotive engines called the B Gas International in the 145-230 HP range, which will commence from 2005. This program will position us strongly in the automotive natural gas market and open up global market opportunities.

Cummins India Limited

5. Risks and Concerns the Management perceives :

- Further increase in fuel prices will increase cost of generation significantly. This will have a very negative impact on operating hours and replacement demand for the Company's power generation products.
- Implementation of the Electricity Act, 2003 will have a positive impact on the health of the power sector. Delays will further extend the poor financial position of the sector and affect long term prospects for the industry and consumers.
- Fluctuation in global demand for power generation equipment can have an adverse effect on demand for heavy duty and high horsepower engines.
- Delays in implementation and allocation of funds for infrastructure projects are likely to affect the demand for products of the Company.
- Substantial and sustained increase in steel prices would have a detrimental impact on profitability.

6. Internal Control Systems and their Adequacy :

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

To provide reasonable assurance that assets are safeguarded against loss or damage and that accounting records are reliable for preparing financial statements, management maintains a system of accounting and controls, including an internal audit process. Internal controls are supported by Internal Audit and Management reviews.

The Board of Directors has a Finance and Audit Committee whose Chairman is an Independent Director. The Committee meets periodically with management, internal auditors and representatives of the Company's statutory auditors to review the Company's programme of internal controls, audit plans and results and recommendations of the auditors and management's responses to those recommendations. All significant audit observations and follow up actions thereon are reported to Audit Committee. The 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 judgements relating to the financial statements have been made on a reasonable basis, in order that the financial statements reflects in a true and fair manner the form and substance of transactions and reasonably represent the Company's state of affairs and profit for the year.

7.A Results of Operations :

7.A.1 Income :

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

a) Sales : Rs. in Million

Sales	For the year ended March 2004	For the Previous year ended March 2003	Change in %
• Domestic	7,107	6,582	9
• Exports	2,217	1,738	28
Total	9,324	8,320	12

The Company's market share and demand for its products in the domestic market remained strong. The demand has witnessed a growth in all the three important areas of markets namely; power generation, industrial and spares. Increased exports by Rs. 479 million indicates success of the Company's strategy to promote India as a sourcing hub for global demand. The appreciation of Indian Rupee against US \$ during the year under review affected the export realization.

b) Other Income : Rs. in Million

Details	For the year ended March 2004	For the Previous year ended March 2003	Change in %
• Treasury Income	302	225	34
• Dividend from Subsidiary, Joint Venture and Associate Companies	297	169	75
• Drawback Income	73	21	248
• Design and Development Charges	23	—	—
• Miscellaneous	72	41	76
Total	767	456	68

Higher treasury income was possible due to better management of the portfolios and cash flows. The dividend income from Subsidiary, Joint Venture and Associate Company increased due to their better performance and dividend policies adopted by them.

Duty drawback amount has increased since the Company has opted for duty drawback scheme for its exports instead of earlier advanced license scheme in view of the flexibility in manufacturing capacities possible under duty drawback scheme. The Company earned design charges of Rs. 22 million during the year under review.

Cummins India Limited

7.A.2 Expenses and Margins :

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

There was marginal increase in employee cost mainly due to incremental provision of Rs. 45 million towards the pension funds due to actuarial valuation as at the end of the year as per the accounting policy followed by the company. The said provision was required as a result of reduction in the interest rates and change in annuity rates by LIC, managers to the fund. If this extraordinary charge is ignored, there is a saving under payroll cost.

The Company had introduced Voluntary Retirement Scheme (VRS) in the month of May 2003 under which 179 employees opted for the scheme at a lumpsum compensation of Rs. 98 million and the same has been charged to P&L Account. The VRS helped to reduce the payroll cost.

Depreciation charge increased from Rs. 266 million during the previous year to Rs. 299 million during the year under review due to additions to the fixed assets.

The interest expenses decreased to Rs. 20 million as against Rs. 30 million in the previous year mainly due to better management of the cash flow and lower interest rates.

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

Profit before tax (PBT) showed a growth of 14% mainly due to cost reduction initiatives, increase in sales volumes and other Income, partly offset by certain extraordinary expenses like contribution to pension funds, lump sum compensation under VRS and increase in procurement cost due to rise in metal prices.

7.A.4 Provision for Tax :

Provision for Income Tax is made on the assessable income at the tax rate applicable to the relevant assessment year. The Company has given effect to the deferred income tax. Deferred income taxes are recognized for the future tax consequences attributable to timing differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

7.A.5 Net profit for the year :

Net profit for the year increased from Rs. 943 million during the previous year to Rs. 1,093 million during the year under review. Consequently, Earning per share (EPS) for a face value of an equity share of Rs. 2 each, during the year ended March 2004 is Rs. 5.52 as against Rs. 4.76 during the previous year ended March 2003, a growth of 16%.

7.B. Financial Condition :

7.B.1 Share Capital :

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

7.B.2 Reserves and Surplus :

Reserves and Surplus increased by Rs. 199 million to Rs. 6,121 million as a result of profit appropriation of Rs. 149 million during the year under review and increase of Rs. 50 million in carried forward balance of Profit and Loss Account as at the end of the year.

7.B.3 Loan Funds :

The details of Loan Funds are as under :-

Rs. in Million			
	As at March 31, 2004	As at March 31, 2003	Change
Secured Loans	208	51	157
Unsecured Loans	3	37	(34)
Total	211	88	123

Secured loans were increased at the end of the year as per cash flow requirement. Unsecured loans consisting of only fixed deposits reduced due to repayment. The Company continues to have almost debt free status having debt equity ratio as at March 31, 2004 of 0.03.

7.B.4 Fixed Assets :

Additions to Fixed Assets block during the year ended March 2004 were Rs.353 million (Rs. 294 million in the previous year including Rs.120 million on account of amalgamation of two subsidiary companies). The additions of Rs. 353 million consists mainly of Plant & Machinery Rs.290 million for augmenting various manufacturing facilities, furniture and fittings Rs.12 million and vehicles Rs.9 million, technical know-fees Rs. 42 million for N-14 engine model. The depreciation block as at March 31, 2004 is Rs. 2,954 million as against Rs. 2,764 million as at March 31, 2003. Consequently, the net fixed assets block increased to Rs. 1,778 million as at March 31, 2004 against Rs.1,763 million as at March 31, 2003.

Estimated amount of contracts remaining to be executed on capital account and not provided for as at March 31, 2004 was Rs. 26 million and the Company believes that it will be able to fund them from its investments in liquid assets.

Cummins India Limited

7.B.5 Investments :

Investments decreased to Rs. 3,250 million as at March 31, 2004 as against Rs. 3,490 million as at March 31, 2003, as some funds temporarily parked in the short term investments at the end of the previous year were utilised during the year under review for operations as planned.

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

i. Inventories :

Inventories increased to Rs. 1,670 million as at March 31, 2004 against Rs. 1,534 million as at March 31, 2003. Though inventory in absolute value has increased, in terms of days consumption based on certain assumptions, it is decreased to 69 days as at March 31, 2004, as against 77 days as at March 31, 2003.

ii. Sundry Debtors :

Sundry debtors net of provision for doubtful debts increased to Rs. 2,231 million as at March 31, 2004 as against Rs. 2,028 million as at March 31, 2003. These are considered good and realisable. The Sundry Debtors in terms of days of sales based on certain assumptions reduced marginally to 87 days as at March 31, 2004 as against 88 days as at March 31, 2003.

The need for cumulative provision for doubtful debts as at March 31, 2004 of Rs. 46 million (previous year Rs. 43 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. 70 million as at March 31, 2004 as against Rs. 151 million as at March 31, 2003. They represent the year end cash and bank balances with scheduled banks in current and deposit accounts.

iv. Other Current Assets :

Other current assets increased to Rs. 133 million as at March 31, 2004 against Rs. 84 million as at March 31, 2003. Other current assets include interest accrued on investments, duty drawback receivables, etc. Other receivables are increased mainly due to accrued duty drawback of Rs. 64 million as a result of increase in exports during the year under review and the Company opting for duty drawback scheme.

v. Loans and Advances :

Loans and Advances increased to Rs. 428 million as at March 31, 2004 against Rs. 294 million as at March 31, 2003. The loans and advances were primarily towards amounts paid in advance for value, material and services to be received in future, various deposits kept towards rent, telephone, electricity, insurance, lease rent receivables etc. Increase is mainly under advance payment of Income-tax (net of provision) by Rs.101 million and CENVAT amount.

7.B.7 Current Liabilities and Provisions :

i. Current Liabilities :

Acceptances represent bills of exchange drawn for a period by the suppliers and accepted by the Company. They increased marginally to Rs. 326 million as at March 31, 2004 as against Rs. 318 million as at March 31, 2003. The sundry creditors represent the amount payable to suppliers for supplies of goods and services and also include accrued cost of various operational expenses. The sundry creditors increased to Rs. 1,593 million as at March 31, 2004 from Rs. 1,200 million as at March 31, 2003 as a result of increase in volume of operations and certain provisions like contribution to Pension Funds etc. The total current liabilities increased to Rs. 1,944 million as at March 31, 2004 against Rs. 1,564 million as at March 31, 2003.

ii. Provisions :

The total provisions decreased to Rs. 774 million as at March 31, 2004 as against Rs. 1,236 million as at March 31, 2003 due to the reasons given below :

- The provision is reduced mainly under provision for dividend and taxation. Eventhough the total dividend outflow and tax thereon are same as in the previous year, in view of payment of interim dividend in December 2003, the final provision for dividend as at March 2004, as compared to previous year is lower.
- Pension and leave encashment represent accrued liability towards pension of some ex-employees and leave encashment entitlement as per independent actuarial valuation.
- Other provisions at Rs. 245 million (previous year Rs. 241 million) consist of provision for accrued liability for warranty and new engine performance inspection fees etc.

8. Human Resources and Industrial Relations :

Human Resources and Employee Relations :

- **HR and Organizational effectiveness initiatives** : Our business diversity demands the talents and creativity of individuals with a wide range of backgrounds. We strive to unleash the power of Cummins by giving an employee the freedom to take charge, the opportunities to grow and the benefits to build his or her future. During the year we took several steps to ensure an appropriate work life balance for our employees.

Organizational development initiatives :

- Performance management- Cummins Performance Management System (CPMS) and Organizational Development Review (ODR) was introduced couple of years ago

Cummins India Limited

in Cummins India Ltd. Now the system has found its feet. Its execution has reached a high degree of maturity. Managers have become well versed and are using its functionality well for managing performance. Its features like quarterly workplan, regular review and feedback are strengthening the performance ethic. We at Cummins believe in a well defined set of core values. For us they are the ground rules of leadership behaviour for existing as well as prospective employees. Demonstration of these values form a very important part of our performance management system. We believe in attracting and retaining people who believe in these core values and will consistently demonstrate them in their professional and we sincerely hope, in their personal lives as well. Our performance management system not only measures the achievement of targets but also the employee commitment to core values of Cummins in achieving those deliverables.

- **Compensation philosophy** : To attract and retain the best talent we continue to benchmark our compensation and benefits to a comparable basket of companies in the market. We have kept our compensation levels aligned with market trends. Simultaneously, we distinguish high performers with enhanced level of compensation.
- **Leadership development and capability building** : Cummins has always accorded high priority to employee training and capability building. Training is imparted across all levels of employees. Our capability building calendar is based on individual development plan and organizational requirements for business growth. Functional training for enhancing key business skills was accorded to identified set of employees throughout the year. During the year Cummins Leadership development programme, a global initiative to improve company performance through improved leadership and develop leadership bench strength was launched in India. We launched Operations Management Programme for our graduate trainee engineers. The programme has highly structured approach towards development of young and talented engineers into matured, contributing and competent managers. It is designed to combine theoretical excellence with practical on the job knowledge. Apart from assignments in different areas of operations, one six sigma project is the key area they will have to work on.
- **Employee recognition programme** : One of the ways to motivate our employees to improve quality, cut costs, improve processes and focus on customer quality has been our Chairman's recognition programme. In the function for the year 2003, a total of 136 employees were recognized for their contribution in different areas of the organization through this prestigious award in a function. Matangi Gowrishankar our erstwhile VP HR and OE was felicitated as the "Indira Women Super Achievers-2003" by Indira Group of Institutes.
- **Industrial Relations** : Industrial relations continued to be harmonious. Union actively participated in various improvement initiatives like Six sigma, Turbo Kaizen and Kaizen.

The communication process between Management and Union continued on a regular basis. A sizeable improvement in productivity and reduction in wastes was visible throughout the year.

- **Responsible Corporate citizenship and community involvement :** For us at Cummins corporate social responsibility and profitable growth co-exist. We strive to be a trusted corporate citizen and sincerely try to fulfill our responsibility to the society and community in which we operate. This is one of our core values derived from our vision and mission. Some of the initiatives we took this year were:
 - Support to Anandwan (Leprosy rehabilitation camp run by Baba Amte) : In response to our appeal, our employees donated surplus clothes in generous quantities. We also donated surplus shoes and dining tables to the Camp. This gesture was greatly appreciated by the Camp.
 - Support to Hingane Stree Shikshan Sanstha : This institute supports poor children to earn their livelihood by imparting skills and knowledge. We provided surplus dining tables and utensils to the Sanstha at a nominal cost.
 - Support to Poona Blind Girl School : On the eve of Independence Day and Republic Day, we donated surplus utensils and Braille books to the school.
 - Besides, we also provided surplus and old computers at nominal cost to several educational institutes in and around Pune.

- **Community involvement and employee support programmes :**
 - **Family development circles :** One of our very old initiatives to improve the quality of lives of our employees continued its good work and kept women members engaged in improving their skills through various workshops, training sessions and lectures.
 - **Diversity :** One of the core values of Cummins is to create and respect a diverse workplace. We strive to build an environment that seeks, harnesses and uses employees' different backgrounds and experiences to build organizational strength. We have a diversity council which celebrates festivals and functions of different parts of the country. International Womens' day was celebrated with great enthusiasm. In general, its initiatives are designed to bring together the employees by creating awareness and respect for diversity in faith, religion, belief and sex.
 - **Arts, sports, culture and other initiatives :** Cummins Arts circle active for the last 29 years arranged, as in earlier years, several cultural activities for employees and their families. Our Art Circle team won several State level prizes in various competitions. A summer camp, "Tamhini", was organized for children with the help of a local society. A

Cummins India Limited

workshop and a quiz competition with “Water” as its theme was organized for school students. To develop environmental awareness among children our nature club, which has a presence in fifteen schools with more than 200 members, conducted several activities with water as its theme. Several nature trails along the local river ecosystem were conducted. Students actively participated in an ongoing initiative called “Nirmalaya” to curb the river pollution due to immersion of clay statues during a popular local festival.

Several sports activities were conducted for our employees with awards and appreciations for good performance.

During the year several programmes to improve the spiritual and physical health were conducted. Some of these were related to heart related diseases, diabetes prevention, art of living etc. There was a very encouraging response to these programmes with good participation and follow-ups.

9. Cautionary Statement :

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

CORPORATE GOVERNANCE REPORT :
(Annexure to Directors' Report)

1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

Corporate Governance is a set of principles, processes and systems to be followed by the directors, management and all employees of the Company for enhancement of shareholders value, keeping in view interests of other stake holders. The integrity, transparency and compliance with laws in all dealings with government, customers, suppliers, employees and other stakeholders are the objectives of good corporate governance.

2. BOARD OF DIRECTORS :

Mr. Ravi Venkatesan was Chairman of the Board of Directors of the Company upto March 31, 2004. The Board of Directors have elected Mr. Anant J. Talaulicar as Chairman of the Board of Directors in their meeting held on April 20, 2004.

Composition of the Board of Directors :

The Board as on March 31, 2004, consisted of 11 Directors, out of which 6 were Promoter Directors and 5 were Independent Directors.

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

Mr. J.K.Edwards stepped down as Director of the Company effective April 30, 2003 and that Mr. Pradeep Bhargava resigned as Alternate Director to Mr. J.K.Edwards, effective April 26, 2003. Mr. J.M.Rugg resigned as Director of the Company effective June 14, 2003. M/s. J.M. Barrowman, Peter McDowell and S.D.Hires stepped down as Directors of the Company effective October 28, 2003. Mr. Anant J. Talaulicar and Mr. Vinod Dasari have been appointed as Joint Managing Directors of the Company effective July 29, 2003. Dr. John Wall has been co-opted as an Additional Director of the Company with effect from October 28, 2003. Mr. J.M.Barrowman and Mr. S.D.Hires have been appointed as Alternate Directors to Mr. M.A.Levett and Dr. John Wall respectively effective October 28, 2003.

Board Meetings :

During the financial year, meetings of the Board of Directors were held on April 25, 2003, June 7, 2003, July 29, 2003, September 17, 2003, October 28, 2003, November 5, 2003 and January 28, 2004.

Composition and Category of Directors :

Sr. No.	Category		Name of Director	Status	Date of appointment
1	Promoter	1.	Mr. Ravi Venkatesan	Non-Executive	July 23, 1999
		2.	Mr. Anant J. Talaulicar	Executive	April 25, 2003
		3.	Mr. Vinod Dasari	Executive	June 10, 2002
		4.	Mr.S.M.Chapman	Non-Executive	July 8, 1992
		5.	Mr.M.A.Levett	Non-Executive	February 28, 1991
		6.	Dr. John Wall	Non-Executive	October 28, 2003
2	Independent	1.	Mr.Rajeev Bakshi	Non-Executive	October 20, 2000
		2.	Mr. P.S.Dasgupta	Non-Executive	February 26, 1998
		3.	Mr. Nasser Munjee	Non-Executive	March 29, 2001
		4.	Mr. B.H.Reporter	Non-Executive	March 15, 1962
		5.	Mr.Venu Srinivasan	Non-Executive	January 27, 2000

Note : As on March 31, 2004, Mr. B.H.Reporter jointly with Mrs. A.B.Reporter and Mr. Ravi Venkatesan hold 73,000 and 12,855 fully paid Equity shares of Rs. 2/- each respectively in the Equity share capital of the Company.

Cummins India Limited

Attendance of each Director at the Board meetings and the last Annual General Meeting (AGM) held on July 29, 2003 and No. of Directorships in other Boards and Chairmanship / Membership in other Board Committees.

Name of the Director	No. of Board Meetings held	No. of Board Meetings attended	Attendance at the last AGM	No. of Directorships in other Boards as on March 31, 2004 (Refer Note 1 & 2 below)	No. of Memberships in other Board Committees as on March 31, 2004 (Refer Note 2 below)
Mr. Ravi Venkatesan	7	7	Present	3	—
Mr. Anant J. Talaulicar	7	7	Present	6	—
Mr. Vinod Dasari	7	5	Present	6	1
Mr. J.M.Barrowman (resigned effective October 28, 2003)	7	3	Present	3	—
Mr.S.M.Chapman	7	2	Present	9	—
Mr.J.K.Edwards (resigned effective April 30, 2003)	7	—	—	4	2
Mr.S.D. Hires (resigned effective October 28, 2003)	7	—	Absent	—	—
Mr.M.A.Levett	7	2	Present	2	—
Mr. Peter McDowell (resigned effective October 28, 2003)	7	3	Present	5	—
Mr. J.M.Rugg (resigned effective June 14, 2003)	7	2	—	6	—
Dr. John Wall (w.e.f. October 28, 2003)	7	1	—	2	—
Mr.Rajeev Bakshi	7	3	Present	3	1
Mr.P.S.Dasgupta	7	6	Present	20	8
Mr. Nasser Munjee	7	7	Present	12	8
Mr. B.H.Reporter	7	7	Present	7	2
Mr. Venu Srinivasan	7	2	Present	15	5
Mr. Pradeep Bhargava (Alternate Director, resigned w.e.f. April 26, 2003)	7	—	—	1	—

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

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

Note 3 : Mr. J.M.Barrowman and Mr. S.D.Hires were appointed as Alternate Directors to Mr. M.A.Levett and Dr. John Wall respectively effective October 28, 2003. None of them have attended Meetings of the Board in the capacity of Alternate Director during the year.

Details of Board Meetings held during the year April 1, 2003 to March 31, 2004.

Sr. No.	Date	Board Strength	No. of Directors present
1	April 25, 2003	15	7
2	June 7, 2003	14	7
3	July 29, 2003	13	12
4	September 17, 2003	13	6
5	October 28, 2003	14	11
6	November 5, 2003	11	5
7	January 28, 2004	11	9

3. COMMITTEES OF THE BOARD :

(A) FINANCE AND AUDIT COMMITTEE :

During the year, meetings of the Finance and Audit Committee were held on April 25, 2003, June 7, 2003, July 29, 2003, September 17, 2003, October 28, 2003 and January 28, 2004. The Committee, during the year, reviewed the audited financial results for the year ended March 31, 2003 and quarterly results for the quarters ended June 30, 2003, September 30, 2003 and December 31, 2003. The Committee reviewed the Cost Audit Report for the year 2002-2003. The Committee reviewed Investment and Foreign Currency Exposure Management policies and Excess and Obsolete Inventory policy of the Company. The Committee also at its meetings reviewed the reports of Internal Auditor and had an interaction with the Cost Auditor and Statutory Auditors of

Cummins India Limited

the Company. The composition, names of Directors and the Broad Terms of Reference to the Finance and Audit Committee are as follows :

Composition, names of members, no. of meetings and attendance during the year April 1, 2003 to March 31, 2004.

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

- Notes :**
1. Mr. Ravi Venkatesan has stepped down as a Director w.e.f. April 1, 2004 and consequently, has ceased to be a Member of the Committee.
 2. Mr. Anant J. Talaulicar has been appointed as a Member of the Finance and Audit Committee w.e.f. April 20, 2004.

Broad Terms of Reference to Finance and Audit Committee :

- Oversee the Company's financial reporting process and disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- Recommending the appointment and removal of external auditors, fixation of audit fee and also approval for payment for any other services.
- Reviewing with management the annual financial statements before submission to the Board, focusing primarily on;
 - ◆ Any changes in accounting policies and practices.
 - ◆ Major accounting entries based on exercise of judgement by management.
 - ◆ Qualifications in draft audit report.
 - ◆ Significant adjustments arising out of audit.
 - ◆ The going concern assumption.
 - ◆ Compliance with accounting standards.
 - ◆ Compliance with stock exchange and legal requirements concerning financial statements.
 - ◆ Any related party transaction, i.e., transactions of the company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of company at large.

- Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
- Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
- Discussing with internal auditors any significant findings and follow up there on.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
- Discussing with external auditors before the audit commences, nature and scope of audit as well as have post-audit discussion to ascertain any area of concern.
- Reviewing the company's financial and risk management policies.
- To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.

(B) COMPENSATION AND MANAGEMENT DEVELOPMENT COMMITTEE :

During the year, meeting of the Compensation and Management Development Committee was held on June 7, 2003. The composition, names of Directors, Remuneration Policy of the Company and the broad terms of reference to the Compensation and Management Development Committee are as follows :

Composition, names of members, no. of meetings and attendance during the year April 1, 2003 to March 31, 2004.

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

Notes :1. Mr. Ravi Venkatesan has stepped down as a Director w.e.f. April 1, 2004 and consequently, has ceased to be a Member of the Committee.

2. The Board of Directors of the Company have appointed (i) Mr.B.H. Reporter and (ii) Mr. Anant J. Talaulicar as Members of the Compensation and Management Development Committee effective June 7, 2003 and April 20, 2004 respectively.

Cummins India Limited

Remuneration Policy :

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

Broad Terms of Reference to Compensation and Management Development Committee :

- To recommend and review remuneration package of Executive/Non-executive Directors.
- To present report to the Board on remuneration package of Directors and others.
- To review compensation package of Officers immediately below the Board level.

Details of Remuneration paid to all Directors during the year April 1, 2003 to March 31, 2004 :

Name of the Director	Sitting fees	Salary	Commission	House rent allowance	Gas/Elect./ Club fees	Medical	Total
Rajeev Bakshi	30,000	—	275,000	—	—	—	305,000
P.S.Dasgupta	70,000	—	275,000	—	—	—	345,000
Nasser Munjee	65,000	—	275,000	—	—	—	340,000
B.H.Reporter	90,000	—	275,000	—	—	—	365,000
Venu Srinivasan	10,000	—	275,000	—	—	—	285,000
J.M. Rugg	—	7,538	—	310,677	69,560	3,195	390,970
Pradeep Bhargava	—	1,003,412	—	37,500	—	10,268	1,051,180
Vinod Dasari	—	36,012	—	1,489,187	88,439	—	1,613,638
Total	265,000	1,046,962	1,375,000	1,837,364	157,999	13,463	4,695,788

Notes :

1. The Company does not have a Stock Option Scheme and no severance fees are payable to any Director. There is no notice period for severance of any of the Executive Directors.
2. Mr. Pradeep Bhargava and Mr. J.M.Rugg have resigned as Directors of the Company effective April 26, 2003 and June 14, 2003 respectively.

3. The Central Government has approved payment of commission to non Whole-time Directors vide its approval dated April 25, 2003.
4. During the year under review, the Company has paid Rs. 32,924/- as professional fees to New Delhi Law Offices, a firm in which Mr. P.S.Dasgupta, Director is a partner.

(C) SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE :

During the year, meetings of the Shareholders / Investors Grievance Committee were held on June 7, 2003, July 29, 2003, October 28, 2003 and January 28, 2004. The composition, names of Directors and the broad terms of reference to the Shareholders / Investors Grievance Committee are as follows :

Composition, names of members, no. of meetings and attendance during the year April 1, 2003 to March 31, 2004.

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

Notes :1. Mr. J.M.Rugg has resigned as Director of the Company effective June 14, 2003, consequently he has ceased to be a Member of the Committee.

2. Mr. Vinod Dasari has been appointed as a Member of the Committee effective September 17, 2003.

Broad terms of Reference to Shareholders / Investors Grievance Committee :

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

Compliance Officer :

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

Number of shareholders complaints received during the period April 1, 2003 to March 31, 2004 :

Total 45 complaints were received. These complaints were mainly relating to non-receipt of (a) dividend warrants (b) annual report (c) credit of dematerialised shares and (d) non-receipt of share certificates for rejected demat requests etc. All complaints were solved to the satisfaction of the shareholders.

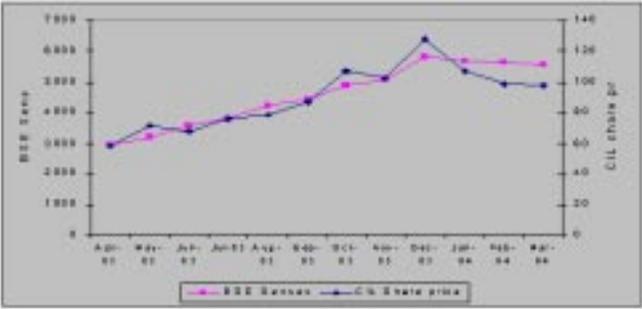
Number of complaints pending with the Company : Nil

Number of pending share transfers : Nil

Cummins India Limited

4. GENERAL SHAREHOLDER INFORMATION :

Registered Office	Kothrud, Pune 411 038. Phone No. : (020) 2538 5435, 2538 1105, 2538 0240 Fax No. : (020) 2538 0125 Website : www.cumminsindia.com		
Annual General Meeting	Date and Time : July 29, 2004 at 11:00 a.m. Venue : Cummins Diesel Sales and Service (India) Limited 35A/1/2, Erandawana Pune 411 038		
Financial calendar (Tentative)	<ul style="list-style-type: none"> • Results for quarter ending June 30, 2004 - Last week of July 2004. • Results for quarter and half year ending September 30, 2004 - Last week of October 2004. • Results for quarter and nine months ending December 2004 - Last week of January 2005. • Results for the year ending March 31, 2005 - June 15, 2005. 		
Date of book closure	July 20, 2004 to July 23, 2004 (both days inclusive)		
Interim Dividend Payment date	December 17, 2003		
Final Dividend payment date	August 3, 2004 (subject to approval of shareholders)		
Listing on Stock Exchanges	1. The Stock Exchange, Mumbai (Stock Code : 500480) 2. National Stock Exchange of India Ltd., Mumbai (Stock Code : KIRLOSKCUM EQ) Note : Pursuant to Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003, the shares of the Company have been delisted (voluntary delisting) from the Pune Stock Exchange Limited effective January 16, 2004.		
Market price data : high, low, during each month in last financial year	Month	High (Rs.)	Low (Rs.)
	April 2003	58.75	51.00
	May 2003	73.90	58.00
	June 2003	74.00	64.30
	July 2003	80.50	65.00
	August 2003	89.00	75.50
	September 2003	93.00	78.00
	October 2003	112.00	84.65
	November 2003	113.00	97.00
	December 2003	135.00	105.00
	January 2004	131.80	105.00
	February 2004	109.85	92.75
	March 2004	109.00	96.50

<p>Performance in comparison to broad-based indices such as BSE Sensex.</p>	<p>Chart A depicts the comparable movements of Cummins India Limited's Equity shares against the BSE Sensex, during the year ended March 31, 2004.</p>																																				
<p>Chart A: Cummins India Limited versus BSE Sensex 2003-04.</p>  <table border="1"> <caption>Approximate data from Chart A: Cummins India Limited versus BSE Sensex 2003-04</caption> <thead> <tr> <th>Month</th> <th>BSE Sensex</th> <th>CIL share price</th> </tr> </thead> <tbody> <tr><td>Apr-03</td><td>4000</td><td>60</td></tr> <tr><td>May-03</td><td>4200</td><td>70</td></tr> <tr><td>Jun-03</td><td>4500</td><td>75</td></tr> <tr><td>Jul-03</td><td>4800</td><td>80</td></tr> <tr><td>Aug-03</td><td>5000</td><td>85</td></tr> <tr><td>Sep-03</td><td>5200</td><td>90</td></tr> <tr><td>Oct-03</td><td>5500</td><td>95</td></tr> <tr><td>Nov-03</td><td>6000</td><td>105</td></tr> <tr><td>Dec-03</td><td>6500</td><td>130</td></tr> <tr><td>Jan-04</td><td>6000</td><td>110</td></tr> <tr><td>Feb-04</td><td>5800</td><td>100</td></tr> </tbody> </table>		Month	BSE Sensex	CIL share price	Apr-03	4000	60	May-03	4200	70	Jun-03	4500	75	Jul-03	4800	80	Aug-03	5000	85	Sep-03	5200	90	Oct-03	5500	95	Nov-03	6000	105	Dec-03	6500	130	Jan-04	6000	110	Feb-04	5800	100
Month	BSE Sensex	CIL share price																																			
Apr-03	4000	60																																			
May-03	4200	70																																			
Jun-03	4500	75																																			
Jul-03	4800	80																																			
Aug-03	5000	85																																			
Sep-03	5200	90																																			
Oct-03	5500	95																																			
Nov-03	6000	105																																			
Dec-03	6500	130																																			
Jan-04	6000	110																																			
Feb-04	5800	100																																			
<p>Registrar and Transfer agent</p>	<p>The Company has appointed Intime Spectrum Registry Limited, Mumbai as its Registrar and Transfer Agent. Share transfers, dematerialisation of shares, dividend payment and all other investor related activities are being attended to and processed at the office of Registrar and Transfer Agent at the following address :</p> <p>Intime Spectrum Registry Limited Unit : Cummins India Limited C-13, Pannalal Silk Mills Compound, L. B. S. Marg, Bhandup (West), Mumbai : 400 078 Phone Nos. (022) 5555 5454 Fax No. (022) 5555 5353 Contact Person : Mr. N. Mahadevan Iyer Timings : 10.00 to 16.00 (Monday to Friday excluding Public Holidays)</p>																																				
<p>Share Transfer System</p>	<p>Share Transfer requests in physical form are processed within 30 days from the date of receipt. The requests for dematerialisation of shares are confirmed within 21 days from the date of receipt.</p>																																				

Cummins India Limited

<p>Distribution of shareholding as on March 31, 2004.</p>	Category	No. of shares of Rs.2 each	% of shareholding
	Promoters	114,880,488	58.02
	Mutual Funds	14,736,944	7.45
	Banks/Financial Institutions/Insurance Companies	13,368,488	6.75
	Foreign Institutional Investors (FIIs)	28,575,575	14.43
	Corporate Bodies	2,439,114	1.23
	Indian Public	23,693,963	11.97
	NRIs	305,428	0.15
	TOTAL	198,000,000	100.00
Dematerialisation of shares and liquidity (as on March 31, 2004)	45.26 % shares are in demat form.		
Outstanding GDRs / ADRs / Warrants or any Convertible instruments, conversion date and likely impact on equity.	The Company has not issued any GDRs / ADRs / Warrants or any Convertible instruments.		
Plant locations	<p>1. Kothrud, Pune 411 038. 2. Plot No. 19/25A, Silver Industrial Estate, Bhipore, Daman 396 210</p>		
Address for correspondence	<p>Registered Office : Kothrud, Pune 411 038 Registrar and Transfer Agent : Intime Spectrum Registry Limited Unit : Cummins India Limited C-13, Pannalal Silk Mills Compound, L. B. S. Marg, Bhandup (West), Mumbai : 400 078</p>		

5. ANNUAL GENERAL MEETINGS (AGMs) :

Particulars	FY 2000-2001	FY 2001-2002	FY 2002-2003
Date and Time	26.7.2001 at 11.00 a.m.	13.9.2002 at 10.00 a.m.	29.7.2003 at 11.00 a.m.
Venue	Administrative Building of Cummins Diesel Sales and Service (India) Ltd. 35A/1/2, Erandawana Pune 411 038	Administrative Building of Cummins Diesel Sales and Service (India) Ltd. 35A/1/2, Erandawana Pune 411 038	Administrative Building of Cummins Diesel Sales and Service (India) Ltd. 35A/1/2, Erandawana Pune 411 038

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

- i) **AGM dated 13.9.2002 :**

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

- ii) **AGM dated 29.7.2003 :**

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

- **Postal Ballot :**

No resolution was passed through Postal Ballot during the year 2003-2004.

6. DISCLOSURES :

- i) Disclosure on materially significant related party transactions, i.e. transactions of the Company of material nature with its Promoters, Directors or the Management, or their subsidiaries or relatives that may have potential conflict with the interest of the Company at large:

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

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

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

7. MEANS OF COMMUNICATION :

- The quarterly / half-yearly unaudited financial results were published in Economic Times and in regional newspaper viz. Maharashtra Times.
- The quarterly / half-yearly unaudited financial results and official news releases were displayed on the Company's website www.cumminsindia.com.
- The quarterly shareholding pattern and quarterly / half-yearly unaudited financial results were posted on SEBI website www.sebiedifar.nic.in as well as on the Company's website www.cumminsindia.com.
- Transcript of Conference calls with the Analysts made on June 9, 2003 and October 30, 2003 and presentation made to the Analysts on January 29, 2004 were displayed on the Company's website www.cumminsindia.com.

8. COMPLIANCE CERTIFICATE OF THE AUDITORS :

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

Cummins India Limited

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE - MARCH 31, 2004

To the members of Cummins India Limited

We have examined the compliance of the conditions of Corporate Governance by Cummins India Limited for the year ended 31st March 2004 as stipulated in clause 49 of the Listing Agreement of the said Company with the stock exchanges in India.

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

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

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

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

For Price Waterhouse
Chartered Accountants

Place : Pune
Date : June 2, 2004

Vasant Gujarathi
Partner

ANNEXURE TO THE DIRECTORS' REPORT

Information as required under Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March, 2004.

Sr. No.	Name of employee	Age Yrs.	Qualifications	Exp. Yrs.	Designation / Nature of duties	Date of Joining	Remuneration Received		Particulars of last employment held
							Gross Rs.	Net Rs.	
1	Phadke S S	52	B.E. (Mech), B.A. (Eco)	28	Sr. Vice President Industrial Business	01/05/1993	2,686,057	1,469,462	Cummins Diesel Sales and Service (India) Ltd., Zonal Manager South, 1 Year, 3 Months
2	* Bhargava P K	54	B.Sc., B.E. (E&T), M.B.A.	33	Director & Head Power Generation Business	20/10/2000	1,249,635	883,126	General Electric (GE) Lighting India, Bangalore, President & CEO, 2 Years, 7 Months
3	* Gowrishankar Matangi (Ms.)	46	B.A. Sociology, PGDIR & PM	25	Vice President HR & Organisation Effectiveness	01/10/1999	2,955,376	1,993,427	International Computers India Limited, Vice President Human Resources, 6 months
4	* Surve R K	55	B.E. (Mech)	30	Dy. General Manager Manufacturing Engineering	01/08/1973	296,528	279,528	Vanaz Engineers Pvt.Ltd., Pune, Trainee Engineer, 2 Months
5	* Adsule D B	53	S.S.C., I.T.I.	33	Production Associate	01/10/1970	842,362	771,528	—
6	* Agashe S B	45	D.E.E.	19	Dy. General Manager Plant Shift Operation Incharge	01/09/1984	1,042,619	901,487	—
7	* Ambasankar M N	54	S.S.C.	33	Staff Associate	13/11/1969	935,378	866,852	—
8	* Angre N D	57	5th Std.	32	Production Associate	01/12/1974	322,053	318,325	Swastik Rubber Products Ltd., Plumber & Fitter, 4 Years
9	* Arage S M	51	7th Std.	31	Staff Associate	01/01/1975	841,421	785,098	Machinoll Pvt.Ltd.Pune, Driver, 1 Year & 6 Months
10	* Athavale P J	42	D.M.E.	15	Sr. Manager Mechanical Maintenance	13/06/1990	902,872	819,593	Noduron Founders (Maharashtra) Ltd, Mechanical Engineer, 2 Years
11	* Balkawade C P	57	4th Std.	36	Production Associate	01/07/1967	434,136	430,458	—
12	* Balkawade M R	57	4th Std.	38	Production Associate	01/11/1964	334,976	331,658	—
13	* Beldare J B	53	6th Std.	33	Production Associate	01/01/1970	851,202	795,110	—
14	* Bhagwat P M	57	S.S.C.	38	Staff Associate	01/04/1983	462,261	458,428	Bajaj Auto Ltd., Pune, 1 Year
15	* Bhalerao N R	48	S.S.C., I.T.I.	26	Production Associate	01/11/1976	884,421	821,056	—
16	* Bhalerao M H	56	S.S.C.	34	Staff Associate	06/03/1969	677,329	673,553	Swastik Rubber Products, Pune, Clerk, 1 Year
17	* Bhalla P V	55	S.S.C., I.T.I.	34	Production Associate	14/10/1969	655,261	646,887	Industries Electronic & Allied Products, Pune, Turner, 1 Year
18	* Bhave S V	57	S.S.C.	37	Production Associate	21/05/1969	263,404	260,180	Vishwanath Engineering Works, Pune, Turner, 1 Year
19	* Bhavsar S M	57	S.S.C., I.T.I.	34	Production Associate	18/08/1969	369,381	365,803	—
20	* Bhaygude C B	43	6th Std.	19	Production Associate	25/07/1997	491,132	489,870	Poona Industrial Canteen Services, Pune, Canteen Boy, 7 Years
21	* Bhosale B K	53	S.S.C., I.T.I.	33	Production Associate	25/03/1973	839,493	788,966	Accurate Engg.Co.Pvt.Ltd., Pune, Grinder, 3 Years
22	* Bhosale S G	54	4th Std.	36	Production Associate	01/07/1968	845,700	784,884	—
23	* Bhosale S K	56	I.T.I.	33	Production Associate	01/09/1970	593,761	590,169	—
24	* Bhujbal D M	53	S.S.C.	31	Production Associate	13/06/1972	775,254	738,334	—
25	* Bhujbal S S	55	S.S.C., I.T.I.	36	Production Associate	11/06/1968	849,905	813,393	—
26	* Bhutki S G	54	S.S.C.	32	Production Associate	23/11/1972	765,027	734,963	Shahu Aryoshadhi Karkhana, Kolhapur, Salesman, 2 Years & 3 Months
27	* Birje S J	54	B.Com., M.Com., LL.M.	30	Sr. Manager Sales Tax	22/11/1972	730,876	722,867	—
28	* Bodke P B	57	I.T.I.	37	Production Associate	16/08/1966	442,943	438,285	—
29	* Borkar V M	54	S.S.C., I.T.I.	33	Production Associate	13/10/1969	884,163	826,195	—
30	* Buddhe G N	56	S.S.C., I.T.I.	34	Production Associate	01/08/1969	597,411	592,083	—
31	* Chandakkar P P	56	S.S.C.	33	Production Associate	01/01/1970	601,019	597,447	—
32	* Chaturbhuj S S	57	S.S.C., I.T.I.	37	Production Associate	11/08/1966	522,856	518,620	—
33	* Chavan B B	55	S.S.C., I.T.I.	31	Production Associate	14/12/1973	702,461	686,739	Diamond Clock Mfg.Co., Pune, Fitter, 2 Years

Cummins India Limited

ANNEXURE TO THE DIRECTORS' REPORT (Contd.)

Sr. No.	Name of employee	Age Yrs.	Qualifications	Exp. Yrs.	Designation / Nature of duties	Date of Joining	Remuneration Received		Particulars of last employment held Organization, Designation and Experience Years
							Gross Rs.	Net Rs.	
34	*Chepe C N	48	S.S.C.	27	Executive Maintenance Misc, Bar Cap, Gear Case Cover & Lub Pump	05/09/1983	940,386	847,047	Tata Engg. & Locomotive Co.Ltd., Pune,Electronic Technician, 7 Years
35	*Chinchanikar S H	55	S.S.C.	34	Production Associate	02/06/1969	781,720	748,416	—
36	*Chopade S Y	50	B.E. (Mech)	27	Sr. Manager Planning	01/09/1976	993,105	901,989	—
37	*Chorge B R	42	I.T.I.	19	Production Associate	02/04/1984	853,686	783,536	—
38	*Chorge D S	57	7th Std	36	Production Associate	01/01/1967	348,955	345,865	—
39	*Dalvi D T	52	S.S.C.	33	Production Associate	19/06/1972	802,711	755,213	Abhay Industries, Pune, Turner, 2 Years
40	*Dengale B B	57	4th Std	36	Production Associate	01/10/1975	319,427	316,238	Maharashtra Iron Works, Pune, Fitter, 8 Years
41	*Deshpande B G	55	S.S.C., I.T.I.	35	Production Associate	20/01/1971	739,675	718,432	Cooper Engg.Ltd., Satara, 2 Years
42	*Deshpande V R	57	B.Sc.	35	Staff Associate	16/07/1968	520,198	512,703	—
43	*Dhanawe R B	57	1st Std	28	Production Associate	01/02/1975	284,087	280,978	—
44	*Dhumal R B	56	3rd Std.	38	Staff Associate	04/07/1966	621,138	615,702	Maratha Infontry, Sepoy, 3 Years
45	*Dokh S P	56	S.S.C.	33	Production Associate	09/06/1970	600,481	595,275	—
46	*Fattepure S N	57	S.S.C., I.T.I.	31	Production Associate	25/11/1972	280,033	276,945	—
47	*Gadgil B R	56	S.S.C., I.T.C.	35	Production Associate	13/11/1968	630,447	627,315	Bajaj Auto Ltd., Pune, Fitter, 1 Year
48	*Gaikwad N J	57	B.A., LL.B.	34	Staff Associate	16/12/1968	413,692	407,968	—
49	*Ghadge M A	56	S.S.C., I.T.I.	33	Production Associate	23/10/1969	655,643	650,341	—
50	*Ghate S R	56	I.T.I.	31	Production Associate	01/10/1972	591,888	586,015	—
51	*Ghodekar E G	55	S.S.C., I.T.I.	36	Production Associate	25/03/1973	788,554	753,640	Fit Tight Bolt Co., Bombay, Grinder, 1 Year
52	*Gogavale G T	56	8th Std.	35	Production Associate	15/04/1968	584,716	581,598	—
53	*Gujar A S	47	4th Std.	25	Production Associate	25/07/1997	415,027	413,941	Industrial Cleaning Services, Pune, Cleaner, 18 Years
54	*Gujrathi R N	56	M.Com.	34	Staff Associate	15/11/1968	630,784	625,146	—
55	*Gund G T	55	3rd Std.	32	Production Associate	01/01/1971	774,508	742,353	—
56	*Gupchup V N	53	S.S.C.	30	Staff Associate	01/01/1973	860,550	791,303	—
57	*Gurjar N L	52	S.S.C.	34	Staff Associate	16/09/1970	948,844	864,283	Public Works Deptt., Pandharpur, Typist, 1 Year
58	*Gurjar M G	56	S.S.C., I.T.I.	33	Production Associate	21/10/1969	616,548	611,594	—
59	*Hananamdar A B	48	S.S.C.	28	Production Associate	01/04/1975	859,615	786,805	—
60	*Hinge B S	43	S.S.C.	24	Production Associate	25/07/1997	491,922	491,446	Industrial Cleaning Services, Pune, Cleaner, 18 Years
61	*Hole S B	57	S.S.C.	36	Production Associate	09/06/1967	275,123	271,805	—
62	*Indurkar V I	56	S.S.C.	38	Production Associate	26/04/1969	587,343	582,181	Super Engineering Works, Chinchwad, Turner, 1 Year
63	*Ingale R S	48	S.S.C., I.T.I.	28	Production Associate	01/01/1975	842,799	776,914	—
64	*Ingawale M A	55	S.S.C.	33	Production Associate	17/10/1969	804,581	773,922	—
65	*Jadhav V G	53	S.S.C.	33	Staff Associate	17/12/1969	895,222	827,615	—
66	*Jadhav R K	55	S.S.C., I.T.I.	34	Production Associate	01/08/1969	792,653	739,175	—
67	*Jagtap S R	57	S.S.C., I.T.I.	34	Staff Associate	01/08/1969	380,642	376,184	—
68	*Jaiswal V H	55	S.S.C.	37	Production Associate	06/06/1966	720,727	707,507	—
69	*Jana B G	57	S.S.C.	32	Staff Associate	01/01/1973	530,992	526,572	Vishwanath Constructions Co., Clerk, 2 Years
70	*Joshi R R	42	B.E. (Mech); D.B.F.	17	Manager Fabrication	01/11/1985	880,322	799,705	—
71	*Joshi G S	56	B.Sc.	35	Staff Associate	17/06/1968	838,703	803,068	—
72	*Joshi A N	53	B.Sc.	29	Sr. Manager SQL	09/11/1973	1,015,826	921,830	—
73	*Kabade S M	56	S.S.C.	31	Production Associate	01/01/1973	584,966	579,766	Ashok Industries, Pune, Turner, 1 Year
74	*Kadu S P	54	8th Std.	35	Production Associate	12/09/1968	853,064	783,386	—
75	*Kalambate P G	53	S.S.C., I.T.I.	30	Production Associate	11/03/1973	775,934	731,389	—
76	*Kambale S U	51	S.S.C.	31	Production Associate	04/02/1972	850,563	780,975	—
77	*Kanade R B	55	S.S.C., I.T.I.	30	Production Associate	22/11/1972	730,746	699,035	—
78	*Karandikar G G	54	B.E. (Met.)	31	Sr. Manager Heat Treatment	01/08/1972	691,927	685,535	—

ANNEXURE TO THE DIRECTORS' REPORT (Contd.)

Sr. No.	Name of employee	Age Yrs.	Qualifications	Exp. Yrs.	Designation / Nature of duties	Date of Joining	Remuneration Received		Particulars of last employment held
							Gross Rs.	Net Rs.	
79	*Karanjavane R G	56	5th Std.	28	Production Associate	01/01/1975	599,047	594,341	—
80	*Karhade H P	53	B.Sc.	31	Staff Associate	07/02/1972	1,016,681	934,550	—
81	*Karmarkar R G	54	I.T.I.	34	Production Associate	06/10/1969	852,168	799,660	Ideal Book Service, Pune, Clerk, 4 Years
82	*Khan A H	57	6th Std.	31	Production Associate	21/12/1973	315,347	312,069	Unity Gauge & Tools Co., Pune, Turner, 2 Years
83	*Kharat P B	56	3rd Std.	33	Production Associate	01/01/1970	594,583	589,507	—
84	*Kharat S P	56	3rd Std.	34	Production Associate	01/07/1969	606,240	603,334	—
85	*Khutale S V	55	S.S.C., I.T.I.	33	Production Associate	12/11/1969	771,101	738,617	—
86	*Korde B B	51	B.A.	28	Sr. Manager FPS & Kit	01/01/1975	981,260	884,698	—
87	*Kulkarni M M	43	B.E. (Mech)	17	Manager Quality Gear Case Cover	03/10/1987	911,845	823,831	Patheja Forge Pvt. Ltd., Sr. Maintenance Engineer, 7 months
88	*Kulkarni D K	57	S.S.C.	38	Production Associate	04/01/1965	244,588	241,342	—
89	*Kulkarni G A	53	S.S.C., I.T.I.	33	Production Associate	22/06/1972	799,545	744,663	K.S.Prabodhan, Khed-Shivapur, Grinder, 1 Year & 6 Months
90	*Kulkarni S W	57	S.S.C., I.T.I.	31	Production Associate	01/09/1973	334,816	331,462	Chougule Workshop, Kolhapur, Helper, 1 Year
91	*Kulkarni A V	41	B.E. (Mech)	19	Executive Recon Predictive & Preventive Maintenance	01/08/1984	964,245	880,300	—
92	*Kulkarni S G	55	S.S.C.	29	Staff Associate	01/04/1974	850,459	801,501	—
93	*Kunte M B	53	S.S.C.	34	Production Associate	15/05/1969	867,400	796,089	—
94	*Lad S R	56	S.S.C., I.T.I.	31	Production Associate	01/10/1972	567,331	564,031	—
95	*Lale P B	51	B.Com.	28	Executive System Development	01/09/1975	1,150,621	1,046,346	—
96	*Magar S R	56	S.S.C., I.T.I.	33	Production Associate	17/10/1969	619,304	613,099	—
97	*Marane L M	54	S.S.C.	34	Production Associate	01/08/1969	800,282	745,998	—
98	*Marne S J	54	S.S.C.	34	Production Associate	08/05/1969	811,867	757,754	—
99	*Mohite M S	56	S.S.C., I.T.I.	34	Production Associate	03/05/1969	629,361	624,199	—
100	*Naik A G	40	B.E. (Mech.), ADCSSA, Lead Auditor ISO9000	19	Sr. Manager Maint. Con Rod, Cnc & Flywheel	12/04/2000	807,806	754,699	SKF Bearing India Ltd., Pune, Sr. Maintenance Engineer, 14 Years
101	*Nalage D P	55	S.S.C.	29	Production Associate	01/03/1974	670,075	652,451	—
102	*Nawale S S	55	I.T.I.	34	Production Associate	01/08/1969	731,561	708,773	—
103	*Newase S T	56	S.S.C., I.T.I.	33	Production Associate	21/10/1969	492,123	489,386	—
104	*Palande S M	55	S.S.C., I.T.I.	30	Production Associate	01/12/1972	766,583	725,444	—
105	*Pathak S S	37	B.Com., M.B.A.	12	Executive Imports	01/02/1991	1,045,172	948,901	—
106	*Patil B N	57	S.S.C., I.T.I.	30	Production Associate	01/03/1973	309,987	307,039	—
107	*Patil S G	57	B.A.	39	Staff Associate	19/08/1964	331,192	325,531	—
108	*Patil V B	56	S.S.C.	34	Production Associate	18/11/1968	562,914	557,728	—
109	*Pawar V B	42	D.E.E.	20	Manager Marketing Locomotive & Defence	03/11/1982	963,657	888,740	—
110	*Pawar P A	56	S.S.C.	28	Production Associate	01/04/1975	569,642	569,536	—
111	*Phadke S M	56	B.Sc.	34	Staff Associate	01/07/1969	740,675	717,700	—
112	*Phatak U V	43	S.Y.B.Com.	23	Staff Associate	01/09/1990	740,650	705,710	—
113	*Phengse K B	54	S.S.C.	33	Production Associate	01/07/1972	782,239	749,303	Abhay Industries, Pune, Turner, 1 Year & 6 Months
114	*Pokale P P	56	S.S.C., I.T.I.	38	Production Associate	10/05/1965	584,956	578,989	—
115	*Pore V S	54	B.Tech. (Aero)	27	Dy. General Manager Inventory Control	01/04/1976	1,075,157	978,581	—
116	*Potphode P B	54	S.S.C.	34	Production Associate	03/06/1969	808,955	754,492	—
117	*Radkar S R	52	B.A., LL.B., D.B.M., D.L.L.	29	Sr. Manager Imported Stores	22/02/1974	909,854	821,798	—
118	*Ranawade B L	56	9th Std.	34	Production Associate	01/04/1969	574,230	569,080	—
119	*Risbood J K	53	S.S.C., G.C.C., Dip. Language (Germany)	34	Manager Secretarial Support	20/04/1982	770,627	747,992	Swastik Rubber Products Ltd., Pune P.A. To Managing Director 11 Years
120	*Saindane R J	57	I.T.I.	35	Production Associate	17/06/1968	398,349	394,967	—

Cummins India Limited

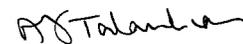
ANNEXURE TO THE DIRECTORS' REPORT

Sr. No.	Name of employee	Age Yrs.	Qualifications	Exp. Yrs.	Designation / Nature of duties	Date of Joining	Remuneration Received		Particulars of last employment held, Organization, Designation and Experience Years
							Gross Rs.	Net Rs.	
121	*Sanas M V	55	I.T.I.	34	Production Associate	01/08/1969	784,349	738,125	—
122	*Sathe V B	56	B.Com.	30	Staff Associate	08/12/1972	685,016	668,670	—
123	*Shelar L G	53	S.S.C., I.T.I.	28	Production Associate	01/03/1975	757,045	717,546	—
124	*Shelke R B	56	S.S.C., I.T.I.	29	Production Associate	12/10/1973	641,941	633,934	—
125	*Shembavnekar M R	38	D.M.E.	14	Manager Facility Maintenance	18/08/1989	913,377	833,342	—
126	*Shinde S K	56	9th Std.	29	Production Associate	01/05/1974	488,118	483,406	—
127	*Shinde S R	54	7th Std	33	Production Associate	01/08/1970	862,189	802,084	—
128	*Shingate U R	56	S.S.C., I.T.I.	34	Production Associate	18/12/1968	644,335	638,967	—
129	*Shitole N G	56	S.S.C., I.T.I.	34	Production Associate	01/08/1969	615,076	610,014	—
130	*Shukla B S	57	S.S.C.	31	Production Associate	01/01/1972	388,348	384,066	—
131	*Sidgiddi J S	57	S.S.C., I.T.I.	33	Staff Associate	17/09/1970	508,136	501,738	—
132	*Sonar S R	52	S.S.C., I.T.I.	30	Production Associate	22/11/1972	867,539	799,246	—
133	*Sonar S N	56	S.S.C.	36	Production Associate	21/04/1969	633,801	627,778	Kirloskar Oil Engines Ltd., Pune, Tester, 1 Year
134	*Sonawane P A	53	S.S.C., I.T.I.	34	Production Associate	01/09/1969	852,750	793,970	—
135	*Sutar A P	55	S.S.C., I.T.I.	31	Production Associate	07/02/1972	815,957	783,897	—
136	*Sutar S K	56	S.S.C.	37	Production Associate	11/08/1966	609,587	606,567	—
137	*Tapkir D K	57	5th Std.	33	Production Associate	01/08/1970	356,441	353,004	—
138	*Tapkir T P	56	S.S.C., I.T.I.	34	Production Associate	17/12/1968	623,915	618,731	—
139	*Taware S N	55	S.S.C.	37	Production Associate	16/12/1968	751,383	712,561	Prap Engg. Works, Pune, Turner, 3Years
140	*Tharkude D B	57	3rd Std.	36	Production Associate	01/01/1967	358,232	354,982	—
141	*Tiwari D B	56	3rd Std.	36	Production Associate	01/12/1966	600,483	596,805	—
142	*Unawane C M	57	I.T.I.	35	Production Associate	05/07/1968	370,493	367,193	—
143	*Vainshampayan P B	54	6th Std.	35	Production Associate	01/07/1968	863,024	809,464	—
144	*Vasgadekar A G	56	I.T.C.	34	Production Associate	25/11/1968	619,084	615,712	—
145	*Vishwabrahmin V B	51	S.S.C.	32	Production Associate	01/03/1971	868,058	805,540	—
146	*Wagh A B	54	S.S.C.	33	Production Associate	01/11/1969	811,415	764,702	—
147	*Walimbe V B	57	5th Std.	38	Production Associate	02/08/1965	355,132	352,042	—
148	*Warke P R	57	S.S.C., I.T.I.	33	Production Associate	03/11/1969	279,652	275,158	—

Notes :

- * Against a name indicates that the employee was in service only for a part of the year.
- Employees from Sr.No. 5 to 148 were in service only for a part of the year, who have availed Voluntary Retirement Scheme (VRS) and their Gross Remuneration includes VRS compensation.
- Designation of the employee indicates the nature of his / her duties.
- All appointments are contractual.
- The gross remuneration comprises of salary, allowances, incentive and perquisites, the monetary value of which is as per Income - tax Act and Company's contribution to Provident and Superannuation funds, wherever applicable.
- Net remuneration is arrived at by deducting from the gross remuneration income-tax, contribution to Provident fund and Company's contribution to Superannuation fund wherever applicable.
- The Company has contributed appropriate amounts to gratuity and Pension funds, as applicable. These amounts have not been included in "gross remuneration" as no separate figures are available for individual employees.
- Other terms and conditions are as per rules of the Company.
- None of these employees is relative of any Director of the Company.

On behalf of Board of Directors



Anant J. Talaulicar
Chairman & Joint Managing Director

Pune : June 2, 2004

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, 2004 and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 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, 2004 and taken on record by the Board of Directors, we report that no director of the Company is disqualified as on March 31, 2004 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, 2004;
 - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For Price Waterhouse
Chartered Accountants

Place : Pune
Date : June 2, 2004

Vasant Gujarathi
Partner
Membership Number 17866

ANNEXURE TO AUDITORS' REPORT

[Referred to in paragraph 3 of the Auditors' Report of even date to the members of Cummins India Limited on the financial statements for the year ended March 31, 2004]

- 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 are physically verified by the management according to a phased program designed to cover all items over a period of three years which in our opinion is reasonable having regard to the size of the Company and the nature of its assets. Accordingly, a portion of the fixed assets has been physically verified by the management during the year. As explained to us, no material discrepancies were noticed on such verification. In respect of certain assets lying with third parties, confirmations have generally been received.

(c) According to the information and explanations given to us, a substantial part of fixed assets has not been disposed off 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 substantially been 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 The Company has neither granted nor taken any loans, secured or unsecured, to/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 are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods. 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 procedures.
- 5 In our opinion and according to the information and explanations given to us, there have been no transactions that need to be entered into the register in pursuance of Section 301 of the Act.
- 6 In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 58A and 58AA of the Act and the Companies (Acceptance of Deposits)

Cummins India Limited

Rules, 1975 with regard to the deposits accepted from the public. According to the information and explanations given to us, no Order under the aforesaid Sections has been passed by the Company Law Board on the Company.

- 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, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-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, excise duty and cess as at March 31, 2004 which have not been deposited on account of a dispute, except as follows :

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

- 10 The Company has no accumulated losses as at March 31, 2004 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 explanation given to us, the Company has not defaulted in repayment of dues to any bank, financial institution or debenture holders as at the balance sheet date.
- 12 The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- 13 The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.

- 14 In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
- 15 In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Company for loans taken by others from banks or financial institutions during the year, are not prejudicial to the interest of the Company.
- 16 The Company has not obtained any term loans during the year.
- 17 On the basis of an overall examination of the Balance Sheet of the Company and according to the information and explanations given to us, long term funds (Share Capital and Reserves and Surplus) have been used for short term requirements as at March 31, 2004.
- 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 on or by the Company, noticed or reported during the year nor have we been informed of such case by the management.

For Price Waterhouse
Chartered Accountants

Place : Pune
Date : June 2, 2004

Vasant Gujarathi
Partner
Membership Number 17866

Cummins India Limited

BALANCE SHEET AS AT 31ST MARCH, 2004

	Schedule Number	Rupees '000	As at 31st March, 2004 Rupees '000	As at 31st March, 2003 Rupees '000
SOURCES OF FUNDS :				
Shareholders' funds :				
Share capital	1	396,000		396,000
Reserves and surplus	2	6,120,931		5,921,698
			6,516,931	6,317,698
Loan funds :				
Secured loans	3	207,754		50,987
Unsecured loans	4	3,564		36,842
			211,318	87,829
Deferred Taxation :				
Deferred tax Liability	5	266,094		265,291
Deferred tax Asset		(170,060)		(129,887)
			96,034	135,404
Finance Lease Liability			48,117	2,801
			<u>6,872,400</u>	<u>6,543,732</u>
APPLICATION OF FUNDS :				
Fixed assets :				
Gross block	6	4,732,423		4,526,462
Less : depreciation		2,953,998		2,763,610
Net block			1,778,425	1,762,852
Investments				
	7		3,249,904	3,490,395
Current assets, loans and advances :				
Inventories	8	1,699,636		1,533,717
Sundry debtors		2,231,447		2,027,510
Cash and bank balances		70,469		151,345
Other current assets		132,510		83,523
Loans and advances		427,922		294,291
		4,561,984		4,090,386
Less : Current liabilities and provisions :				
Current liabilities	9	1,943,850		1,564,049
Provisions		774,063		1,235,852
		2,717,913		2,799,901
Net current assets			<u>1,844,071</u>	<u>1,290,485</u>
			<u>6,872,400</u>	<u>6,543,732</u>

Notes :

12

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

In terms of our report of even date

For and on behalf of the Board

For PRICE WATERHOUSE
Chartered Accountants

Anant J. Talaulicar
Chairman &
Joint Managing Director

Vinod Dasari
Joint Managing
Director

Vasant Gujarathi
Partner

M. M. Godse
Vice President Legal &
Company Secretary

Nasser Munjee
Director

Membership Number : 17866

Pune:

Pune :

Date : June 2, 2004

Date : June 2, 2004

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2004

	Schedule Number	Rupees '000	Rupees '000	Previous Year Rupees '000
INCOME :	10			
Sales			9,324,186	8,319,516
Other Income			766,812	456,929
			<u>10,090,998</u>	<u>8,776,445</u>
EXPENDITURE :				
Cost of sales and other expenses	11	8,293,064		7,271,129
Lumpsum compensation under voluntary retirement scheme		97,732		—
Depreciation		298,936		265,788
INTEREST :				
on fixed loans		2,640		2,537
others		<u>17,621</u>		<u>27,827</u>
		<u>20,261</u>		<u>30,364</u>
			<u>8,709,993</u>	<u>7,567,281</u>
PROFIT BEFORE TAX			<u>1,381,005</u>	<u>1,209,164</u>
PROVISION FOR TAX:				
Current Tax (including net excess provision for earlier years Rs. (000) 1,347 (previous year Rs. (000) 65,211)		327,666		299,277
Deferred Tax		<u>(39,369)</u>		<u>(33,186)</u>
			<u>288,297</u>	<u>266,091</u>
NET PROFIT FOR THE YEAR			<u>1,092,708</u>	<u>943,073</u>
Balance carried forward from last balance sheet			750,000	750,000
Addition on amalgamation			—	83,893
APPROPRIATIONS :				
I Proposed final dividend			396,000	—
II Interim dividend			396,000	792,000
III Tax on dividend			101,475	101,475
IV Transferred to general reserve			149,233	133,491
Balance carried to balance sheet			<u>800,000</u>	<u>750,000</u>
Basic and Diluted Earnings per share (in Rupees) (Nominal value per share Rs. 2)			<u>5.52</u>	<u>4.76</u>

Notes :

12

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

In terms of our report of even date

For and on behalf of the Board

For PRICE WATERHOUSE
Chartered Accountants

Anant J. Talaulicar
Chairman &
Joint Managing Director

Vinod Dasari
Joint Managing
Director

Vasant Gujarathi
Partner

M. M. Godse
Vice President Legal &
Company Secretary

Nasser Munjee
Director

Membership Number : 17866

Pune:

Pune :

Date : June 2, 2004

Date : June 2, 2004

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31st March, 2004 Rupees '000	<i>As at 31st March, 2003 Rupees '000</i>
SCHEDULE NO. 1		
SHARE CAPITAL :		
Authorised : 200,000,000 equity shares of Rs. 2 each (<i>previous year 200,000,000 equity shares of Rs. 2 each</i>)	<u>400,000</u>	<u><i>400,000</i></u>
Issued and subscribed : 198,000,000 equity shares of Rs. 2 each (<i>previous year 198,000,000 equity shares of Rs. 2 each</i>)	<u>396,000</u>	<u><i>396,000</i></u>

Of the above equity shares;

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

	Rupees '000	As at 31st March, 2004 Rupees '000	<i>As at 31st March, 2003 Rupees '000</i>
SCHEDULE NO. 2			
RESERVES AND SURPLUS :			
Capital redemption reserve account:		7,000	<i>7,000</i>
General reserve:			
Balance as per last account	5,164,698		<i>5,031,207</i>
Add : transferred from : profit and loss account	<u>149,233</u>		<u><i>133,491</i></u>
Profit and loss account		5,313,931	<i>5,164,698</i>
		<u>800,000</u>	<u><i>750,000</i></u>
		<u>6,120,931</u>	<u><i>5,921,698</i></u>

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31st March, 2004 Rupees '000	<i>As at 31st March, 2003 Rupees '000</i>
SCHEDULE NO. 3		
SECURED LOANS :		
From banks -		
Secured by hypothecation of inventories, all receivables, investments (excluding investments in units of Unit Trust of India), rights, assets, etc. of the Company and second charge on immovable properties situated at Kothrud, Pune.	207,754	<i>50,987</i>
	<u>207,754</u>	<u><i>50,987</i></u>
 SCHEDULE NO. 4		
UNSECURED LOANS :		
Fixed Deposits (including interest accrued and due Rs. (000) 249; <i>previous year Rs. (000) 1,257</i>)	3,564	<i>36,842</i>
	<u>3,564</u>	<u><i>36,842</i></u>

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

	Rupees '000	As at 31st March, 2004 Rupees '000	<i>As at 31st March, 2003 Rupees '000</i>
SCHEDULE NO. 5			
DEFERRED TAXATION :			
Deferred Tax Liability			
Fixed Assets - Excess of Net block over written down value as per the provisions of the Income Tax Act, 1961		266,094	<i>265,291</i>
Deferred Tax Asset			
Provision for doubtful debts	(16,554)		<i>(15,601)</i>
Provision others	(59,104)		<i>(52,262)</i>
Voluntary retirement scheme	(38,538)		<i>(13,985)</i>
Provision for employee benefits	(24,864)		<i>(19,288)</i>
Disallowances under Section 43B	(30,964)		<i>(28,680)</i>
Preliminary expenses	(36)		<i>(71)</i>
		<u>(170,060)</u>	<u><i>(129,887)</i></u>
		<u>96,034</u>	<u><i>135,404</i></u>

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE NO. 6

FIXED ASSETS :

							Rupees '000
Particulars	Gross block (at cost) as at 31st March, 2003	Additions on Amalgamation@	Additions	Deductions	Gross block (at cost) as at 31st March, 2004	Depreciation as per Schedule 6A	Net block as at 31st March, 2004
Land							
– Freehold	7,791	—	—	—	7,791	—	7,791
– Leasehold	15,412	—	—	—	15,412	503	14,909
Roads	6,019	—	—	—	6,019	4,083	1,936
Buildings	205,226 *	—	—	—	205,226 *	79,639	125,587
Plant and machinery	4,145,217 #	—	289,685	131,679	4,303,223 #	2,838,810	1,464,413
Furniture and fittings	45,278	—	11,504	5,950	50,832	16,285	34,547
Vehicles	44,522 **	—	9,385	4,881	49,026 **	12,589	36,437
Technical Knowhow	—	—	42,000	—	42,000	2,089	39,911
	<u>4,469,465</u> <u>(4,153,609)</u>	<u>—</u> <u>(119,762)</u>	<u>352,574</u> <u>(293,508)</u>	<u>142,510</u> <u>(97,414)</u>	<u>4,679,529</u> <u>(4,469,465)</u>	<u>2,953,998</u> <u>(2,763,610)</u>	<u>1,725,531</u> <u>(1,705,855)</u>
Buildings, plant and machinery etc., under erection including advances for capital expenditure					52,894 (56,997)	— —	52,894 (56,997)
					<u>4,732,423</u> <u>(4,526,462)</u>	<u>2,953,998</u> <u>(2,763,610)</u>	<u>1,778,425</u> <u>(1,762,852)</u>

NOTES:

@ Pursuant to the Scheme of Amalgamation.

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

Includes

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

(ii) power generating equipment costing Rs. (000) 149,654 (previous year Rs.(000) 122,145) (net block Rs.(000) 119,313 (previous year Rs.(000) 105,590)) given under operating lease arrangements and office equipment costing Rs.(000) 71,493 (previous year Rs.(000) 890) (net block Rs.(000) 56,416, previous year Rs.(000) 670), acquired under finance leases.

** includes vehicles costing Rs.(000) 443 (net block Rs.(000) 310), (previous year costing Rs.(000) 3,762 (net block Rs.(000) 3,012), acquired under finance leases.

Figures in brackets are in respect of the previous year.

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE NO. 6 A

DEPRECIATION

Rupees '000					
Particulars	Depreciation upto 31st March, 2003	Additions on Amalgamation@	Depreciation for the year	Depreciation on deductions	Total depreciation upto 31st March, 2004
Land					
– Freehold	—	—	—	—	—
– Leasehold	342	—	161	—	503
Roads	4,044	—	39	—	4,083
Buildings	73,078	—	6,561	—	79,639
Plant and machinery ##	2,660,632	—	282,399	104,221	2,838,810
Furniture and fittings	15,492	—	3,363	2,570	16,285
Vehicles	10,022	—	4,324	1,757	12,589
Technical Knowhow	—	—	2,089	—	2,089
	<u>2,763,610</u>	<u>—</u>	<u>298,936</u>	<u>108,548</u>	<u>2,953,998</u>
	<u>(2,559,155)</u>	<u>(15,992)</u>	<u>(265,788)</u>	<u>(77,325)</u>	<u>(2,763,610)</u>

includes depreciation of Rs. (000) 14,429 (*previous year Rs. (000) 9,434*) on power generating equipments given under operating lease arrangements.

Figures in brackets are in respect of the previous year.

SCHEDULES FORMING PART OF THE BALANCE SHEET

			As at 31st March, 2004	As at 31st March, 2003
		Rupees '000	Rupees '000	Rupees '000
SCHEDULE NO. 7				
INVESTMENTS :				
<u>Number</u>	<u>Face value per unit Rupees</u>			
LONG TERM INVESTMENTS AT COST				
INVESTMENT IN SUBSIDIARY COMPANY				
Fully paid equity shares				
599,990	100	Cummins Diesel Sales and Service (India) Limited	19,061	19,061
100	10	Cummins Auto Services Limited	1	1
			19,062	19,062
TRADE INVESTMENTS				
Fully paid ordinary/ equity shares				
1,999,800	10	Nelson Engine Systems India Limited	19,998	19,998
359,040	10	KPIT Cummins Infosystems Limited *	39,685	39,685
114,600	10	Cummins Research and Technology India Limited	1,146	—
779,997	10	Newage Electrical India Limited	171,989	171,867
1,000	25	The Shamrao Vithal Co-operative Bank Limited	25	25
1,000	10	The Saraswat Co-operative Bank Limited	10	10
120,000	10	Housing Development * Finance Corporation Limited	1,575	1,575
500	10	HDFC Bank Limited *	5	5
			234,433	233,165
		Carried forward	253,495	252,227

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE NO. 7 (Contd.)			As at 31st March, 2004 Rupees '000	As at 31st March, 2003 Rupees '000
Number	Face value per unit Rupees			
		Brought forward	253,495	252,227
		OTHER THAN TRADE INVESTMENTS		
		<u>Units in Unit Trust of India</u>		
		Units in Venture		
—	—	Capital Units Scheme, 1990 (VECAUS II)	—	73
—	—	Under Institutional Investors' Special Fund Unit scheme 1998	—	2,500
—	—	Under Unit Scheme, 1964 *	—	129,252
			—	131,825
		TAX FREE REDEEMABLE/ NON-CUMULATIVE BONDS		
20,000	1,000	8.95% Konkan Railway * Corporation Limited	20,000	20,000
100	100,000	10.5% Nuclear Power * Corporation Limited	16,775	10,930
8,750	1,000	10.5% Indian Railway Finance * Corporation Limited	9,253	19,225
—	—	10.5% Konkan Railway * Corporation Limited	—	51,815
—	—	10.5 % Power Finance* Corporation Limited	—	82,858
4	5,000,000	8.70 % Rural Electrical* Corporation Limited	20,126	20,126
		Carried forward	253,495	384,052

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE NO. 7 (Contd.)			Rupees '000	As at 31st March, 2004 Rupees '000	<i>As at 31st March, 2003 Rupees '000</i>
Number	Face value per unit Rupees				
		Brought forward		253,495	<i>384,052</i>
500	100,000	10.4 % Nuclear Power * Corporation Limited	55,825		<i>55,825</i>
100	100,000	10.25% Housing & Urban * Development Corporation Limited	11,435		<i>11,435</i>
275	100,000	9.15% National Housing Bank*	29,797		<i>21,656</i>
200	100,000	9.50% National Textile Corporation Limited *	21,100		<i>21,100</i>
200	100,000	10.00% Housing & Urban * Development Corporation Limited	22,000		<i>22,000</i>
400	100,000	5.75% National Housing Bank* (Face Value Rs. 40,000,000)	41,410		—
5,000	10,000	8.35 % Rural Electrical* Corporation Limited	52,500		—
500,000	100	5.50% Nuclear Power * Corporation Limited	50,000		—
50	1,000,000	5.25% Nuclear Power Corporation Limited	50,000		—
1,030,810	100	6.75% Unit Trust of India	<u>103,081</u>		—
				<u>503,302</u>	<i><u>336,970</u></i>
		Carried forward		756,797	<i>721,022</i>

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE NO. 7 (Contd.)			Rupees '000	As at 31st March, 2004 Rupees '000	<i>As at 31st March, 2003 Rupees '000</i>
Number	Face value per unit Rupees				
		Brought forward		1,055,682	<i>1,298,952</i>
300	100,000	7 % Redeemable Non Convertible Debentures of Citicorp Finance (I) Ltd *	30,000		<i>30,000</i>
200	100,000	Redeemable Non Convertible Debentures of Citicorp Finance (I) Ltd *	20,000		<i>20,000</i>
5	10,000,000	7.85% L&T Holding Bond SR-2 2006 *	51,815		—
500	100,000	6.75% IDBI Bond 2008 *	50,462		—
12	1,250,000	6.68% Power Grid Corporation of India 2019 *	15,175		—
38	100,000	14.25% ICICI Bond 2005 *	4,210		—
				171,662	<i>147,833</i>
UNITS OF MUTUAL FUNDS					
Debt Fund (Growth Scheme)					
—	—	Alliance Income Fund	—		<i>77,973</i>
3,055,018	10	Birla Sun Life Income Fund	82,420		<i>105,627</i>
5,821,761	10	Deutsche Premier Bond Fund Institutional Plan	60,175		<i>20,000</i>
2,887,332	10	DSP Merrill Lynch Bond Fund	60,797		<i>93,173</i>
8,623,418	10	DSP Merrill Lynch Bond Institutional Growth	89,090		<i>50,455</i>
495,836	10	HDFC High Interest Fund - Growth Plan	10,298		—
8,063,012	10	HDFC Income Fund	119,855		<i>133,937</i>
		Carried forward		1,227,344	<i>1,446,785</i>

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE NO. 7 (Contd.)			As at 31st March, 2004 Rupees '000	<i>As at 31st March, 2003 Rupees '000</i>
Number	Face value per unit Rupees			
		Brought forward	1,227,344	<i>1,446,785</i>
4,864,950	10	HDFC Income Fund - Premium Plan Growth	75,366	—
2,802,283	10	HSBC Income Fund - Regular Plan (Growth Option)	30,123	—
—	—	IDBI Principal Income fund	—	<i>35,454</i>
1,289,516	10	IL & FS Bond Fund Growth	20,000	<i>35,153</i>
614,286	10	IL & FS Bond Fund - Institutional Plan - Growth	10,061	—
387,276	10	ING Vysya Income Fund - Bonus	3,902	—
2,061,869	10	JM Income Fund - Growth Plan - Growth Option	50,443	<i>84,894</i>
1,499,940	10	JM Income Fund - Institutional Plan - Growth	39,119	—
3,400,864	10	JM Income Growth - Bonus Option	30,000	<i>30,000</i>
3,275,362	10	Kotak Bond - Institutional (Growth)	54,975	<i>68,582</i>
1,811,705	10	Kotak Bond - Wholesale (Bonus Plan)	18,859	<i>18,859</i>
2,555,948	10	Principal Income Fund - Growth Plan (growth)	36,796	—
2,785,573	10	Prudential ICICI Income Plan - Growth Option	50,130	<i>112,017</i>
7,220,246	10	Pru ICICI Flexible Income Plan - Growth	81,639	<i>55,934</i>
2,619,600	10	Prudential ICICI Income Plan - Institutional Option	50,424	—
1,047,261	10	Reliance Income Fund	20,206	<i>20,094</i>
		Carried forward	<u>1,227,344</u>	<u><i>1,446,785</i></u>

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE NO. 7 (Contd.)		Face value per unit Rupees	Number	Rupees '000	As at 31st	As at 31st
					March, 2004	March, 2003
				Rupees '000	Rupees '000	Rupees '000
Brought forward					2,574,499	2,787,625
Monthly Income Plan (Growth Option)						
2,023,593	10	Alliance Monthly Income - G	40,000		—	
2,594,304	10	Birla MIP - Plan C (Growth)	40,000		—	
3,019,213	10	DSP Merrill Lynch Savings Plus Fund (Growth)	35,217		—	
3,806,075	10	FT India Monthly Income Plan - Growth	60,000		—	
5,470,521	10	HDFC MF Monthly Income Plan - Short Term Plan (Growth Option)	55,076		—	
2,000,000	10	HSBC MIP - Regular Plan - Growth	20,000		—	
801,824	10	Principal Monthly Income Plan - Growth	10,138		—	
1,370,699	10	Prudential ICICI MIP - Cumulative	20,000		—	
3,009,557	10	Reliance Monthly Income Plan - Growth Plan	30,116		—	
2,000,000	10	Tata M I P Plus Fund - Growth	20,000		—	
					330,547	
Equity Fund (Dividend Option)						
201,450	10	Birla Dividend Yield Plus - Plan A (Dividend)	2,500		—	
412,262	10	Franklin India Bluechip Fund - Dividend	10,000		—	
67,586	10	Franklin India Prima Fund - Dividend	2,500		—	
Carried forward					2,905,046	2,787,625

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE NO. 7 (Contd.)			Rupees '000	As at 31st March, 2004 Rupees '000	<i>As at 31st March, 2003 Rupees '000</i>
Number	Face value per unit Rupees				
		Brought forward		2,905,046	<i>2,787,625</i>
334,175	10	HDFC Equity Fund - Dividend Plan	7,500		—
328,228	10	HDFC Top 200 Fund - Dividend Plan	7,500		—
370,115	10	HSBC Equity Fund - Dividend	7,500		—
67,916	10	Reliance Growth Fund - Dividend Plan (D)	2,500		—
				<u>40,000</u>	<u>—</u>
		Total Long term investments	(A)	<u>2,945,046</u>	<u><i>2,787,625</i></u>
		CURRENT INVESTMENTS AT LOWER OF COST AND FAIR VALUE OTHER THAN TRADE INVESTMENTS			
2,600	1,000	10.5% Indian Railway Finance * Corporation Limited	2,606		—
		Treasury Bills *	—		<u><i>47,282</i></u>
				2,606	<u><i>47,282</i></u>
		CORPORATE BONDS			
—	—	10.00% Steel Authority of India Limited *	—		<i>50,620</i>
—	—	9.40% GECSI (Debentures M-15 Series) *	—		<i>20,000</i>
—	—	8 % IDBI Omni Bonds Sr.1 *	—		<i>50,000</i>
3,200	5,000	12.5 % IDBI Bonds 2004 *	16,413		<u>—</u>
				<u>16,413</u>	<u><i>120,620</i></u>
		Carried forward		19,019	<u><i>167,902</i></u>

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE NO. 7 (Contd.)			Rupees '000	As at 31st March, 2004 Rupees '000	<i>As at 31st March, 2003 Rupees '000</i>
Number	Face value per unit Rupees				
		Brought forward		19,019	<i>438,799</i>
2,319,150	10	Kotak Mahindra K Liquid Institutional Plan Growth	29,424		<i>20,000</i>
1,119,798	10	Principal Cash Management - Liquid Option	11,694		<i>—</i>
764,202	10	Prudential ICICI Liquid Plan- Institutional Plan	11,937		<i>—</i>
—	—	Reliance Liquid fund Treasury Plan Growth	—		<i>17,352</i>
1,538,116	10	Reliance Liquid Fund - Institutional Plan (Growth Option)	23,666		<i>—</i>
23,428	1,000	Templeton India Treasury Management Account - Growth	<u>36,989</u>		<i>—</i>
				240,259	<i>79,296</i>
		Short term Growth Fund			
—	—	Deutsche Short Maturity Fund	—		<i>20,000</i>
—	—	HSBC Short term Growth Fund	—		<i>30,000</i>
—	—	IL&FS short term Growth Fund	—		<i>10,000</i>
—	—	IDBI Income Fund short term Fund	—		<i>20,000</i>
—	—	Prudential ICICI Short term plan cum	—		<i>30,000</i>
—	—	Reliance Capital Short term Plan	—		<i>20,000</i>
—	—	SBI short term Growth Plan	—		<i>10,000</i>
—	—	Sundaram Select Debt ST Asset Plan	—		<i>5,000</i>
—	—	Standard Chartered Super saver short term plan	—		<i>193</i>
				<u>—</u>	<i>145,193</i>
		Carried forward		259,278	<i>663,288</i>

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

			As at 31st March, 2004 Rupees '000	As at 31st March, 2003 Rupees '000
SCHEDULE NO. 7 (Contd.)				
<u>Number</u>	<u>Face value per unit Rupees</u>			
		Brought forward	259,278	663,288
		Medium term Growth Fund		
2,988,406	10	GSSIF-MT(Growth)	<u>30,023</u>	<u>—</u>
			30,023	—
		Securitisation		
		Pass Through Certificates		
—	—	People's Financial Services Limited	—	2,012
—	—	People's Financial Services Limited	—	11,440
5	2,410,206	People's Financial Services Limited	12,051	36,613
2	1,753,111	Tata Finance Limited	<u>3,506</u>	<u>15,608</u>
			15,557	65,673
		Total Current Investments	(B) 304,858	728,961
		Total Investments	(A+B) <u>3,249,904</u>	<u>3,516,586</u>
		Provision for diminution in value of long term investments	—	(26,191)
		TOTAL	<u>3,249,904</u>	<u>3,490,395</u>
		Aggregate cost of quoted * investments	1,031,527	1,401,152
		Aggregate cost of unquoted investments	2,218,377	2,115,434
			3,249,904	3,516,586
		Aggregate market value of quoted investments	1,160,728	1,396,554

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE NO. 7 (Contd.)

Notes :

	Nos.	Face Value Rs.	Cost Rs.
I) Sale / Redemption :			
Under Unit scheme 1964*	10,306,108	103,064,080	129,252,000
1990 (VECAUS II)	730	73,000	73,000
Under Institutional Investors' Special Fund Unit scheme 1998	250,000	2,500,000	2,500,000
Tax Free Bonds			
10.5% Indian Railway Finance * Corporation Limited	9,500	9,500,000	9,972,125
10.25 % Power Finance * Corporation Limited	4,000	80,000,000	82,857,500
10.5% Konkan Railway * Corporation Limited	50,000	50,000,000	51,815,000
Government of India Bonds			
11.50% Government of India 2004 *		50,000,000	55,050,000
9.85% Government of India 2015 *		100,000,000	119,315,000
10.95% Government of India 2011 *		50,000,000	61,425,000
7.40% Government of India 2012 *		50,000,000	50,140,000
8.35% Government of India 2022 *		50,000,000	61,615,000
7.49% Government of India 2017 *		50,000,000	54,625,000
7.46% Government of India 2017 *		50,000,000	54,500,000
9.81% Government of India 2013 *		50,000,000	62,050,000
Corporate Bonds			
9.40% GECSI Debentures *	2	20,000,000	20,000,000
10.00% SAIL Limited *	100	50,000,000	50,620,000
8.00% IDBI Omni Bonds *	500	50,000,000	50,000,000
7.05% HDFC Bonds *	50	50,000,000	49,867,850
6.60% Redeemable non convertible Panatone Debentures *	5	50,000,000	47,964,700
Treasury Bills *	—	50,000,000	47,282,050

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE NO. 7 (Contd.)

	Nos.	Face Value Rs.	Cost Rs.
UNITS OF MUTUAL FUNDS			
Debt Fund (Growth Scheme)			
Alliance Income Fund - G	4,093,950	40,939,499	77,973,240
Birla Income Plus - Retail (Growth)	3,464,685	34,646,855	85,532,209
DSP Merrill Lynch Bond Fund - Retail Plan Growth	1,715,194	17,151,941	32,375,848
Grindlays Super Saver Income Fund - GSSIF (Growth)	442,890	4,428,897	5,598,126
Grindlays Super Saver Income Fund- IP - Plan B(Ins. Plan)(G)	2,230,701	22,307,005	30,297,708
HDFC High Interest Fund - Growth Plan	2,701,046	27,010,456	53,916,779
HDFC Income Fund - Growth	6,022,484	60,224,837	78,105,939
IL & FS Bond Fund - Growth	1,020,531	10,205,308	15,153,453
JM Income Fund - Growth Plan - Growth Option	1,965,978	19,659,777	44,451,294
KMMF K Bond - Wholesale (Growth)	1,334,203	13,342,033	18,279,920
Kotak Bond - Wholesale (Growth)	3,268,309	32,683,094	50,302,516
Principal Income Fund - Growth Plan (growth)	1,185,471	11,854,708	15,373,707
Pru ICICI Flexible Income Plan - Growth	2,000,000	20,000,000	20,000,000
Prudential ICICI Income Plan - Growth Option	4,385,935	43,859,353	71,915,428
Reliance Income Fund - Retail Plan - Growth Plan Bonus Option	1,859,366	18,593,663	20,000,000
Reliance Income Fund - Retail Plan - Growth Plan Growth Option	559,761	5,597,607	10,015,575
SBI Magnum Income Fund - Growth	355,354	3,553,536	5,287,662
SUN F&C Bond Fund - Growth Plan (Plan B)	353,453	3,534,532	5,337,143
Sundaram Bond Saver - Growth	649,505	6,495,050	10,944,160
Templeton India Income Builder Account - Institutional Plan - Growth	3,502,272	35,022,719	35,255,824
Templeton India Income Fund - Growth	1,962,088	19,620,885	38,699,012
Dividend Option			
Birla Income Plus - Retail (Dividend)	6,692,719	66,927,190	69,395,464
HDFC Income Fund - Dividend	2,159,358	21,593,576	23,462,068
JM Income Fund - Dividend	2,533,837	25,338,369	26,039,989

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE NO. 7 (Contd.)

	Nos.	Face Value Rs.	Cost Rs.
Reliance Income Fund			
- Quarterly Dividend Plan	2,205,283	22,052,834	23,840,878
Templeton India Income Fund - Dividend	2,575,877	25,758,775	28,147,386
Zurich India High Interest Fund			
- Dividend Plan (Regular Quarterly Dividend)	2,078,068	20,780,681	23,359,979
Short term			
Deutsche Short Maturity Fund - Growth Plan	2,000,000	20,000,000	20,000,000
GSSIF - Short Term -			
(G) Plan B (Inst. Plan)	16,228	162,275	192,958
HSBC Income Fund -			
Short Term Plan - Growth	3,000,000	30,000,000	30,000,000
IDBI-PRINCIPAL Short Term Plan - Growth	1,887,665	18,876,651	20,000,000
IL&FS Bond Fund Short Term Plan			
- Growth Plan	922,382	9,223,816	10,000,000
Prudential ICICI Short Term Plan - Growth	2,705,254	27,052,539	30,000,000
Reliance Short Term Fund - Growth Plan	1,995,291	19,952,911	20,000,000
SBI Magnum Insta Cash Fund			
- Short Term Plan	974,298	9,742,980	10,000,000
Sundaram Select Debt -			
Short-term Asset Plan (Appreciation Option)	500,000	5,000,000	5,000,000
FMP			
Franklin India Strategic Investment Plan	3,165,247	31,652,466	31,652,466
K FMP (1) - Growth	1,000,000	10,000,000	10,000,000
Reliance Fixed Term Scheme-Series-I			
- Quarterly Plan (Dividend)	1,000,000	10,000,000	10,000,000
Standard Chartered Fixed Saving			
Scheme(IV) Growth	1,500,000	15,000,000	15,000,000
Zurich India High Interest Fund			
- Growth Plan (FMP Yearly V Growth)	1,000,000	10,000,000	10,000,000
Floating Rate Fund			
Grindlays Floating Rate Fund - Growth	2,000,000	20,000,000	20,000,000
Liquid Fund - Growth			
JM High Liquidity Fund - Growth	596,790	5,967,905	10,000,000
KMMF K Liquid - (Growth)	1,742,309	17,423,087	21,046,740
Kotak Mahindra Liquid			
Institutional Plan - Growth	1,654,096	16,540,955	20,000,000
Kotak Mahindra Liquid Scheme - Growth	904,307	9,043,065	10,897,255
Reliance Liquid Fund - Treasury Plan			
(Growth Option Growth Plan)	1,186,653	11,866,529	17,352,069

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE NO. 7 (Contd.)

	Nos.	Face Value Rs.	Cost Rs.
Securitisation			
Pass Through Certificates			
People's Financial Services Limited	3	30,000,000	2,011,983
People's Financial Services Limited	4	40,000,000	11,440,296
People's Financial Services Limited Part Payout	5		24,562,091
Tata Finance Limited Part Payout	2		12,101,500
II) Purchased and sold / redeemed during the year :			
5.89% IRFC Corp Bond	—	50,000,000	50,000,000
6.68% Power Grid Corporation 2016	—	50,000,000	50,711,750
Treasury Bill (Citi)365	—	20,000,000	19,977,840
Debt Fund (Growth Scheme)			
ING Vysya Income Fund - Bonus	605,118	6,051,181	6,097,561
Kotak Gilt - Savings (Annual Dividend)	652,699	6,526,989	10,000,000
Short Term Growth Fund			
Alliance Short Term Fund - Growth	1,301,310	13,013,095	14,348,239
Birla Bond Plus - Retail Growth	2,176,750	21,767,495	24,993,204
Deutsche Short Maturity Fund - Growth Plan	1,918,344	19,183,438	20,036,259
DSP Merrill Lynch Short Term Fund - (Growth)	6,518,330	65,183,296	69,839,375
Grindlays Super Saver Income Fund - GSSIF - ST (Growth)	813,972	8,139,723	10,033,756
GSSIF - Short Term (D) Plan B - Institutional Plan	1,941,314	19,413,141	20,000,000
HDFC High Interest Fund - Short Term Plan - Growth Option	5,297,252	52,972,520	59,968,940
HDFC Short Term Plan - GROWTH	1,347,520	13,475,205	15,024,718
IL & FS Bond Fund - Institutional Plan - Annual Dividend	610,296	6,102,957	10,000,000
IL&FS Bond Fund Short Term Plan - Institutional Plan - Dividend	1,946,207	19,462,068	20,000,000
JM Floater Fund - Short Term Plan - Growth Option	997,367	9,973,670	10,000,000
JM Short Term Fund- Institutional Plan - Dividend	998,722	9,987,216	10,000,000
JM Short Term Fund - Institutional Plan - Growth	989,689	9,896,894	10,129,273
JM Short Term Fund - Growth Plan	668,976	6,689,758	7,356,994

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE NO. 7 (Contd.)

	Nos.	Face Value Rs.	Cost Rs.
K Bond Short Term Plan - Growth	3,916,255	39,162,549	43,238,821
Kotak Bond Short Term Plan - Growth	897,582	8,975,816	10,020,063
Principal Short Term Plan - Growth	898,664	8,986,644	10,024,511
Prudential ICICI Short Term Plan - Growth	6,014,618	60,146,183	69,648,193
Prudential ICICI Liquid Plan - Growth	3,287,266	32,872,661	49,990,371
Prudential ICICI Liquid Plan - Dividend	2,535,176	25,351,756	30,000,000
Prudential ICICI Liquid Plan - Dividend (Quarterly Option)	656,504	6,565,040	10,000,000
Prudential ICICI Liquid Plan- - Growth	3,082,735	30,827,355	47,500,000
Prudential ICICI Liquid Plan - Growth Option	672,129	6,721,288	10,000,000
Prudential ICICI Liquid Plan - Growth Option (Institutional Plus - Growth)	2,988,425	29,884,248	45,676,559
Prudential ICICI Liquid Plan- - Institutional Plan - Growth	760,321	7,603,211	11,830,900
Prudential ICICI Short Term Plan - Dividend Option	946,020	9,460,201	10,000,000
Reliance Short Term Fund - Growth Plan	1,881,299	18,812,985	20,045,578
Sundaram Select Debt - Short-term Asset Plan (Appreciation Option)	1,263,936	12,639,363	13,647,985
Tata Short Term Bond Fund - Option	925,635	9,256,345	10,000,000
Templeton India Short- Term Income Plan - Growth	53,553	53,552,558	60,642,746
Templeton India Short-Term Income Plan - Weekly Dividend	18,297	18,297,229	20,000,000
FMP			
Reliance Fixed Term Scheme Series-II - Monthly (Dividend)	1,000,000	10,000,000	10,000,000
Reliance Fixed Term Scheme Series-III - Monthly (Dividend)	1,000,000	10,000,000	10,000,000
Reliance Fixed Term Scheme-Series-II - Quarterly Plan (Dividend)	1,000,000	10,000,000	10,000,000
Reliance Fixed Term Scheme-Series-III - Quarterly Plan (Dividend)	1,000,000	10,000,000	10,000,000
Reliance Fixed Term Scheme-V - Dividend Plan (Dividend)	8,000,000	80,000,000	80,000,000
Floating Rate Fund			
Grindlays Floating Rate Fund - Growth	2,933,612	29,336,124	30,000,000

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE NO. 7 (Contd.)

	Nos.	Face Value Rs.	Cost Rs.
HDFC Floating Rate Income Fund			
-Short Term Plan - Growth	973,122	9,731,224	10,000,000
Prudential ICICI Floating Rate Plan	1,969,900	19,698,999	20,000,000
Templeton Floating Rate Income Fund			
- Short Term Plan (Growth Option)	3,630,012	36,300,116	40,000,000
Liquid Fund - Growth			
Alliance Cash Manager - G	3,970,202	39,702,022	60,000,000
Alliance Cash Manager Instnl (G)	17,208,285	172,082,852	177,074,069
Birla Cash Plus - Institutional (Dividend)	6,599,680	65,996,801	71,211,868
Birla Cash Plus - Institutional (Growth)	4,117,683	41,176,833	69,342,091
Birla Cash Plus - Retail (Dividend)	1,834,500	18,344,997	30,000,000
Birla Gilt Plus - Liquid Plan			
(Birla Gilt Plus - Liquid Plan			
(Annual Dividend))	1,975,426	19,754,257	30,000,000
Chola Liquid Fund - Cum -Institutional Plus	786,565	7,865,655	10,000,000
Deutsche Insta Cash Plus Fund -			
DIVIDEND (WEEKLY DIVIDEND)	1,975,855	19,758,551	20,000,000
Deutsche Insta Cash Plus Fund - Growth (GROWTH)	4,788,839	47,888,385	50,000,000
DSP Merrill Lynch Liquidity Fund - Dividend	2,418,900	24,188,997	30,019,352
DSP Merrill Lynch Liquidity Fund - Growth	6,042,166	60,421,661	91,322,288
DSP Merrill Lynch Liquidity Fund - Growth	993,463	9,934,630	15,000,000
Grindlays Cash Fund - Dividend (Weekly)	5,388,851	53,888,509	56,517,070
Grindlays Cash Fund - Growth	16,585,232	165,852,322	191,902,111
Grindlays Cash Fund - Weekly Dividend	2,840,876	28,408,760	29,994,330
HDFC Cash Management Fund - Growth	783,226	7,832,264	10,000,000
HDFC Cash Management Fund -			
Savings Plan - Growth Option	10,546,162	105,461,624	136,806,789
HDFC Cash Management Fund -			
Savings Plan - Weekly Dividend Option	1,020,793	10,207,932	10,854,400
HDFC Liquid Fund - DIVIDEND	4,375,090	43,750,897	43,989,299
HDFC Liquid Fund - GROWTH	2,849,696	28,496,965	35,000,000
HSBC Cash Fund - Dividend	981,682	9,816,818	10,000,000
HSBC Cash fund - Growth	966,361	9,663,610	10,000,000
HSBC Cash Fund - Regular Plan (Growth Option)	951,077	9,510,766	10,000,000
IDBI-PRINCIPAL Cash Management -			
Liquid Option (Institutional – Weekly Dividend Plan)	990,099	9,900,990	10,000,000
IL&FS Liquid Account - Dividend Plan	2,000,000	20,000,000	20,000,000
IL&FS Liquid Account - Institutional Plan - Growth	6,055,330	60,553,296	70,000,000
JM High Liquidity Fund - Institutional Plan - Growth	15,397,277	153,972,767	159,520,404
JM High Liquidity Fund - Dividend	3,881,127	38,811,269	46,615,050
JM High Liquidity Fund - Growth	2,940,309	29,403,090	50,000,000

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE NO. 7 (Contd.)

	Nos.	Face Value Rs.	Cost Rs.
KMMF K Liquid - (Growth)	410,394	4,103,944	5,075,430
KMMF K Liquid - Institutional Plan (Growth)	4,055,815	40,558,147	50,008,156
KMMF K Liquid - Institutional Plan (Dividend)	2,083,423	20,834,232	20,872,042
KMMF K Liquid - Institutional Plan (Growth)	1,631,255	16,312,548	19,991,844
Kotak Liquid - Institutional Plan (Growth)	5,305,257	53,052,570	66,529,173
Principal Cash Management - Liquid Option (Institutional – Growth Plan)	4,598,493	45,984,930	46,676,936
Reliance Liquid Fund - Institutional Plan (Growth Option)	5,850,543	58,505,425	89,986,606
Reliance Liquid Fund - Treasury Plan (Growth Option Growth Plan)	4,005,301	40,053,007	60,065,792
Reliance Liquid Fund - Treasury Plan (Retail Option - Growth Option Growth Plan)	654,947	6,549,475	10,000,000
Reliance Liquid Fund - Treasury Plan (Weekly Dividend)	4,248,900	42,488,999	44,429,689
SBI MICF CASH PLAN	1,179,300	11,793,004	16,524,861
Templeton India Liquid Fund - Growth	3,552,654	35,526,542	55,054,856
Templeton India Treasury Management Account - Growth	116,523	116,522,715	179,371,473
Templeton India Treasury Management Account - Weekly Dividend	47,273	47,273,469	58,846,994
UTI- Liquid Fund - Cash Plan (Growth)	999,743	9,997,433	10,040,522
UTI- Liquid Fund - Short Term Plan (Growth)	995,026	9,950,264	10,143,896
UTI Liquid Cash Plan - Income Option	1,000,000	10,000,000	10,000,000
Zurich India Liquidity Fund - Savings Plan (Weekly Dividend)	3,188,775	31,887,753	33,899,445
III) Purchased during the year			
Cummins Research and Technology India Limited	114,600	1,146,000	1,146,000
Newage Electrical India Limited	554	5,540	122,157
Tax Free Bonds			
5.50% Nuclear Power * Corporation Limited	50	5,000,000	5,845,000
10.50% Indian Railway Finance Corporation Limited	2,500	2,500,000	2,606,250
9.15% National Housing Bank*	75	7,500,000	8,141,250
5.75% National Housing Bank*	400	40,000,000	41,410,000
8.35 % Rural Electrical* Corporation Limited	5,000	50,000,000	52,500,000

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE NO. 7 (Contd.)

	Nos.	Face Value Rs.	Cost Rs.
5.50% Nuclear Power * Corporation Limited	500,000	50,000,000	50,000,000
5.25% Nuclear Power Corporation Limited	50	50,000,000	50,000,000
Under Unit Scheme, 1964 Converted into 6.75% Tax Free Bonds	1,030,810	103,081,000	103,081,000
Government of India Bonds			
6.17% Government of India 2023	—	50,000,000	51,125,000
8.35% Government of India 2022	—	50,000,000	63,100,000
7.49% Government of India 2017	—	50,000,000	59,875,000
11.99% Government of India 2009	—	50,000,000	65,575,000
Corporate Bonds			
7.85% L&T Holding Bond SR-2 2006	5	50,000,000	51,815,000
6.75% IDBI Bond 2008	500	50,000,000	50,462,450
6.68% Power Grid Corporation of India 2019	12	15,000,000	15,174,960
14.25% ICICI Bond 2005	38	3,800,000	4,210,400
12.5% IDBI Bond 2004	3,200	16,000,000	16,412,800
Debt Fund (Growth Option)			
Birla Income Plus - Retail (Growth)	2,282,958	22,829,576	62,324,605
Deutsche Premier Bond Fund - Institutional Plan - / (Growth Plan)	3,821,761	38,217,610	40,175,367
DSP Merrill Lynch Bond Fund - Institutional Plan - Growth	3,577,918	35,779,182	38,635,039
Grindlays Super Saver Income Fund- IP - Plan B(Institutional Plan)(G)	4,528,015	45,280,147	69,221,781
HDFC Income Fund - Growth	4,198,199	41,981,992	64,024,373
HDFC Income Fund - Premium Plan Growth	4,864,950	48,649,503	75,365,571
HSBC Income Fund - Investment Plan - Regular Plan (Growth Option)	2,802,283	28,022,829	30,123,458
IL & FS Bond Fund - Institutional Plan - Growth	614,286	6,142,859	10,061,082
ING Vysya Income Fund - Bonus	387,276	3,872,756	3,902,439
JM Income Fund - Growth Plan - Growth Option	397,877	3,978,769	10,000,000
JM Income Fund - Institutional Plan - Growth	1,499,940	14,999,403	39,118,803
Kotak Bond - Institutional (Growth)	3,275,362	32,753,620	54,974,957
Principal Income Fund - Growth Plan (growth)	1,120,175	11,201,748	16,715,085
Pru ICICI Flexible Income Plan - Growth	3,874,247	38,742,466	45,704,874
Prudential ICICI Income Plan - Growth Option	535,780	5,357,797	10,029,260
Prudential ICICI Income Plan - Institutional Option (Growth)	2,619,600	26,196,004	50,424,164
Reliance Income Fund - Retail Plan - Growth Plan Growth Option	510,282	5,102,820	10,127,567

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE NO. 7 (Contd.)

	Nos.	Face Value Rs.	Cost Rs.
Sundaram Bond Saver - Growth	1,139,164	11,391,641	23,673,137
Tata Income Plus Fund B - Growth Option	919,504	9,195,043	10,079,882
Templeton India Income Builder Account - Institutional Plan - Growth	6,147,471	61,474,710	70,951,714
Dividend re-investment Plan			
Birla Bond Index Fund - Dividend Plan (Plan A) Equity Fund (Dividend Option)	1,548,104	15,481,036	15,496,630
Birla Dividend Yield Plus - Plan A (Dividend)	201,450	2,014,504	2,500,000
Franklin India Bluechip Fund - Dividend	412,262	4,122,625	10,000,000
Franklin India Prima Fund - Dividend	67,586	675,858	2,500,000
HDFC Equity Fund - Dividend Plan	334,175	3,341,746	7,500,000
HDFC Top 200 Fund - Dividend Plan	328,228	3,282,283	7,500,000
HSBC Equity Fund - Dividend	370,115	3,701,152	7,500,000
Reliance Growth Fund - Dividend Plan (D)	67,916	679,163	2,500,000
Monthly Income Plan (Growth Option)			
Alliance Monthly Income - G	2,023,593	20,235,929	40,000,000
Birla MIP - Plan C (Growth)	2,594,304	25,943,039	40,000,000
DSP Merrill Lynch Savings Plus Fund (Growth)	3,019,213	30,192,135	35,216,659
FT India Monthly Income Plan - Growth	3,806,075	38,060,754	60,000,000
HDFC MF Monthly Income Plan - Short Term Plan (Growth Option)	5,470,521	54,705,207	55,075,632
HSBC MIP - Regular Plan - Growth	2,000,000	20,000,000	20,000,000
Principal Monthly Income Plan - Growth	801,824	8,018,240	10,138,103
Prudential ICICI MIP - Cumulative	1,370,699	13,706,986	20,000,000
Reliance Monthly Income Plan - Growth Plan	3,009,557	30,095,574	30,116,306
Tata M I P Plus Fund - Growth	2,000,000	20,000,000	20,000,000
Liquid Fund			
Alliance Cash Manager Instnl (G)	1,128,362	11,283,621	11,842,612
Birla Cash Plus - Institutional (Growth)	1,889,145	18,891,447	32,327,233
Grindlays Cash Fund - Growth	1,253	12,534	14,677
HDFC Cash Management Fund - Savings Plan - Growth Option	4,929,434	49,294,338	64,779,942
IL&FS Liquid Account - Institutional Plan - Growth	1,492,523	14,925,231	17,584,459
Kotak Liquid - Institutional Plan (Growth)	2,319,150	23,191,497	29,423,902
Principal Cash Management - Liquid Option (Institutional - Growth Plan)	1,119,797	11,197,975	11,694,493
Prudential ICICI Liquid Plan - Institutional Plan - Growth	764,202	7,642,024	11,937,300
Reliance Liquid Fund - Institutional Plan (Growth Option)	1,538,116	15,381,164	23,665,997
Templeton India Treasury Management Account - Growth	23,428	23,428,177	36,989,046
Medium Term GSSIF-MT(Growth)	2,988,406	29,884,058	30,022,761

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

	Rupees '000	As at 31st March, 2004 Rupees '000	<i>As at 31st March, 2003 Rupees '000</i>
SCHEDULE NO. 8			
CURRENT ASSETS, LOANS AND ADVANCES :			
Inventories :			
Stores and Spares		45,777	<i>46,844</i>
Loose tools and gauges		50,382	<i>42,067</i>
Stock-in-trade :			
Raw materials and components	994,628		<i>843,496</i>
Work-in-progress	353,120		<i>360,463</i>
Finished goods	82,587		<i>1,342</i>
Materials in transit	173,142		<i>239,505</i>
		<u>1,603,477</u>	<u><i>1,444,806</i></u>
		1,699,636	<i>1,533,717</i>
Sundry debtors : Secured			
Other debts -			
Considered good	11,274		—
Sundry debtors : Unsecured			
Debts outstanding for a period exceeding six months			
Considered good	14,784		<i>17,182</i>
Considered doubtful	43,037		<i>43,415</i>
Other debts -			
Considered good	2,205,389		<i>2,010,328</i>
Considered doubtful	3,106		<i>71</i>
	<u>2,277,590</u>		<u><i>2,070,996</i></u>
<i>Less:</i> Provision for doubtful debts	46,143		<u><i>43,486</i></u>
		2,231,447	<u><i>2,027,510</i></u>
Cash and bank balances :			
Cash on hand	240		<i>222</i>
Balances with scheduled banks :			
on current account	20,229		<i>51,123</i>
on deposit account	50,000		<u><i>100,000</i></u>
		<u>70,469</u>	<u><i>151,345</i></u>
Carried forward		4,001,552	<u><i>3,712,572</i></u>

SCHEDULES FORMING PART OF THE BALANCE SHEET

	Rupees '000	As at 31st March, 2004 Rupees '000	<i>As at 31st March, 2003 Rupees '000</i>
SCHEDULE NO. 8 (Contd.)			
Brought forward		4,001,552	<i>3,712,572</i>
Other current assets :			
Interest accrued on investments	23,459		<i>33,734</i>
Lease rent receivable	16,968		<i>19,927</i>
Other receivables	92,083		<i>29,862</i>
		132,510	<i>83,523</i>
Loans and advances :			
Unsecured considered good :			
Advances recoverable in cash or in kind or for value to be received	327,281		<i>293,898</i>
Balance with Excise Department	9		<i>393</i>
Taxation (net of provisions)	100,632		<i>—</i>
		427,922	<i>294,291</i>
		<u>4,561,984</u>	<u><i>4,090,386</i></u>

Cummins India Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

	Rupees '000	As at 31st March, 2004 Rupees '000	<i>As at 31st March, 2003 Rupees '000</i>
SCHEDULE NO. 9			
CURRENT LIABILITIES AND PROVISIONS :			
Current liabilities :			
Acceptances	326,044		<i>318,108</i>
Sundry creditors (Refer Note 3(b) & (c) of Schedule 12) *	1,592,739		<i>1,199,603</i>
Advances from customers	14,326		<i>38,050</i>
Dividend warrants posted but not encashed *	10,522		<i>4,199</i>
Interest accrued but not due on loans	<u>219</u>		<i><u>4,089</u></i>
		1,943,850	<i>1,564,049</i>
Provisions :			
Taxation (net of advance payments)	—		<i>20,420</i>
Interim dividend	—		<i>792,000</i>
Proposed dividend	396,000		<i>—</i>
Tax on dividend	50,738		<i>101,475</i>
Pension and leave entitlement	82,767		<i>80,960</i>
Others	<u>244,558</u>		<i><u>240,997</u></i>
		<u>774,063</u>	<i><u>1,235,852</u></i>
		<u><u>2,717,913</u></u>	<i><u><u>2,799,901</u></u></i>

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

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

	Rupees '000	Rupees '000	Previous Year Rupees '000
SCHEDULE NO. 10			
SALES AND OTHER INCOME :			
SALES			
Gross sales and services	10,319,373		9,327,585
Less : Excise duty	959,105		928,638
Net sales	9,360,268		8,398,947
Less : Commission	36,082		79,431
		9,324,186	8,319,516
OTHER INCOME			
Interest from customers, on income tax refunds and on deposits, etc. (tax deducted at source Rs. (000) 852; <i>previous year Rs. (000) 3,439</i>)	26,783		43,472
Miscellaneous income (including design and development charges Rs. (000) 23,975; <i>previous year Rs. (000) Nil</i>)	94,543		41,920
Export benefits	73,231		21,380
Income from investments			
Long term investments-			
Trade investments (tax deducted at source Rs. (000) Nil; <i>previous year Rs. (000) 158</i>)	54,311		1,512
Other investments (tax deducted at source Rs. (000) 1,483; <i>previous year Rs. (000) 2,519</i>)	85,181		75,383
Dividend from subsidiary (tax deducted at source Rs. (000) Nil; <i>previous year Rs. (000) 17,745</i>)	245,000		169,000
	384,492		245,895
Current investments - other than trade (tax deducted at source Rs. (000) 1,519; <i>previous year Rs. (000) 3,827</i>)	27,928		55,455
Gain on sale/redemption of long term investments	155,882		31,050
Gain on sale/redemption of current investments	3,953		17,757
		766,812	456,929
		<u>10,090,998</u>	<u>8,776,445</u>

Cummins India Limited

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

	Rupees '000	Rupees '000	Previous year Rupees '000
SCHEDULE NO. 11			
COST OF SALES AND OTHER EXPENSES :			
Raw materials and components consumed		6,017,651	5,036,381
Purchase of goods for resale		145,771	86,953
Payments to and provision for employees :			
Salaries, wages, bonus, commission, etc.	659,689		665,682
Company's contribution to provident and other funds	251,098		226,890
Welfare expenses	78,865		73,613
		989,652	966,185
Operation and other expenses :			
Stores, spares, consumable materials, etc.	219,189		189,145
Tools and gauges	49,357		41,755
Repairs to buildings	37,170		40,893
Repairs to machinery	29,276		35,021
Other repairs	34,536		38,190
Power and fuel	123,961		118,084
Rent	9,975		7,404
Rates and taxes	12,975		33,589
Insurance	27,989		29,445
Outside processing charges	78,819		73,524
Other expenses	492,945		490,629
Donations and contributions	10,000		10,000
Net loss on fixed assets sold or discarded	26,400		1,070
		1,152,592	1,108,749
Technical fees and royalties		74,214	82,132
Carried forward		8,379,880	7,280,400

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

	Rupees '000	Rupees '000	<i>Previous year Rupees '000</i>
SCHEDULE NO. 11 (Contd.)			
Brought forward		8,379,880	<i>7,280,400</i>
(Increase)/decrease in inventories of finished goods and work-in-progress :			
Closing inventories :			
Finished goods	82,587		<i>1,342</i>
Work-in-progress	<u>353,120</u>		<i><u>360,463</u></i>
	435,707		<i><u>361,805</u></i>
Opening inventories :			
Finished goods	1,342		<i>12,570</i>
Work-in-progress	<u>360,463</u>		<i><u>339,964</u></i>
	<u>361,805</u>		<i><u>352,534</u></i>
		(73,902)	<i>(9,271)</i>
		8,305,978	<i>7,271,129</i>
Less : cost of plant and machinery manufactured		<u>12,914</u>	<i><u>—</u></i>
		<u><u>8,293,064</u></u>	<i><u><u>7,271,129</u></u></i>

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2004 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

SCHEDULE NO. 12

1. Significant accounting policies

a) Basis of accounting

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

b) Fixed assets and depreciation

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

c) Investments

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

d) Inventories

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

e) Foreign currency transactions

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

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2004 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

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

f) Revenue recognition

- i) Sale of goods is recognised as per the terms of sale. Sales exclude amounts recovered towards excise duty and sales tax.
- ii) The Company enters into agreements that transfer the right to use equipment, though substantial services by the Company may be called for in connection with the operation or maintenance of such assets. As such, the agreements convey to the customer the right to use the equipment, they meet the definition of a lease and are accounted for based on their classification into Finance lease and Operating lease. The agreement is classified as a finance lease if it transfers substantially all risks and rewards incident to ownership and agreements not meeting this criterion are classified as operating lease. The accounting adopted for each of such classifications is as follows :
 - Operating Lease – minimum lease payments as per contracts are recognised as revenue on a straight-line basis over the lease term. Contingent rental income is recognised as revenue when the factors on which the contingent lease payments are based actually occur.
 - Finance Lease – recognised as a sale when goods are accepted by the customer and recognised in the balance sheet as a receivable at an amount equal to the net investment in the lease. Finance income is recognised on a pattern reflecting a constant periodic rate of return on the net investment outstanding in respect of the finance lease, and the amount attributable to service income is recognised as revenue on a straight line basis over the lease term.
- iii) Income from services is recognised on completion of services as per the terms of specific contracts.
- iv) Dividend income from investments is recognised when the right to receive payment is established. Dividend declared by the subsidiary companies after the date of the Balance Sheet is accounted during the year as required by Schedule VI of the Companies Act, 1956.

g) Lease charges under operating leases

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

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2004 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

h) Product warranty and New Engine Performance Inspection fees

Product warranty costs and New Engine Performance Inspection fees are accrued in the year of sale of products, based on past experience and are included as under :

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

i) Retirement benefits

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

j) Leave encashment entitlement

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

k) Research and development costs

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

l) Income Tax

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

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

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2004 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

2. Capital Commitments

	Rupees '000	<i>Previous year Rupees '000</i>
Capital Commitments	26,085	<i>129,002</i>

3. a) Advances recoverable in cash or kind include an intercorporate deposit of Rs. Nil (*previous year Rs. (000) Nil*) placed with Cummins Auto Services Limited, a subsidiary company. Maximum amount outstanding during the year Rs. (000) 5,000 (*previous year Rs. (000) 40,000*).

- b) Sundry creditors include –

	As at 31st March, 2004 Rupees '000	<i>As at 31st March, 2003 Rupees '000</i>
i) Amounts due to Directors	10	—
ii) Amounts due to small scale industrial undertakings	107,949	<i>77,784</i>

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

A V S Traders	M.K.Precimax Engineering Pune
Aask Engineers	Madan Micro Metal & Cast
Alankar Tools Pvt Ltd.	Mag Chem
Alwin Corpn	Mascot Decors
Anagha Enterprises	Menon Ancillaries
Anand Enterprises	Mercury Fittings (P) Ltd.
Anography	Nikhil Equipments Pvt Ltd
Apidor Abrasive Products Pvt.	Nissan Enterprises
Arco Products	P.G. Herekar
Arke Enterprises	Palavi Industries,
Ashok Industry	Panchsheel Filters Pvt.Ltd.
Autofit	Paramount Seals & Packings
Autoturn Industries	Paranjape Autocast Pvt. Ltd.
B B Garda & Sons	Pava Industries
Baba Engineering Works	Pethe Engineering P Ltd
Baker Gauges India Ltd. (Hip)	Plastimol
Balsons Industries	Platochem
Belose Industries	Polybond India Pvt. Ltd.
Bhairavanath Engineering Works	Polychem
Bhalchand Industries	Polycrafts

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2004 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

Bhavi Precision Products	Poona Coupling P Ltd.
Bhide Packings	Poona Pressings Pvt Ltd
Bhor Engineering Pvt.Ltd.	Pradeep Metallurgi.Prod.P.Ltd
Bright Engineering Works	Praj Industries Ltd
Bumper India Pvt Ltd	Prakash Products
Caltherm Thermostats (I) P Ltd.	Pratap Texchem Pvt.Ltd.
Chandarani Industries	Precifab
Chandrakant Belting Industries	Precision Rubber Co (I)
Ciseler Engineering	Premier Engineering Works
Clean Home	Punch Advertising
Coil Company Pvt Ltd.	Rahul Industries
Comfort Appliances	Ramesh & Co.
Continuous Stationery Pvt Ltd.	Ramps Engineers
Coro Chem	Ranflex India P Ltd.
Cotmac Electronics Pvt.Ltd.	Ravikiran Engineering Works
Cougar Paints Private Ltd.	Rico
Crown Plastic Industries	Rishi Laser Cutting Ltd.
D.J. Aluminium Fabricators	Rochi Engineers
Dbr Cooling Towers (P) Ltd.	Rohini Metal Pressing Works
Deejay Enterprises	Roshan Enterprises
Deevee Electrosystems P Ltd.	S S Nivsarkar & Associates
Delta Corporation	Sachin Engineering
Dispotronics	Sagari Engineering
Doright Engineering	Sai Electrical Services
Dot Measurements	Samarth Engineering
Duggal Brothers	Samsons Rubber Industries Ltd.
Dynam Pressings	Sardesai Autoparts Pvt. Ltd.
Electral Devices	Saurabh Engineers
Emulsichem Lubricants Pvt.Ltd.	Saw Seisaku Corporation
Enginemates Heat Transfer Pvt Ltd.	Shende Sales Corporation
Equip Sales And Service	Shiballoy Multiflex Pvt Ltd.
Era Instruments	Shree Engineers
Farsak Engg Works	Shree J Printers
Flow Tech Air(P) Ltd.	Shreeram Industries
Filtrum Polymers Pvt. Ltd.	Shri Ganesh Foundry Pvt.Ltd.
Fluid Dynamics Pvt Ltd.	Shriram Engineers
Ganesh Engg Works	Shriram Rubber Products Pvt.Ltd.
Gears & Transmissions	Snape Enterprises
General Machine Tools	Sneha Industries
Germanischer Lloyd	Somamshu
Gole Precision Tools Pvt. Ltd.	Space 'N' Style

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2004 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

Hi-Tech Transducers & Devices	Span Engine Cooling Systems P Ltd
House Of Gaskets & Components	Spark Engineering
Hy-Power Clamps Pvt. Ltd.	Srijan Control Drives Pvt.Ltd.
IAI Industries Ltd.	Steelflex
Indian Packaging Industry	Subra Industries
Industrial Products	Sulectrons
Industrial Trading Company	Suneet Engineering P Ltd.
Industrial Valves Trading Corp	Superior Electric
Injo Technical Services	Suprabha Protective Products
Intek Engineering Services	Suprik Engineers
International Memory Devices	Surya Engineers
Jai Suprabha Protective Prod.P	Swati Enterprises
Jayant Industries	Techno Spark
Jupiter Industrial Works Thane	Trimurty Engineers
K K Industries	Tuljabhavani Enterprises
Kalyani Thermal Systems Ltd.	Uma Udyog
Kat Controls Pvt. Ltd.	United Engineers
Kishor Multi Services	Unity Bushes And Tools Company
Kubera Tools	Unity Gauge And Tool Co Pvt. Ltd.
Kumbhojkar Plastic Moulders	Varunsack Plastic Paint & Chemicals Pvt. Ltd.
Kwality Precision Products P. Ltd.	Venkatesh Engineering Co.
M H Pardeshi & Co	Versatile Engg. Works
M J Woods	Vijay Engineering
M R Karode & Co	Vijay Industries
M. D. Industries	Yugandhar Industrial Services
M. H. Industries	Zulfikar Engineering

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

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2004 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

4. Contingent liabilities

	As at 31st March, 2004 Rupees '000	<i>As at 31st March, 2003 Rupees '000</i>
a) Taxation matters pending in appeal including effect of similar matters in respect of appeals decided in favour of the Company	38,527	<i>38,531</i>
b) Central excise duty/customs duty – demands not accepted by the Company	74	<i>6,649</i>
c) Civil liability / secondary civil liability in respect of suits filed against the Company	50	<i>3,000</i>
d) Guarantees given on behalf of subsidiary company to its bankers	237,849	<i>155,000</i>
e) Guarantees given on behalf of third parties to its bankers – maximum liability restricted to	27,500	<i>27,500</i>
f) Matters concerning sections 297/299 of the Companies Act, 1956	Amounts if any, not ascertainable	<i>Amounts if any, not ascertainable</i>
g) Claims against the Company not acknowledged as debts and Customs Show Cause Notices against the Company.	Amounts if any, not ascertainable	<i>Amounts if any, not ascertainable</i>
h) Advances include Rs. (000) 1,696 (<i>previous year Rs. (000) 1,696</i>) in respect of which a third party has made claims against the Company, which are not acknowledged as debts by the Company.		
i) Pursuant to an order of the Honorable Supreme Court, restraining the State Government, from recovering sales tax, one of the Company's supplier has not charged sales tax of Rs. (000) 60,429 (<i>previous year Rs. (000) 40,676</i>) (including interest @ 9% p.a.) on supplies made by it from October 2000 to December 2003 . In the event of the supplier's appeal being dismissed by the Honorable Supreme Court, the Company will need to reimburse the above sales tax to the supplier.		

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2004 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

<u>Name of the related party</u>	<u>Nature of Relationship</u>
Cummins Inc.	Holding company
Cummins Diesel Sales and Service (India) Limited	Subsidiary company
Cummins Auto Services Limited	Subsidiary company
MRC Autosolutions Private Limited	Subsidiary company (w.e.f. June 10, 2003)

b) Transactions with related parties as per the books of account during the year ended 31st March 2004

	Rs. '000					
	Holding Company	Subsidiaries	Fellow Subsidiaries	Associates	Key Management Personnel	Total
Purchases of goods	285,985 (177,047)	26,207 (29,491)	689,615 (595,741)	19,691 (19,702)	— (—)	1,021,498 (821,981)
Sale of goods	42,224 (67,176)	1,561,794 (1,576,993)	2,178,145 (1,473,003)	— (—)	— (—)	3,782,163 (3,117,172)
Purchase of fixed assets	— (—)	640 (788)	144 (60)	— (—)	— (—)	784 (848)
Sale of fixed assets	— (—)	1,969 (357)	762 (—)	— (—)	— (—)	2,731 (357)
Services rendered	597 (—)	1,538 (410)	24,907 (—)	— (143)	— (—)	27,042 (553)
Remuneration paid	— (—)	— (—)	— (—)	— (—)	3,344 (11,199)	3,344 (11,199)
Services received	— (—)	134,614 (129,228)	— (—)	— (—)	— (—)	134,614 (129,228)
Transfer of technology	114,214 (56,082)	— (—)	— (—)	— (—)	— (—)	114,214 (56,082)
Inter corporate deposits – given	— (—)	5,000 (40,000)	— (—)	— (—)	— (—)	5,000 (40,000)

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2004 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

	Rs. '000					
	Holding Company	Subsidiaries	Fellow Subsidiaries	Associates	Key Management Personnel	Total
Repayment of intercorporate deposits given	—	5,000	—	—	—	5,000
Interest on intercorporate deposits	(—)	(80,000)	(—)	(—)	(—)	(80,000)
Interest due to increase in credit period	—	3	—	—	—	3
Purchase of investment	(—)	(7,498)	(—)	(—)	(—)	(7,498)
Sale of investments	—	—	6,379	—	—	6,379
IT service charges	(—)	(—)	(12,535)	(—)	(—)	(12,535)
Sale of scrap	(—)	(5)	(3)	(—)	(—)	(8)
Dividend received	—	—	—	—	—	—
Dividend paid	(—)	(14,237)	(—)	(—)	(—)	(14,237)
Equity contributions	51,922	—	—	—	—	51,922
	(—)	(—)	(—)	(—)	(—)	(—)
	—	1,566	—	—	—	1,566
	(—)	(370)	(—)	(—)	(—)	(370)
	—	245,000	52,354	—	—	297,354
	(—)	(169,000)	(—)	(—)	(—)	(169,000)
	605,880	—	—	—	—	605,880
	(151,470)	(—)	(—)	(—)	(—)	(151,470)
	—	—	1,146	—	—	1,146
	(—)	(—)	(—)	(—)	(—)	(—)

c) Amounts outstanding as at 31st March, 2004

	Rs. '000					
	Holding Company	Subsidiaries	Fellow Subsidiaries	Associates	Key Management Personnel	Total
Sundry Debtors	—	208,252	910,778	—	—	1,119,030
	(—)	(299,016)	(607,644)	(201)	(—)	(906,861)
Sundry Creditors	193,172	—	136,684	3,606	10	333,472
	(26,697)	(—)	(106,307)	(3,206)	(—)	(136,210)
Guarantees outstanding	—	237,849	—	—	—	237,849
	(—)	(155,000)	(—)	(—)	(—)	(155,000)

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2004 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:

1.	Holding Company	Cummins Inc.
2.	Subsidiaries	<ul style="list-style-type: none"> i) Cummins Diesel Sales and Service (India) Limited ii) Cummins Auto Services Limited iii) MRC Autosolutions Private Limited (w.e.f. June 10, 2003)
3.	Fellow Subsidiaries	<ul style="list-style-type: none"> i) Cummins Engine Company Limited ii) Cummins Power Generation Limited iii) Cummins Diesel Sales Corporation iv) Cummins S A DE v) Cummins Natural Gas Engine vi) Cummins Diesel N V vii) Cummins Diesel Australia viii) Cummins Engine Co-Australia ix) Cummins Engine Co.-Diesel Recon x) Cummins Power Generation (S) Pte Ltd. xi) Cummins Power Generation-Australia xii) Cummins Engine (Singapore) Pte Ltd xiii) Ceco-Cummins Juarez xiv) Cummins Powergen USA xv) Cummins Brazil, S.A. xvi) Fleetguard Inc xvii) Nelson Engine Systems India Ltd. xviii) Diesel Recon Co. xix) Fleetguard Nelson Division xx) Holset Engineering Co. Ltd xxi) Holset Engineering Company ,Inc xxii) Cummins Engine Diesel Co xxiii) Newage Electrical India Limited xxiv) Cummins Engine (Beijing) Co xxv) Onan Corporation xxvi) Nelson Burgess Ltd xxvii) Newage International UK xxviii) Cummins Research and Technology India Ltd.

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2004 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

- xxix) Cummins Engine (Shangai)
- xxx) Cummins Japan Ltd.
- xxxi) Cummins Diesel FZE
- xxxii) Cummins Gas Engines, Holland BV, Netherland
- xxxiii) Cummins Diesel Sales & Service Co Ltd, Korea

4. Key Management Personnel

- i) Jim Rugg (upto June 13, 2003)
- ii) Pradeep Bhargava (upto April 25, 2003)
- iii) Vinod Dasari
- iv) Anant Talaulicar (w.e.f. April 25, 2003)

5. Associates

- i) Valvoline Cummins Limited
- ii) Fourstroke Automotive Pvt. Limited

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

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 @	8,949,757 (8,044,234)	417,515 (362,657)	9,367,272 (8,406,891)
Segment result	780,457 (817,093)	24,143 (34,094)	804,600 (851,187)

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2004 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

			Rs. '000
Information about business segments (Primary segments)	Engine Business	Others	Total
Unallocated Other Income			596,666 (388,341)
Interest			20,261 (30,364)
Profit before tax			1,381,005 (1,209,164)
Provision for tax			
Current tax			327,666 (299,277)
Deferred tax			-39,369 (-33,186)
Net profit for the year			1,092,708 (943,073)
iii) Segment assets	5,909,403 (5,611,069)	330,374 (242,168)	6,239,777 (5,853,237)
Common Assets			3,350,536 (3,490,395)
Enterprise Assets			9,590,313 (9,343,632)
iv) Segment liabilities	2,252,831 (1,776,345)	66,461 (112,462)	2,319,292 (1,888,807)
Common Liabilities			754,090 (1,137,126)
Enterprise Liabilities			3,073,382 (3,025,933)
v) Capital expenditure	320,381 (197,975)	28,090 (73,209)	348,471 (271,184)
Depreciation	280,825 (253,169)	18,111 (12,619)	298,936 (265,788)
Information about geogrphicl segments (Secondary segments)	Domestic	Export	Total
vi) Segment revenue @	7,142,548 (6,669,310)	2,224,724 (1,737,581)	9,367,272 (8,406,891)

@ Segment revenue from Other business includes Income from Lease Rs. (000) 7,004
(previous year Rs. (000) 7,944)

Notes:

- i) The Company'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 BALANCE SHEET AS AT 31ST MARCH, 2004 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

7. Lease income

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

	Due within 12 months Rupees '000	Due between 12 – 60 months Rupees '000	Total amount receivable Rupees '000
Gross investment in lease	6,800 (7,335)	14,994 (18,644)	21,794 (25,979)
Less : Unearned finance income	1,945 (2,485)	2,881 (3,567)	4,826 (6,052)
Present value of minimum lease payments receivable	4,855 (4,850)	12,113 (15,077)	16,968 (19,927)

Figures in brackets are in respect of the previous year.

- ii) Contingent rental income in respect of operating lease arrangements recognised in the statement of profit and loss for the year aggregate Rs. (000) 7,600 (*previous year Rs. (000) 5,564*).
- iii) The future minimum sub lease payments receivable under non-cancellable operating sublease arrangements, due within 12 months, aggregate Rs. (000) 21,920 (*previous year Rs. (000) 5,254*).
- iv) The sub lease income recognised in the statement of profit and loss for the year aggregate Rs. (000) 88,920 (*previous year Rs. (000) 129,021*).
- v) Contingent rental income in respect of finance lease arrangements recognised in the statement of profit and loss for the year aggregate Rs. (000) 160 (*previous year Rs. (000) 122*).

8. Lease commitments

- i) Finance lease :

The Company has acquired plant & machinery and vehicles under finance lease arrangements

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2004 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

for periods up to five years. The future minimum lease payments under these leases as of March 31, 2004 are as follows :

	Due within 12 months Rupees '000	Due between 12 – 60 months Rupees '000	Total amount due Rupees '000
Minimum lease payments	24,663 (1,074)	24,946 (2,383)	49,609 (3,457)
Less : Amount representing interest	1,051 (327)	441 (329)	1,492 (656)
Present value of minimum lease payments	23,612 (747)	24,505 (2,054)	48,117 (2,801)

ii) Future obligations as per lease agreements in respect of assets taken on finance lease prior to April 1, 2001 is Rs. (000) 298 (*previous year Rs. (000) 909*). Lease rent of Rs. (000) 756 (*previous year Rs. (000) 1,826*) has been debited to the profit and loss account.

iii) Operating lease :

The Company has acquired equipment under operating lease arrangements at stipulated rentals for a period of five years. The future minimum lease payments under these leases as of March 31, 2004 are as follows :

	Due within 12 months Rupees '000	Due between 12 – 60 months Rupees '000	Total amount due Rupees '000
Minimum lease payments	23,923 (25,844)	6,803 (22,178)	30,726 (48,022)

The minimum lease payments recognized in the Statement of Profit and Loss (included under other expenses) for the year are Rs. (000) 40,004 (*previous year Rs. (000) 51,262*).

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

- i) Appropriately recognised in the profit and loss account – Rs. (000) (33,082) (*previous year Rs. (000) 11,687*).
- ii) Adjusted in the carrying amount of fixed assets – Rs. (000) 324 (*previous year Rs. (000) 1,170*).

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2004 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

10. a) Managerial Remuneration

<u>Particulars</u>	<u>Rs. '000</u>	<i>Previous Year</i> <u>Rs. '000</u>
Salary	1,262	8,379
Perquisites	2,082	2,820
Commission - non-wholetime directors	1,375	1,250
Sitting fees	265	300
Total	<u>4,984</u>	<u>12,749</u>

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

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

Appointment of Mr. Vinod Dasari as a Joint Managing Director is subject to approval of shareholders.

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

<u>Particulars</u>	<u>Rupees '000</u>	<i>Previous Year</i> <u>Rupees '000</u>
Profits before Tax as per Profit and Loss account	1,381,005	1,209,164
Add: Directors' remuneration	4,984	12,749
Depreciation provided in the books	298,936	265,788
Net loss on fixed assets sold or discarded as per schedule 11	26,400	1,070
Wealth tax	300	300
Provision for doubtful debts and Advances	<u>2,657</u>	<u>12,330</u>
	333,277	292,237

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2004 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

<u>Particulars</u>	<u>Rupees '000</u>	<i>Previous Year</i> <u>Rupees '000</u>
Less: Depreciation under section 350 of the Companies Act, 1956	298,936	<i>265,788</i>
Net loss on fixed assets sold or discarded under section 350 of the Companies Act, 1956	26,400	<i>1,070</i>
Profit on redemption or sale of Investments	<u>159,835</u>	<u><i>48,807</i></u>
	<u>485,171</u>	<u><i>315,665</i></u>
Net Profit as per section 309(5)	<u>1,229,111</u>	<u><i>1,185,736</i></u>
Restricted to 1%	12,291	<i>11,857</i>
Commission payable to non-wholetime directors restricted to	1,375	<i>1,250</i>

11. Remuneration to Auditors:

	<u>Rs. '000</u>	<i>Previous Year</i> <u>Rs. '000</u>
Statutory Audit	3,078	<i>2,830</i>
Limited Review and Consolidation of Accounts	1,620	<i>300</i>
Tax Audit	1,220	<i>—</i>
Other services	2,125	<i>638</i>
Reimbursement of out of pocket expenses	88	<i>38</i>
	<u>8,131</u>	<u><i>3,806</i></u>

The remuneration disclosed above is including taxes as applicable.

- 12.** Other expenses include provision for doubtful debts Rs. (000) 2,657 (*previous year Rs. (000) 12,330*).
- 13.** Research and development expenses aggregating Rs. (000) 180,861, including Rs. (000) 30,081 on capital account (*previous year Rs. (000) 144,093 including Rs. (000) 23,791 on capital account*) have been incurred by the Company. The expenses disclosed above include expenses incurred on development of parts, etc.

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2004 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

14. The Company has 50% interest in Joint Ventures namely Nelson Engine Systems India Limited and Cummins Research and Technology India Limited, incorporated in India. The following represents the Company's share of Assets and Liabilities as at 31st March, 2004 and Income and Expenses for the year ended on that date.

a) Nelson Engine Systems India Limited

	As at March 31, 2004 Rs '000	<i>As at March 31, 2003 Rs '000</i>
Assets	33,657	<i>26,564</i>
Liabilities	9,168	<i>5,351</i>
Income	27,765	<i>21,470</i>
Expenses (including provision for tax)	22,233	<i>18,994</i>
Contingent Liabilities	Nil	<i>Nil</i>
Capital commitments	Nil	<i>18</i>

b) Cummins Research and Technology India Limited

	As at March 31, 2004 Rs '000
Assets	29,197
Liabilities	32,532
Income	8,674
Expenses (including provision for tax)	5,059
Contingent Liabilities	Nil
Capital commitments	579

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2004 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

15. Earning Per share

	As at March 31, 2004	As at March 31, 2003
a) Earnings per share is calculated by dividing the profit attributable to the Equity Shareholders by the weighted average number of Equity Shares outstanding during the year. The numbers used in calculating basic and diluted earnings are stated below :		
b) Profit for the year after taxation Rs. (000)	1,092,708	943,073
Weighted average number of shares outstanding during the year	198,000,000	198,000,000
c) Earnings per share (Basic and Diluted) Rs.	5.52	4.76
Face value per share Rs.	2.00	2.00

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

	Licensed capacity Nos.	Installed capacity ** Nos.	Production Nos.
Internal Combustion Engines in all H.P. ranges except those reserved for Small Scale Industries	23,000 (23,000)	21,000 (20,800)	15,965 (13,556)
Generating sets (including semi finished generating sets) powered by Internal Combustion Engines	2,140 (2,140)	1,100 (300)	848 (223)
Hydraulic Governors (see note (ii) below)	3,000 (3,000)	— (—)	28 (29)
Machine tools including special purpose machines and transfer lines	50 * (50)*	10 (10)	— (—)
Manufactured components (see note (ii) below) (Nos. million)	— (—)	— (—)	0.482 (0.486)
Parts and accessories for locomotives, prime movers, boilers, steam generating plants and nuclear reactors	1,10,000 (110,000)	— (—)	— (—)
Electricity distribution & control equipment including voltage stabilisers	1,500 (1,500)	— (—)	— (—)

* Exempted from the licensing provisions of the Industries (Development and Regulation) Act, 1951 in terms of notification No.S.O.477(E) dated July 25, 1991. Prescribed Memoranda, for the purpose of record, have been filed with Secretariat for Industrial Approvals (SIA), Department of Industrial Development, Ministry of Industry, Government of India. The capacity indicated is as disclosed in the respective memorandum.

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2004 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

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

Notes :

- i) Production includes
 - a) engines captively consumed 12 nos. (*previous year – 44 nos.*);
 - b) engines capitalized 2 nos. (*previous year 1 no.*) and gensets capitalized 1 no. (*previous year Nil*).
 - c) C series engines manufactured on contract by its subsidiary Cummins Diesel Sales and Service (India) Limited 276 nos. (*previous year Nil*)
- ii) Production quantities represent the number of components sold during the year, as the Company considers a component as 'meant for sale' only when it is actually sold.
- iii) Figures in brackets are in respect of the previous year.

b) Turnover, opening and closing stocks :

	Sale		Stocks			
	Qty. Nos.	Value Rs. '000	Opening Nos.	Rs. '000	Closing Nos.	Rs. '000
Internal Combustion Engines	15,817* (13,446)	7,596,111 (6,790,417)	24 (29)	1,238 (12,363)	61** (24)**	7,275 (1,238)
Generating sets (including semi finished generating sets) powered by Internal Combustion Engines	830# (215)	146,665 (58,596)	5 (5)	104 (207)	7 (5)	108 (104)
Hydraulic governors	28 (29)	791 (725)	<i>See note (i) below</i>			
Goods for resale : Engines	5 (4)	14,184 (8,476)	— (—)	— (—)	— (—)	— (—)
Equipments @	9 (37)	47,567 (75,360)	— (—)	— (—)	15 (—)	69,801 (—)
Lease rentals from equipments		180,053 (190,451)				
Gross income from services rendered		23,040 (20,322)				

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2004 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

	Sale		Stocks			
	Qty. Nos.	Value Rs. '000	Opening Nos.	Rs. '000	Closing Nos.	Rs. '000
Spare parts accessories and components		1,339,462 (1,245,341)				
Others		12,395 (9,259)		— (—)		5,403 (—)
		9,360,268 (8,398,947)		1,342 (12,570)		82,587 (1,342)

* net of sales returns 15 nos. (previous year 6 nos) and excluding engines given as free replacement 93 nos. (previous year 70 nos.) and including C series engines manufactured on contract by its subsidiary Cummins Diesel Sales and Service (India) Limited 276 nos. (previous year Nil).

** excluding engines scrapped 4 nos. (previous year Nil nos.)

net of sales returns 8 nos. (previous year 2 nos.) and excluding gensets given as free replacement 15 nos. (previous year 8 nos.)

@ including 6 nos. under finance lease arrangement (previous year 14 nos.).

Notes :

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

c) Details of raw materials and components consumed

	Rs. '000	Previous year Rs. '000
i) Steel (M.tonnes 842 ; previous year 1,144)	38,933	39,214
ii) Castings – various	237,076	230,263
iii) Forgings – various	305,472	262,415
iv) Components	4,126,343	3,554,414
v) Engines (8,127 nos ; previous year 4,995 nos)	773,567	487,349
vi) Long Blocks (545 nos ; previous year 764 nos)	60,321	96,353
vii) Others including semi-finished components	475,939	366,373
	6,017,651	5,036,381

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2004 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

Note :

Item (iv) includes -

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

d) Details of purchase of goods for resale :

	Qty. Nos.	Value Rs. '000	<i>Previous year</i>	
			Qty. Nos.	Value Rs. '000
Engines	5	15,092	4	6,509
Equipment	24	114,371	37	72,776
Others		16,308		7,668
Total		145,771		86,953

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

	Rupees '000	%	<i>Previous year</i>	
			Rupees '000	%
Imported	1,869,418	31.07	1,535,309	30.48
Indigenously procured	4,148,233	68.93	3,501,072	69.52
Total	6,017,651	100.00	5,036,381	100.00

Notes :

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

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2004 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

17. Value of imports calculated on CIF basis :

	Rupees '000	<i>Previous year Rupees '000</i>
a) Raw materials	142,489	152,064
b) Components	1,320,517	1,233,749
c) Machinery spares	7,901	3,874
d) Capital goods	5,463	61,293
e) Tools, stores, etc.	22,542	19,866
Total	<u>1,498,912</u>	<u>1,470,846</u>

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

	Rupees '000	<i>Previous year Rupees '000</i>
a) Royalty	74,214	56,082
b) Technical Know-how	40,000	26,050
c) Others (including IT Service charges, travelling, subscriptions, membership fees, commission on exports, foreign bank charges, etc.)	61,209	27,111
Total	<u>175,423</u>	<u>109,243</u>

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

		<i>Previous year</i>
Number of shareholders	1	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, 2004 (Interim)	201,960	
For the year ended 31st March, 2003 (Final)	403,920	—
For the year ended 31st March, 2002 (Final)	—	151,470

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, 2004 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

20. Earnings in foreign exchange :

	Rupees '000	<i>Previous year</i> <i>Rupees '000</i>
i) Export on FOB basis	2,224,724	<i>1,737,581</i>
ii) Recovery of freight, insurance and other expenses on exports	10,494	<i>5,623</i>
iii) Other income (assembly and testing charges, development charges, recovery of certification charges, refund of claims, etc.)	32,410	<i>6,382</i>
iv) Interest	6,379	<i>12,535</i>
Total	<u>2,274,007</u>	<u><i>1,762,121</i></u>

21. 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, 2004

II. CAPITAL RAISED DURING THE YEAR ENDED 31ST MARCH, 2004

	Rupees '000
Public issue	—
Right issue	—
Bonus issue	—
Private placement	—

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2004 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

III POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS AS AT 31ST MARCH, 2004

Rupees '000

Total Liabilities(See Note 1)	6,872,400
Total Assets	6,872,400
Sources of Funds-	
Paid - up capital	396,000
Reserve & surplus	6,120,931
Secured loans	207,754
Unsecured loans	3,564
Deferred tax liability	96,034
Finance Lease Liability	48,117
Total :	6,872,400
Application of funds -	
Net fixed assets	1,778,425
Investments	3,249,904
Net current assets	1,844,071
Miscellaneous expenditure	—
Accumulated losses	—
Total :	6,872,400

IV. PERFORMANCE OF THE COMPANY FOR THE YEAR ENDED 31ST MARCH, 2004:

Rupees '000

i) Turnover (net sales and other income as per the audited profit and loss account)	10,090,998
ii) Total Expenditure	8,709,993
iii) Profit before tax	1,381,005
iv) Profit after tax	1,092,708
v) Earning per share (See Note 2) (face value of Rs. 2)	5.52
vi) Dividend rate (%)	200%

Cummins India Limited

NOTES TO THE BALANCE SHEET AS AT 31ST MARCH, 2004 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE.

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. 6,121 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.

22. 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 & Joint
Managing Director

Vinod Dasari
Joint
Managing Director

Nasser Munjee
Director

M. M. Godse
Vice President Legal &
Company Secretary

Pune:

Date: June 2, 2004

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2004

	Rupees '000	Rupees '000	<i>Previous year Rupees '000</i>
I. Cash flows from operating activities :			
Cash generated from operations	1,035,494		1,724,524
Tax paid (net of refunds)	(448,719)		(273,802)
Net cash provided by operating activities		586,775	1,450,722
II. Cash flows from investing activities :			
Fixed assets			
Purchase	(335,802)		(256,937)
Sale	7,562		19,019
Interest received	150,167		162,107
Dividend received	299,311		153,591
Investments			
Purchase	(5,558,031)		(5,356,962)
Sale / redemption	5,958,357		4,163,821
Net cash used for investing activities		521,564	(1,115,361)
III. Cash flows from financing activities :			
Bank overdraft (net)	156,767		33,259
Finance Lease Liability	45,316		2,801
Repayment of fixed deposits (Net)	(32,270)		(50,485)
Interest paid	(25,139)		(33,109)
Dividend paid (including tax on dividend)	(1,333,889)		(297,199)
Net cash used for financing activities		(1,189,215)	(344,733)
IV. Net change in cash and cash equivalents (I+II+III)		(80,876)	(9,372)
V. Cash and cash equivalents at the beginning of the year		151,345	160,717
Cash and cash equivalents at the end of the year (IV+V)		70,469	151,345

Cummins India Limited

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2004 (Contd.)

Notes :	Rupees '000	Rupees '000	Previous year Rupees '000
1) Cash generated from operations has been arrived at as follows :			
Net profit before tax		1,381,005	1,209,164
Adjustments for -			
a) Non cash item / items required to be disclosed seperately :			
Depreciation	298,936		265,788
Interest expense	20,261		30,364
Interest income (gross)	(139,892)		(173,328)
Dividend earned (gross)	(299,311)		(171,494)
Loss on assets sold, discarded etc;	26,400		1,070
Gain on redemption / sale of investments	(159,835)		(48,807)
Provision for doubtful debts	2,657		12,330
		(250,784)	(84,077)
b) Changes in working capital and other provisions :			
Sundry debtors	(206,594)		529,962
Inventories	(165,919)		(243,184)
Loans and advances	(32,999)		(39,676)
Other current assets	(59,262)		20,679
Current liabilities	364,679		288,005
Provisions	5,368		43,651
		(94,727)	599,437
Total adjustments (a+b)		(345,511)	515,360
Cash generated from operations		<u>1,035,494</u>	<u>1,724,524</u>
2) Purchase of fixed assets include payments for items in capital work in progress and advances for purchase of fixed assets. Adjustments for increase/decrease in current liabilities related to acquisition of fixed assets have been made to the extent identified.			

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2004 (Contd.)

	Rupees '000 2003-04	Rupees '000 2002-03	Rupees '000 2001-02
3) Cash and cash equivalents comprise :			
Cash in hand	240	222	179
Balances with bank on current account :			
Unclaimed dividend account (restricted)	10,522	4,199	4,398
Other current accounts	9,707	46,924	38,885
Balances with bank on deposit account	50,000	100,000	99,795
Total	<u>70,469</u>	<u>151,345</u>	<u>143,257</u>

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 PRICE WATERHOUSE
Chartered Accountants

Vasant Gujarathi
Partner

Membership Number : 17866

Pune:

Date : June 2, 2004

For and on behalf of the Board

Anant J. Talaulicar
Chairman &
Joint Managing Director

M. M. Godse
Vice President Legal &
Company Secretary

Pune :

Date : June 2, 2004

Vinod Dasari
Joint Managing
Director

Nasser Munjee
Director

Cummins India Limited

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

Name of the Subsidiary	Cummins Diesel Sales and Service (India) Limited (CDS&S)	Cummins Auto Services Limited (CASL)	MRC Autosolutions Private Limited (MRC)
1. The Financial year / Period of the subsidiary company ended on	March 31, 2004	March 31, 2004	March 31, 2004
2. Holding Company's Interest (a) The number of Equity shares held	599,990 Equity shares of Rs.100 each fully paid are held by Cummins India Limited and its nominees.	9,999,800 Equity shares of Rs.10 each fully paid are held by CDS&S (99.99%) and its nominees. CDS&S is subsidiary of Cummins India Limited. Therefore, CASL, is subsidiary of Cummins India Limited in terms of Section 4(1) (c) of the Companies Act, 1956.	1,800,000 Equity shares of Rs. 10 each fully paid are held by CASL (100%) and its nominees. CASL is wholly owned subsidiary of CDS&S. CDS&S is subsidiary of Cummins India Limited. Therefore, MRC is subsidiary of Cummins India Limited in terms of Section 4(1)(c) of the Companies Act, 1956.
(b) Extent of interest in the capital of subsidiary	99.99%	—	—
3. The net aggregate amount so far as it concerns members of the holding Company and is not dealt with in the Company's accounts of the subsidiary's profits/ (loss)	(Rs. '000)	(Rs. '000)	(Rs. '000)
i) for the financial year/ period of the subsidiary as aforesaid	(19,907)	(85,319)	(6,028)
ii) for the financial year/ period of the subsidiary since it became the holding Company's subsidiary	972,096	(221,942)	(6,028)

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

Name of the Subsidiary	Cummins Diesel Sales and Service (India) Limited (CDS&S)	Cummins Auto Services Limited (CASL)	MRC Autosolutions Private Limited (MRC)
4. Net aggregate amounts of the profits/(Loss) of the subsidiary dealt with in the Company's account	(Rs. '000)	(Rs. '000)	(Rs. '000)
i) for the financial year/ period of the subsidiary	245,000	Nil	Nil
ii) for the financial year/ period of the subsidiary since it became the holding Company's subsidiary	509,200	Nil	Nil

Anant J. Talaulicar
Chairman & Joint
Managing Director

Vinod Dasari
Joint
Managing Director

Nasser Munjee
Director

M. M. Godse
Vice President Legal &
Company Secretary

Pune:
Date: June 2, 2004

Cummins India Limited and its Subsidiaries

CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Cummins India Limited and its subsidiaries

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

1. We have audited the attached consolidated Balance Sheet of Cummins India Limited, its subsidiaries, joint ventures and associates as at March 31, 2004, 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 two associates namely Valvoline Cummins Limited and Fourstroke Automotive Private Limited and a subsidiary, MRC Auto Solutions Private Limited, whose financial statements reflect total assets of Rs. 644,813 ('000) as at March 31, 2004 and total revenues of Rs. 1,602,478 ('000) for the year ended on that date. These financial statements have been audited by other auditors whose reports have been furnished to us. Our opinion, insofar as it relates to the amounts included in respect of these associates / subsidiary, is based solely on the report of the other auditors.
4. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 - Consolidated Financial Statements, Accounting Standard 23 – Accounting for Investments in Associates in Consolidated Financial Statements and Accounting Standard 27 – Financial Reporting of Interests in Joint Ventures, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Cummins India Limited, its subsidiaries, joint ventures and associates included in the consolidated financial statements.
5. On the basis of the information and explanations given to us and on consideration of the separate audit reports on individual audited financial statements of Cummins India Limited, its subsidiaries, joint ventures and associates, in our opinion, 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, 2004;
 - (b) in the case of the consolidated Profit and Loss Account, of the consolidated results of operations of Cummins India Limited, its subsidiaries, joint ventures and associates for the year ended on that date; and
 - (c) in the case of the consolidated Cash Flow Statement, of the consolidated cash flows of Cummins India Limited, its subsidiaries, joint ventures and associates for the year ended on that date.

For Price Waterhouse
Chartered Accountants

Vasant Gujarathi
Partner
Membership Number 17866

Place : Pune
Date : June 2, 2004

Cummins India Limited
Cummins India Limited and its subsidiaries

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2004

	Schedule Number	Rupees '000	As at 31st March, 2004 Rupees '000	As at 31st March, 2003 Rupees '000
SOURCES OF FUNDS :				
Shareholders' funds :				
Share capital	1	396,000		396,000
Reserves and surplus	2	6,842,791		6,808,842
			7,238,791	7,204,842
Loan funds :				
Secured loans	3	232,192		57,244
Unsecured loans	4	264,498		192,183
			496,690	249,427
Deferred Taxation				
Deferred tax Liability	5	306,052		306,689
Deferred tax Asset		(215,360)		(174,042)
			90,692	132,647
Finance Lease Liability			68,246	5,925
			<u>7,894,419</u>	<u>7,592,841</u>
APPLICATION OF FUNDS :				
Fixed assets :				
Gross block	6	5,255,926		5,001,789
Less : depreciation		3,136,517		2,920,981
Net block			2,119,409	2,080,808
Goodwill			9,830	—
Investments	7		3,360,641	3,673,506
Current assets, loans and advances :				
Inventories	8	2,112,052		1,973,462
Sundry debtors		2,578,161		2,348,741
Cash and bank balances		185,832		298,731
Other current assets		174,514		114,501
Loans and advances		554,157		376,230
		5,604,716		5,111,665
Less : Current liabilities and provisions :				
Current liabilities	9	2,383,154		2,005,683
Provisions		817,023		1,267,455
		3,200,177		3,273,138
Net current assets			2,404,539	1,838,527
			<u>7,894,419</u>	<u>7,592,841</u>

Notes :

12

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

In terms of our report of even date

For and on behalf of the Board

For PRICE WATERHOUSE
Chartered Accountants

Anant J. Talaulicar
Chairman &
Joint Managing Director

Vinod Dasari
Joint Managing
Director

Vasant Gujarathi
Partner

M. M. Godse
Vice President Legal &
Company Secretary

Nasser Munjee
Director

Membership Number : 17866

Pune:

Pune :

Date : June 2, 2004

Date : June 2, 2004

Cummins India Limited and its subsidiaries

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2004

	Schedule Number	Rupees '000	Rupees '000	Previous Year Rupees '000
INCOME :	10			
Sales			11,777,915	10,627,073
Other Income			555,804	337,403
			<u>12,333,719</u>	<u>10,964,476</u>
Share in Associates profit after tax (net)			57,262	56,777
EXPENDITURE :	11			
Cost of sales and other expenses		10,514,986		9,358,165
Lumpsum compensation under voluntary retirement scheme		105,523		1,602
Depreciation		340,122		304,012
INTEREST :				
on fixed loans	15,012			11,393
others	29,484			41,678
		44,496		53,071
Amortisation of goodwill		7,253		6,160
			<u>11,012,379</u>	<u>9,723,010</u>
PROFIT BEFORE TAX			<u>1,378,602</u>	<u>1,298,243</u>
PROVISION FOR TAX:				
Current Tax (including net excess provision in for earlier years Rs. (000) 15,842 (previous year Rs. (000) 65,211)		453,710		439,552
Deferred Tax		(41,951)		(30,464)
			<u>411,759</u>	<u>409,088</u>
NET PROFIT FOR THE YEAR			<u>966,843</u>	<u>889,155</u>
Balance carried forward from last balance sheet		703,425		789,114
Less : adjustment of net cumulative effect of recognition of deferred tax liability upto 31st March 2002		—		1,528
			<u>703,425</u>	<u>787,586</u>
Addition on amalgamation			—	83,893
Addition on acquisition			65	—
APPROPRIATIONS :				
I Proposed final dividend			396,000	—
II Interim dividend			396,000	792,000
III Tax on dividend			140,959	101,539
IV Transferred to general reserve			171,742	163,670
Balance carried to balance sheet			<u>565,632</u>	<u>703,425</u>
Basic and Diluted Earnings per share (in Rupees) (Nominal value per share Rs. 2)			4.88	4.49

Notes :

12

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

In terms of our report of even date

For and on behalf of the Board

For PRICE WATERHOUSE
Chartered Accountants

Vasant Gujarathi
Partner

Membership Number : 17866

Pune:

Date : June 2, 2004

Anant J. Talaulicar
Chairman &
Joint Managing Director

M. M. Godse
Vice President Legal &
Company Secretary

Pune :

Date : June 2, 2004

Vinod Dasari
Joint Managing
Director

Nasser Munjee
Director

Cummins India Limited
Cummins India Limited and its subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

	As at 31st March, 2004 Rupees '000	<i>As at 31st March, 2003 Rupees '000</i>
SCHEDULE NO. 1		
SHARE CAPITAL :		
Authorised :		
200,000,000 equity shares of Rs. 2 each (<i>previous year 200,000,000 equity shares of Rs. 2 each</i>)	<u>400,000</u>	<u><i>400,000</i></u>
Issued and subscribed :		
198,000,000 equity shares of Rs. 2 each (<i>previous year 198,000,000 equity shares of Rs. 2 each</i>)	<u>396,000</u>	<u><i>396,000</i></u>
Of the above equity shares;		
i) 190,500,000 shares of Rs. 2 each (<i>previous year 190,500,000 shares of Rs. 2 each</i>) are allotted as fully paid bonus shares by capitalisation of reserves.		
ii) 100,980,000 shares of Rs. 2 each (<i>previous year 100,980,000 shares of Rs.2 each</i>) are held by the holding company, Cummins Inc.,USA.		

	Rupees '000	As at 31st March, 2004 Rupees '000	<i>As at 31st March, 2003 Rupees '000</i>
SCHEDULE NO. 2			
RESERVES AND SURPLUS :			
Capital redemption reserve account :			
Balance as per last account		7,000	<i>7,000</i>
General reserve :			
Balance as per last account	6,098,412		<i>5,934,742</i>
Add : transferred from :			
profit and loss account	<u>171,742</u>		<u><i>163,670</i></u>
		6,270,154	<i>6,098,412</i>
Capital reserve on consolidation		5	<i>5</i>
Profit and loss account		<u>565,632</u>	<u><i>703,425</i></u>
		<u>6,842,791</u>	<u><i>6,808,842</i></u>

Reserves and Surplus include the Group's share in post-acquisition reserves of joint ventures amounting to Rs. (000) 8,807 (*previous year Rs. (000) 1,511*).

Cummins India Limited and its subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

	As at 31st March, 2004 Rupees '000	As at 31st March, 2003 Rupees '000
SCHEDULE NO. 3		
SECURED LOANS :		
From banks -		
Of the above, loans aggregating Rs. (000) 207,754 (<i>previous year Rs. (000) 50,987</i>) are secured by hypothecation of inventories, all receivables, investments (excluding investments in units of Unit Trust of India), rights, assets, etc. of Cummins India Limited and second charge on immovable properties situated at Kothrud, Pune and Rs. (000) 12,344 (<i>previous year Rs. (000) 4,124</i>) are secured by first charge on inventories and book debts of Cummins Auto Services Limited and Rs. (000) 2,739 (<i>previous year Rs. (000) Nil</i>) are secured by hypothecation of inventories of MRC Autosolutions Private Limited	222,837	55,111
Term loans from banks (secured against respective fixed assets)	4,508	—
Term loans from other than banks Repayable within one year Rs. (000) 1,366 (<i>previous year Rs. (000) 808</i>)	4,847	2,133
	<u>232,192</u>	<u>57,244</u>

SCHEDULE NO. 4

UNSECURED LOANS :

Fixed Deposits (including interest accrued and due Rs. (000) 339 ; <i>previous year Rs. (000) 1,383</i>)	3,721	37,168
From Banks (payable within one year)		
Short term loans	243,116	—
Others	17,661	155,015
	<u>264,498</u>	<u>192,183</u>

The short term loans from banks include foreign currency loan of US\$ (000) 2,300 (Rs. (000) 104,373) (*previous year US\$ (000) 210 (Rs. (000) 10,015)*)

Cummins India Limited
Cummins India Limited and its subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

	Rupees '000	As at 31st March, 2004 Rupees '000	<i>As at 31st March, 2003 Rupees '000</i>
SCHEDULE NO. 5			
DEFERRED TAXATION :			
Deferred Tax liability			
Fixed Assets - Excess of Net block over written down value as per the provisions of the Income Tax Act, 1961		306,052	<i>306,689</i>
Deferred Tax asset			
Provision for doubtful debts	(31,291)		<i>(25,500)</i>
Provision others	(59,104)		<i>(52,262)</i>
Provision for voluntary retirement scheme	(45,858)		<i>(20,291)</i>
Provision for employee benefits	(29,637)		<i>(22,465)</i>
Disallowances under section 43B	(30,964)		<i>(28,695)</i>
Preliminary expenses	(36)		<i>(71)</i>
Current liabilities	(18,470)		<i>(24,758)</i>
		<u>(215,360)</u>	<u><i>(174,042)</i></u>
		<u>90,692</u>	<u><i>132,647</i></u>

Cummins India Limited and its subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

SCHEDULE NO. 6

FIXED ASSETS :

Rupees '000

Particulars	Gross block (at cost) as at 31st March, 2003	Additions on Acquisitions@	Additions	Deductions	Gross block (at cost) as at 31st March, 2004	Depreciation as per schedule 6A	Net block as at 31st March, 2004
Land							
– Freehold	24,430	6,797	75	—	31,302	—	31,302
– Leasehold	18,426	—	—	—	18,426	539	17,887
Roads	6,850	—	—	—	6,850	4,615	2,235
Buildings	263,748 *	14,051	3,037	240	280,596 *	93,432	187,164
Leasehold improvements	641	—	—	—	641	465	176
Plant and machinery	4,455,025 #	17,278	316,322	156,841	4,631,784 #	2,977,520	1,654,264
Furniture and fittings	75,747	347	20,232	8,003	88,323	30,122	58,201
Vehicles	86,553 **	1,306	18,894	10,516	96,237 **	27,516	68,721
Intangible assets	—	2,432	42,684	—	45,116	2,308	42,808
	<u>4,931,420</u> <u>(4,611,038)</u>	<u>42,211</u> <u>(119,762)</u>	<u>401,244</u> <u>(328,510)</u>	<u>175,600</u> <u>(127,890)</u>	<u>5,199,275</u> <u>(4,931,420)</u>	<u>3,136,517</u> <u>(2,920,981)</u>	<u>2,062,758</u> <u>(2,010,439)</u>
Buildings, plant and machinery etc., under erection including advances for capital expenditure					56,651 (57,880)		56,651 (57,880)
Expenditure pending allocation					— (12,489)		— (12,489)
					<u>5,255,926</u> <u>(5,001,789)</u>	<u>3,136,517</u> <u>(2,920,981)</u>	<u>2,119,409</u> <u>(2,080,808)</u>

NOTES:

@ The additions in respect of previous year pertain to the additions pursuant to the scheme of amalgamation of the wholly owned subsidiaries of CIL namely Power Systems India Limited (PSIL) and Cummins Power Solutions Limited (CPSL) with CIL.

* 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) 149,653 (previous year Rs. (000) 122,145) and net block Rs. (000) 119,313 (previous year Rs. (000) 105,590) given under operating lease arrangements and office equipment costing Rs. (000) 99,199 (previous year Rs. (000) 890) and net block Rs. (000) 79,641 (previous year Rs. (000) 670), acquired under finance leases.

** Includes vehicles costing Rs. (000) 3,644 (previous year Rs. (000) 8,989) and net block Rs. (000) 2,905 (previous year Rs. (000) 7,637), acquired under finance leases.

Figures in brackets are in respect of the previous year.

Cummins India Limited
Cummins India Limited and its subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

SCHEDULE NO. 6A

DEPRECIATION

Rupees '000

Particulars	Depreciation upto 31st March, 2003	Additions on Acquisitions@	Depreciation for the year	Depreciation on deductions	Total depreciation upto 31st March, 2004
Land					
– Freehold	—	—	—	—	—
– Leasehold	375	—	164	—	539
Roads	4,548	—	67	—	4,615
Buildings	84,560	438	8,534	100	93,432
Leasehold Improvements	336	—	129	—	465
Plant and machinery #	2,780,231	1,206	315,391	119,308	2,977,520
Furniture and fittings	28,243	23	5,286	3,430	30,122
Vehicles	22,688	155	8,334	3,661	27,516
Intangible assets	—	91	2,217	—	2,308
	<u>2,920,981</u> <u>(2,691,513)</u>	<u>1,913</u> <u>(15,992)</u>	<u>340,122</u> <u>(304,012)</u>	<u>126,499</u> <u>(90,536)</u>	<u>3,136,517</u> <u>(2,920,981)</u>

Includes depreciation of Rs. (000) 14,429 (*previous year Rs. (000) 9,434*) on power generating equipments given under operating lease arrangements.

Figures in brackets are in respect of the previous year.

Cummins India Limited and its subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

	Rupees '000	As at 31st March, 2004 Rupees '000	<i>As at 31st March, 2003 Rupees '000</i>
SCHEDULE NO. 7			
INVESTMENTS :			
LONG TERM INVESTMENTS			
TRADE INVESTMENTS			
Investment in Associates			
(Refer Note 19, Schedule 12)			
Newage Electrical India Limited	188,575		<i>213,187</i>
Valvoline Cummins Limited	125,665		<i>115,618</i>
Fourstroke Automotive Private Limited	774		<i>3,394</i>
MRC Autosolutions Private Limited	—		<i>4,128</i>
	<u>315,014</u>		<u><i>336,327</i></u>
Other Trade investments (At cost)	<u>43,906</u>		<u><i>45,829</i></u>
		358,920	<u><i>382,156</i></u>
OTHER THAN TRADE INVESTMENTS AT COST			
Units in Unit Trust of India	—		<i>131,824</i>
Tax free redeemable bonds	503,302		<i>347,130</i>
Government of India Bonds	298,914		<i>577,930</i>
Corporate bonds	171,662		<i>147,833</i>
Units of mutual funds	<u>1,721,221</u>		<u><i>1,383,862</i></u>
		<u>2,695,099</u>	<u><i>2,588,579</i></u>
Total Long term investments	(A)	3,054,019	<i>2,970,735</i>

Cummins India Limited
Cummins India Limited and its subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

	Rupees '000	As at 31st March, 2004 Rupees '000	<i>As at 31st March, 2003 Rupees '000</i>
SCHEDULE NO. 7 (Contd.)			
CURRENT INVESTMENTS AT LOWER OF COST AND FAIR VALUE			
OTHER THAN TRADE INVESTMENTS			
Treasury Bills		—	47,282
Corporate bonds		16,413	120,620
Units of mutual funds		274,652	495,387
Securitisation pass through certificates		15,557	65,673
Total Current Investments	(B)	<u>306,622</u>	<u>728,962</u>
Total Investments	(A+B)	<u>3,360,641</u>	<u>3,699,697</u>
Provision for diminution in value of long term investments		—	(26,191)
	TOTAL	<u>3,360,641</u>	<u>3,673,506</u>
Aggregate cost of quoted investments		1,031,556	1,411,341
Aggregate cost of unquoted investments		2,269,694	2,212,064
Aggregate market value of quoted investments		1,161,279	1,407,110

Cummins India Limited and its subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

	Rupees '000	As at 31st March, 2004 Rupees '000	<i>As at 31st March, 2003 Rupees '000</i>
SCHEDULE NO. 8			
CURRENT ASSETS, LOANS AND ADVANCES :			
Inventories :			
Stores and Spares		45,777	46,844
Loose tools and gauges		50,382	42,171
Stock-in-trade :			
Raw materials and components	1,060,255		844,108
Work-in-progress	353,403		360,656
Finished goods	392,460		426,410
Materials in transit	209,775		253,273
		<u>2,015,893</u>	<u>1,884,447</u>
		2,112,052	1,973,462
Sundry debtors :			
Secured : considered good			
Debts outstanding for a period exceeding six months	9,690		14,028
Other debts	118,993		84,812
			<u>98,840</u>
Unsecured :			
Debts outstanding for a period exceeding six months			
Considered good	100,527		76,323
Considered doubtful	87,012		72,942
Other debts -			
Considered good	2,348,951		2,173,578
Considered doubtful	4,377		965
	<u>2,540,867</u>		<u>2,323,808</u>
Less: Provision for doubtful debts	91,389		73,907
		<u>2,449,478</u>	<u>2,249,901</u>
		<u>2,578,161</u>	<u>2,348,741</u>
Carried forward		4,690,213	4,322,203

Cummins India Limited
Cummins India Limited and its subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

	Rupees '000	As at 31st March, 2004 Rupees '000	<i>As at 31st March, 2003 Rupees '000</i>
SCHEDULE NO. 8 (Contd.)			
Brought forward		4,690,213	<i>4,322,203</i>
Cash and bank balances :			
Cash on hand	459		<i>638</i>
Cheques on hand	3,534		<i>17,055</i>
Balances with scheduled banks :			
on current account	129,662		<i>179,054</i>
on deposit account	52,177		<i>101,984</i>
	<u>185,832</u>	185,832	<i>298,731</i>
Other current assets :			
Interest accrued on investments	23,473		<i>35,066</i>
Lease rent receivable	16,968		<i>19,927</i>
Other receivables	134,073		<i>59,508</i>
	<u>174,514</u>	174,514	<i>114,501</i>
Loans and advances :			
(Unsecured, considered good unless otherwise stated)			
Advances recoverable in cash or in kind or for value to be received			
Considered good	441,795		<i>375,755</i>
Considered doubtful	270		<i>270</i>
	<u>442,065</u>		<i>376,025</i>
Less: provision for doubtful advances	270		<i>270</i>
	<u>441,795</u>		<i>375,755</i>
Balance with Excise Department	34		<i>475</i>
Taxation (net of provisions)	112,328		<i>—</i>
	<u>554,157</u>	554,157	<i>376,230</i>
		<u>5,604,716</u>	<i>5,111,665</i>

Cummins India Limited and its subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

	Rupees '000	As at 31st March, 2004 Rupees '000	<i>As at 31st March, 2003 Rupees '000</i>
SCHEDULE NO. 9			
CURRENT LIABILITIES AND PROVISIONS :			
Current liabilities :			
Acceptances	348,770		<i>318,108</i>
Sundry creditors *			
(Refer Note 5, Schedule 12)	1,875,205		<i>1,508,488</i>
Advances from customers	19,728		<i>42,312</i>
Dealer deposits	128,682		<i>128,487</i>
Dividend warrants posted but not encashed *	10,522		<i>4,199</i>
Interest accrued but not due on loans	247		<i>4,089</i>
		2,383,154	<i>2,005,683</i>
Provisions :			
Taxation (net of advance payments)	—		<i>10,070</i>
Interim dividend	—		<i>792,000</i>
Proposed dividend	396,000		—
Tax on dividend	50,995		<i>101,539</i>
Pension and leave entitlement	115,488		<i>110,870</i>
Others	254,540		<i>252,976</i>
		817,023	<i>1,267,455</i>
		<u>3,200,177</u>	<u><i>3,273,138</i></u>

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

Cummins India Limited
Cummins India Limited and its subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

	Rupees '000	Rupees '000	Previous Year Rupees '000
SCHEDULE NO. 10			
SALES AND OTHER INCOME :			
SALES			
Gross sales and services	12,887,922		11,680,683
Less : Excise duty	963,902		928,638
Net sales	11,924,020		10,752,045
Less :			
Commission	146,105		124,972
	<u>146,105</u>		<u>124,972</u>
		11,777,915	10,627,073
OTHER INCOME			
Interest from customers, on income tax refunds and on deposits, etc. (tax deducted at source Rs. (000) 1,473; <i>previous year Rs. (000) 4,937</i>)	53,058		56,542
Miscellaneous income (including design and development charges Rs. (000) 23,975; <i>previous year Rs. (000) Nil</i> and refund from custom authorities Rs. (000) 35,130; <i>previous year Rs. (000) 3,272</i>)	150,896		58,156
Export benefits	73,231		21,380
Income from investments			
Long term investments-			
Trade investments (tax deducted at source Rs. (000) Nil; <i>previous year Rs. (000) 158</i>)	2,659		1,518
Other investments (tax deducted at source Rs. (000) 1,483; <i>previous year Rs. (000) 2,519</i>)	86,277		77,483
	88,936		79,001
Current investments - other than trade (tax deducted at source Rs. (000) 1,519 ; <i>previous year Rs. (000) 3,827</i>)	27,928		55,455
Gain on sale/redemption of long term investments	155,882		39,009
Gain on sale/redemption of current investments	5,873		19,417
Net gain on fixed assets sold or discarded	—		8,443
		555,804	337,403
		<u>12,333,719</u>	<u>10,964,476</u>

Cummins India Limited and its subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

	Rupees '000	Rupees '000	Previous Year Rupees '000
SCHEDULE NO. 11			
COST OF SALES AND OTHER EXPENSES :			
Raw materials and components consumed		5,993,733	4,997,948
Purchase of goods for resale		1,751,573	1,557,302
Payments to and provision for employees :			
Salaries, wages, bonus, commission, etc.	878,538		877,187
Company's contribution to provident and other funds	323,509		262,650
Welfare expenses	<u>103,203</u>		<u>97,352</u>
		1,305,250	1,237,189
Operation and other expenses :			
Stores, spares, consumable materials, etc.	221,203		190,128
Tools and gauges	49,357		41,859
Repairs to buildings	49,115		53,509
Repairs to machinery	32,564		37,187
Other repairs	38,464		41,341
Power and fuel	135,635		130,061
Rent	27,450		22,426
Rates and taxes	15,650		35,401
Insurance	35,268		38,889
Outside processing charges	80,212		73,524
Other expenses	645,431		591,896
Donations and contributions	10,000		10,000
Net loss on fixed assets sold or discarded	<u>4,767</u>		<u>—</u>
		1,345,116	1,266,221
Technical fees and royalties		<u>75,167</u>	<u>82,854</u>
Carried forward		10,470,839	9,141,514

Cummins India Limited
Cummins India Limited and its subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

	Rupees '000	Rupees '000	Previous Year Rupees '000
SCHEDULE NO. 11 (Contd.)			
Brought forward		10,470,839	9,141,514
(Increase)/decrease in inventories of finished goods and work-in- progress :			
Closing inventories :			
Finished goods	392,460		426,410
Work-in-progress	<u>353,403</u>		<u>360,656</u>
	745,863		787,066
Opening inventories :			
Finished goods	429,779		665,920
Work-in-progress	<u>360,656</u>		<u>340,046</u>
	<u>790,435</u>		<u>1,005,966</u>
		44,572	218,900
		<u>10,515,411</u>	<u>9,360,414</u>
Less : expenses capitalised		425	2,249
		<u>10,514,986</u>	<u>9,358,165</u>

Cummins India Limited and its subsidiaries**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2004.****SCHEDULE NO. 12****1. Basis of accounting**

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

2. Principles of consolidation

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

Cummins India Limited

Cummins India Limited and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2004.

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

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

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

Each of the above companies is incorporated in India.

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

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

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

Cummins India Limited and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2004.

3. Significant accounting policies

a) Fixed assets and depreciation

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

b) Investments

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

c) Inventories

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

d) Foreign currency transactions

Transactions in foreign currencies are accounted at the exchange rates prevailing on the date of transactions. Current assets and current liabilities are translated at the year-end exchange rates and where applicable, at the exchange rates under related forward exchange contracts. The resulting profits and losses are appropriately recognised in the Profit and Loss Account except exchange differences arising on foreign currency liabilities attributable to acquisition of fixed assets which are adjusted to cost of fixed assets.

e) Revenue recognition

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

Cummins India Limited

Cummins India Limited and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2004.

transfers substantially all risks and rewards incident to ownership and agreements not meeting this criterion are classified as operating lease. The accounting adopted for each of such classifications is as follows :

- Operating Lease – minimum lease payments as per contracts are recognised as revenue on a straight-line basis over the lease term. Contingent rental income is recognised as revenue when the factors on which the contingent lease payments are based actually occur.
 - Finance Lease – recognised as a sale when goods are accepted by the customer and recognised in the balance sheet as a receivable at an amount equal to the net investment in the lease. Finance income is recognised on a pattern reflecting a constant periodic rate of return on the net investment outstanding in respect of the finance lease, and the amount attributable to service income is recognised as revenue on a straight line basis over the lease term.
- iii) Income under job contracts is recognised upon completion of service and delivery to customer. Income from services is recognised either proportionately over the period of contract or on completion of services as per the terms of specific contracts.
- iv) Profits from certain long term composite supply and service contracts are recognised proportionately over the period of contract based on the contracted revenues and estimated cost to completion.
- v) Revenue from information technology enabled engineering services are recognized based on the time spent and services rendered as per contract.
- vi) Dividend income from investments is recognised when the right to receive payment is established.
- f) Lease charges under operating leases**

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

g) Product warranty and New Engine Performance Inspection fees

Product warranty costs and New Engine Performance Inspection fees are accrued in the year of sale of products, based on past experience and are included as under :

- 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'.

Cummins India Limited and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2004.

h) Retirement benefits

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

i) Leave encashment entitlement

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

j) Research and development costs

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

k) Income Tax

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

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

4. Capital Commitments

	Rupees '000	<i>Previous year Rupees '000</i>
Capital Commitments	26,664	<i>129,037</i>

5. Sundry creditors include

	As at 31st March, 2004 Rupees '000	<i>As at 31st March, 2003 Rupees '000</i>
i) Amounts due to small scale industrial undertakings	113,312	<i>81,064</i>
ii) Amounts due to Directors	10	<i>—</i>

Cummins India Limited
Cummins India Limited and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2004.

6. (a) Out of the total land admeasuring 17,199.93 sq. meters, 4,636.93 sq. meters has been reserved by Pune Municipal Corporation.
- (b) Leasehold land includes 5 unquoted shares of Rs. 50 each fully paid, at cost, in National Co-operative Housing Society Limited, Pune.
- (c) Buildings include 10 unquoted shares of Rs. 200 each fully paid, at cost, in Sesa Ghor Premises Holders' Co-operative Society Limited, Goa.

7. Contingent liabilities

	As at 31st March, 2004 Rupees '000	<i>As at 31st March, 2003 Rupees '000</i>
a) Taxation matters pending in appeal including effect of similar matters in respect of appeals decided in favour of the Group	56,459	<i>39,099</i>
b) Central excise duty/customs duty – demands not accepted by the Group	74	<i>6,649</i>
c) Civil liability / secondary civil liability in respect of suits filed against the Group	50	<i>3,000</i>
d) Guarantees given on behalf of third parties to its bankers – maximum liability restricted to	37,500	<i>37,500</i>
e) Bills discounted with bankers	—	<i>38,353</i>
f) Matters concerning sections 297/299 of the Companies Act, 1956	Amounts if any, not ascertainable	<i>Amounts if any, not ascertainable</i>
g) Claims against the Group not acknowledged as debts and Customs Show Cause Notices against the Group	Amounts if any, not ascertainable	<i>Amounts if any, not ascertainable</i>
h) Advances include Rs. (000) 1,696 (<i>previous year Rs. (000) 1,696</i>) in respect of which a third party has made claims against the Group, which are not acknowledged as debts by the Group.		
i) Pursuant to an order of the Honorable Supreme Court, restraining the State Government, from recovering sales tax, one of the Group's supplier has not charged sales tax of Rs. (000) 60,429 (<i>previous year Rs. (000) 40,676</i>) (including interest @ 9% p.a. from October 2000 to December 2003) on supplies made by it. In the event of the supplier's appeal being dismissed by the Honorable Supreme Court, the Group will need to reimburse the above amounts to the supplier.		

Cummins India Limited and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2004.

- j) The arbitration matter between the Group and Hindustan Shipyard Ltd. (HSL) is subjudice in the court of Principal Senior Civil Judge at Visakhapatnam. In the event the matter is finally decided in favour of HSL, the Group would have to pay the sum of Rs. (000) 1,944 with interest @ 8% per annum and also waive recovery of Rs. (000) 330 from HSL.

8. Related Party Disclosures

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

<u>Name of the related party</u>	<u>Nature of Relationship</u>
Cummins Inc.	Holding company

- b) Transactions with related parties as per the books of account during the year ended 31st March 2004.

						Rs. '000
	Holding Company	Fellow Subsidiaries	Joint Ventures	Associates	Key Management Personnel	Total
Purchases of goods	285,985 (177,047)	870,295 (734,650)	7,461 (18,548)	123,808 (73,557)	— (—)	1,287,549 (1,003,802)
Sale of goods	42,352 (67,176)	2,220,503 (1,491,063)	— (—)	252 (350)	— (—)	2,263,107 (1,558,589)
Purchase of fixed assets	— (—)	144 (60)	— (—)	— (—)	— (—)	144 (60)
Sale of fixed assets	— (—)	— (—)	50 (—)	663 (—)	— (—)	713 (—)
Services rendered	8,547 (—)	26,685 (—)	— (—)	29,827 (20,947)	— (—)	65,059 (20,947)
Remuneration paid	— (—)	— (—)	— (—)	— (—)	6,016 (11,199)	6,016 (11,199)
Services received	174 (—)	464 (438)	— (—)	1,370 (2,402)	— (—)	2,008 (2,840)
Transfer of technology	114,214 (56,082)	12,870 (—)	— (—)	— (—)	— (—)	127,084 (56,082)
IT Service charges	77,538 (—)	— (—)	— (—)	— (—)	— (—)	77,538 (—)

Cummins India Limited
Cummins India Limited and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2004.

						Rs. '000
	Holding Company	Fellow Subsidiaries	Joint Ventures	Associates	Key Management Personnel	Total
Interest on inter-corporate deposits	—	—	—	—	—	—
	(—)	(—)	(—)	(233)	(—)	(233)
Interest Income	—	—	—	778	—	778
	(—)	(—)	(—)	(406)	(—)	(406)
Inter-corporate deposits	—	—	—	4,747	—	4,747
	(—)	(—)	(—)	(5,495)	(—)	(5,495)
Interest due to increase in credit period	—	6,379	—	—	—	6,379
	(—)	(12,535)	(—)	(—)	(—)	(12,535)
Purchase of investment	—	—	—	—	—	—
	(—)	(—)	(3)	(—)	(—)	(3)
Sale of investments	—	—	—	—	—	—
	(—)	(14,237)	(—)	(52,920)	(—)	(67,157)
Miscellaneous sale	—	—	—	—	—	—
	(—)	(—)	(—)	(4,955)	(—)	(4,955)
Dividend paid	605,880	250	—	—	—	606,130
	(151,470)	(—)	(—)	(—)	(—)	(151,470)
Equity contributions	—	—	573	—	—	573
	(—)	(—)	(—)	(—)	(—)	(—)

c) Amounts outstanding as at 31st March 2004.

					Rs. '000
	Holding Company	Fellow Subsidiaries	Joint Ventures	Associates	Total
Sundry Debtors	—	910,679	34	7,021	917,734
	(26,476)	(607,644)	(—)	(16,498)	(650,618)
Loans and advances	—	—	—	9,374	9,374
	(—)	(—)	(—)	(—)	(—)
Inter-company deposits balance receivable	—	—	—	—	—
	(—)	(—)	(—)	(10,356)	(10,356)
Sundry Creditors	217,905	148,705	1,048	18,480	386,138
	(26,476)	(110,388)	(1,946)	(11,783)	(150,593)

Cummins India Limited and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2004.

Notes :

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

1.	Holding Company	Cummins Inc.
2.	Fellow Subsidiaries	<ul style="list-style-type: none"> i) Cummins Engine Company Limited ii) Cummins Power Generation Limited iii) Cummins Diesel Sales Corporation iv) Cummins S A DE v) Cummins Natural Gas Engine vi) Cummins Diesel N V vii) Cummins Diesel Australia viii) Cummins Engine Co-Australia ix) Cummins Engine Co.-Diesel Recon x) Cummins Power Generation (S) Pte Ltd. xi) Cummins Power Generation-Australia xii) Cummins Engine (Singapore) Pte Ltd. xiii) Ceco-Cummins Juarez xiv) Cummins Powergen USA xv) Cummins Brazil,S.A. xvi) Fleetguard Inc. xvii) Diesel Recon Co. xviii) Fleetguard Nelson Division xix) Holset Engineering Co. Ltd. xx) Holset Engineering Company ,Inc. xxi) Cummins Engine Diesel Co. xxii) Cummins Engine (Beijing) Co. xxiii) Onan Corporation xxiv) Nelson Burgess Ltd. xxv) Newage International UK xxvi) Cummins Engine (Shangai) xxvii) Cummins Japan Ltd. xxviii) Cummins Diesel FZE xxix) Cummins Gas Engines, Holland BV, Netherland xxx) Cummins Diesel Sales & Service Co. Ltd, Korea

Cummins India Limited

Cummins India Limited and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2004.

- xxxi) Cummins Diesel Deutschland Gmbh Germany
- xxxii) Cummins Power Service & Parts Corporation Taiwan

- 3. Joint Ventures
 - i) Nelson Engine Systems India Limited
 - ii) Cummins Research and Technology India Ltd.
 - 4. Associates
 - i) Valvoline Cummins Limited
 - ii) Fourstroke Automotive Private Limited
 - iii) Newage Electrical India Limited
 - iv) MRC Autosolutions Private Limited (upto June 10, 2003)
 - 5. Key Management Personnel
 - i) Jim Rugg (upto June 13, 2003)
 - ii) Pradeep Bhargava (upto April 25, 2003)
 - iii) Vinod Dasari
 - iv) Anant Talaulicar (w.e.f April 25, 2003)
- ii) Reimbursement of expenses incurred by related parties for and on behalf of the Group and vice versa have not been included above.
 - iii) The information given above, have been reckoned on the basis of information available with the Group.
 - iv) Figures in brackets are in respect of the previous year.

9. Segmental Information

a) Primary Segment

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

b) Secondary Segment

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

Cummins India Limited and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2004.

				Rs. '000
Information about Primary Segments	Engine Business	Others	Elimination	Total
i) Segment revenue @	12,840,773	774,827	-1,684,577	11,931,023
	(11,930,751)	(542,406)	(-1,819,167)	(10,653,990)
ii) Segment result	1,009,912	-16,866	-9,256	983,790
	(1,129,287)	(-26,615)	(-25,898)	(1,076,774)
Other Income				439,310
				(274,540)
Interest				44,496
				(53,071)
Profit before tax				1,378,604
				(1,298,243)
Provision for tax				
Current tax				453,710
				(439,552)
Deferred tax				-41,951
				(-30,464)
Net profit for the year				966,846
				(889,155)
iii) Segment assets	7,371,783	667,802	—	8,039,585
	(7,330,467)	(486,579)	(-624,573)	(7,192,473)
Common assets				3,055,011
				(3,673,506)
Enterprise Assets				11,094,596
				(10,865,979)
iv) Segment liabilities	2,959,997	191,644	—	3,151,641
	(2,502,386)	(178,888)	(-305,815)	(2,375,459)
Common Liabilities				704,164
				(1,285,678)
Enterprise Liabilities				3,855,805
				(3,661,137)
v) Capital expenditure	356,091	43,531	—	399,622
	(213,482)	(74,293)	(—)	(287,775)

Cummins India Limited
Cummins India Limited and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2004.

				Rs. '000
Information about Primary Segments	Engine Business	Others	Elimination	Total
vi) Depreciation	303,367 (273,482)	36,755 (30,530)	(—) (—)	340,122 (304,012)
Information about geographical segments (Secondary segments)				
	Domestic	Export	Elimination	Total
vii) Segment revenue	11,380,066 (10,732,017)	2,235,534 (1,741,140)	-1,684,577 (-1,819,167)	11,931,023 (10,653,990)

@ Segment revenue from Other business includes Income from Lease Rs.(000) 7,004 (*previous year Rs. (000) 7,944*).

Notes :

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

10. Lease income

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

	Due within 12 months Rupees '000	Due between 12 – 60 months Rupees '000	Total amount receivable Rupees '000
Gross investment in lease	6,800 (7,335)	14,994 (18,644)	21,794 (25,979)
Less : Unearned finance income	1,945 (2,485)	2,881 (3,567)	4,826 (6,052)
Present value of minimum lease payments receivable	4,855 (4,850)	12,113 (15,077)	16,968 (19,927)

- ii) Contingent rental income in respect of operating lease arrangements recognised in the statement of profit and loss for the year aggregate Rs. (000) 7,600 (*previous year Rs. (000) 5,564*).

Cummins India Limited and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2004.

- iii) The future minimum sub lease payments receivable under non-cancellable operating sublease arrangements, due within 12 months, aggregate Rs. (000) 21,920 (*previous year Rs. (000) 5,254*).
- iv) The sub lease income recognised in the statement of profit and loss for the year aggregate Rs. (000) 88,920 (*previous year Rs. (000) 129,021*).
- v) Contingent rental income in respect of finance lease arrangements recognised in the statement of profit and loss for the year aggregate Rs. (000)160 (*previous year Rs. (000) 122*).

11. Lease commitments

- i) Finance lease :

The Group has acquired plant and machinery and vehicles under finance lease arrangements for periods up to five years. The future minimum lease payments under these leases as of March 31, 2004 are as follows :

	Due within 12 months Rupees '000	Due between 12 – 60 months Rupees '000	Total amount due Rupees '000
Minimum lease payments	33,354 (2,370)	37,340 (4,800)	70,694 (7,170)
Less : Amount representing interest	1,657 (577)	791 (668)	2,448 (1,245)
Present value of minimum lease payments	<u>31,697</u> (1,793)	<u>36,549</u> (4,132)	<u>68,246</u> (5,925)

- ii) Future obligations as per lease agreements in respect of assets taken on finance lease prior to April 1, 2001 is Rs (000) 298 (*previous year Rs. (000) 909*). Lease rent of Rs. (000) 756 (*previous year Rs. (000) 1,826*) has been debited to the profit and loss account.

Cummins India Limited
Cummins India Limited and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2004.

iii) Operating lease :

The Group has acquired equipment under operating lease arrangements at stipulated rentals for a period of five years. The future minimum lease payments under these leases as of March 31, 2004 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	52,910 (47,085)	40,595 (70,664)	20,728 (26,663)	114,233 (144,412)

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	40,004	51,262
Included in rent	8,202	5,124

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

- i) Appropriately recognised in the profit and loss account – Rs. (000) (30,971) (previous year Rs. (000) 11,954).
- ii) Adjusted in the carrying amount of fixed assets – Rs. (000) 352 (previous year Rs. (000) (1,170)).

13. Managerial Remuneration

Particulars	Rs.'000	Previous Year Rs.'000
Salary	2,928	8,379
Perquisites	4,773	2,820
Commission – non-wholetime directors	1,375	1,250
Sitting fees	265	300
Total	9,341	12,749

Cummins India Limited and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2004.

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

Appointment of Mr. Vinod Dasari as a Joint Managing Director is subject to approval of shareholders.

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.

14. Remuneration to Auditors :

	Rs. '000	<i>Previous year Rs. '000</i>
Audit fees	4,709	4,152
Limited review and consolidation of accounts	1,620	300
Tax audit	1,947	65
Other services	2,878	643
Reimbursement of out of pocket expenses	111	47
Total	<u>11,265</u>	<u>5,207</u>

The remuneration disclosed above is including taxes as applicable.

15. Other expenses include provision for doubtful debts Rs. (000)17,482 (*previous year Rs. (000) 12,330*).

16. Research and development expenses aggregating Rs. (000) 180,861, including Rs. (000) 30,081 on capital account (*previous year Rs. (000) 144,093 including Rs. (000) 23,791 on capital account*) have been incurred by the Group. The expenses disclosed above include expenses incurred on development of parts, etc.

17. Earning Per share

	As at March 31, 2004	<i>As at March 31, 2003</i>
a) Earnings per share is calculated by dividing the profit attributable to the Equity Shareholders by the weighted average number of Equity Shares outstanding during the year. The numbers used in calculating basic and diluted earnings are stated below :		
b) Profit for the year after taxation Rs. (000)	966,843	889,155
Weighted average number of shares outstanding during the year	198,000,000	198,000,000
c) Earnings per share (Basic and Diluted)(Rupees)	4.88	4.49
Face value per share (Rupees)	2.00	2.00

Cummins India Limited
Cummins India Limited and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2004.

18. Since the Networked highway solutions project of the Group's subsidiary (CASL) is under implementation, the operations of the Group's Associate, Fourstroke Automotive Private Limited, are not yet stabilized. Since the investments made by CASL in the equity capital and Inter-corporate Deposits aggregating Rs.79 lacs placed with the said Associate are of a strategic and long term nature, the management is of the view that no provision is required for diminution in the value of these investments as at 31st March, 2004.

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

	Valvoline Cummins Limited	Fourstroke Automotive Pvt. Limited	Rs. '000 Newage Electrical India Limited
Carrying amount of investment as on March 31, 2003	115,618	3,394	213,187
Share in associates' results for the year	11,300	(2,620)	(19,826)
Investment in share capital during the year	—	—	122
Write off of goodwill for the year	(1,253)	—	(4,908)
Carrying amount of investment as on March 31, 2004	125,665	774	188,575

The carrying amount of investments as at March 31, 2004 includes goodwill arising on acquisition of Valvoline Cummins Limited of Rs. (000) 3,762 (*previous year Rs. (000) 5,015*), and Newage Electrical India Limited of Rs. (000) 39,252 (*previous year Rs. (000) 44,160*).

20. The Group has 50% interest in Joint Ventures namely Nelson Engine Systems India Limited and Cummins Research and Technology India Limited, both incorporated in India. The following represents the Group's share of Assets and Liabilities as at 31st March, 2004 and Income and Expenses for the year / period ended on that date in the Joint Ventures incorporated in the financial statements before elimination of intra-group transactions:

Cummins India Limited and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON 31ST MARCH, 2004.

	Nelson Engine Systems India Limited		Cummins Research and Technology India Limited
	As at March 31, 2004	As at <i>March 31, 2003</i>	As at March 31, 2004
Net assets			
Net Fixed Assets	14,380	<i>14,034</i>	14,515
Investments	7,890	<i>4,501</i>	—
Inventories	3,255	<i>2,438</i>	—
Debtors	5,385	<i>3,274</i>	8,501
Deferred Tax Asset	—	—	5
Cash & Bank Balances	1,767	<i>2,018</i>	1,130
Loans and Advances	981	<i>299</i>	5,046
Current Liabilities	(6,765)	<i>(3,348)</i>	(7,838)
Loans and Lease liability	—	—	(24,695)
Deferred tax liability	(2,404)	<i>(2,003)</i>	—
Net Assets	<u>24,489</u>	<u><i>21,213</i></u>	<u>(3,336)</u>
Profit & Loss Account			
Sales	27,765	<i>21,470</i>	8,674
Expenditure	(20,116)	<i>(17,103)</i>	(4,263)
Depreciation	(1,179)	<i>(1,141)</i>	(801)
Tax Provision	(938)	<i>(751)</i>	5
Net Profit	<u>5,532</u>	<u><i>2,475</i></u>	<u>3,615</u>

21. The Group has recognized goodwill arising on account of acquisition of 50% interest in the joint venture Cummins Research and Technology India Limited amounting to Rs. (000) 8,097 (amount amortised during the year Rs.(000) 810) 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.

Cummins India Limited
Cummins India Limited and its subsidiaries

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR
THE YEAR ENDED ON 31ST MARCH, 2004.**

The Group has recognized goodwill arising on account of acquisition of balance 50% interest in the associate MRC Autosolutions Private Limited (now a subsidiary) amounting to Rs. (000) 2,826 (amount amortised during the year Rs.(000) 282) in accordance with Accounting Standard 21 (AS 21) on 'Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India.

22. 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 & Joint
Managing Director

Vinod Dasari
Joint
Managing Director

Nasser Munjee
Director

M. M. Godse
Vice President Legal &
Company Secretary

Pune:
Date: June 2, 2004

Cummins India Limited and its subsidiaries

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2004.

	Rupees '000	Rupees '000	Previous Year Rupees '000
I. Cash flows from operating activities :			
Cash generated from operations	1,261,691		1,827,404
Tax paid (net of refunds)	(576,112)		(400,464)
Net cash provided by operating activities		685,579	1,426,940
II. Cash flows from investing activities :			
Fixed assets			
Purchase	(386,958)		(272,999)
Sale	44,334		45,797
Interest received	178,855		187,062
Dividend received	71,661		2,494
Investments			
Purchase	(5,950,491)		(6,009,892)
Sale/redemption	6,406,120		4,668,326
Net cash used for investing activities		363,521	(1,379,212)
III. Cash flows from financing activities :			
Short term bank borrowings	105,762		55,015
Bank Overdraft (Net)	167,726		23,450
Finance lease liability	62,321		5,925
Repayment of term loans	7,222		(1,428)
Repayment of fixed deposits (net)	(33,447)		(50,807)
Interest paid	(48,338)		(55,777)
Dividend paid (including tax on dividend)	(1,373,181)		(297,199)
Net cash used for financing activities		(1,111,935)	(320,821)
IV. Non-cash adjustments for Subsidiary / Associate companies and Joint Ventures		(50,064)	220,747
V. Net change in cash and cash equivalents (I+II+III+IV)		(112,899)	(52,346)
VI. Cash and cash equivalents at the beginning of the year		298,731	351,077
VII. Cash and cash equivalents at the end of the year (V+VI)		185,832	298,731

Cummins India Limited
Cummins India Limited and its subsidiaries

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED
31ST MARCH, 2004. (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		1,378,602	1,298,243
Adjustments for -			
a) Non cash item /items required to be disclosed seperately :-			
Depreciation	340,122		304,012
Interest expense	44,496		53,071
Interest income (gross)	(167,263)		(188,504)
Dividend earned (gross)	(2,659)		(2,494)
Loss/(gain) on assets sold,discarded etc;	4,767		(8,443)
Loss/(gain) on redemption /sale of investments	(161,755)		(58,426)
Share in profit of associates	(57,262)		(56,777)
Write off of associates Goodwill	7,253		6,160
Provision for doubtful debts	17,482		17,380
Expenditure pending allocation written off	12,489		—
		37,670	65,979
b) Changes in working capital and other provisions :-			
Sundry debtors	(246,901)		448,427
Inventories	(138,589)		(28,782)
Loans and advances	(65,600)		(98,313)
Other current assets	(71,606)		79,494
Current liabilities	361,933		61,846
Provisions	6,182		510
		(154,581)	463,182
Total adjustments (a+b)		(116,911)	529,161
Cash generated from operations		1,261,691	1,827,404

Cummins India Limited and its subsidiaries

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED
31ST MARCH, 2004. (Contd.)**

Notes : (Contd.)

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

3) Cash and cash equivalents comprise :	Rupees '000 2003-04	Rupees '000 2002-03	Rupees '000 2001-02
Cash in hand	459	638	852
Cheques on hand	3,534	17,055	30,998
Balances with bank on current account :			
Unclaimed dividend account (restricted)	10,522	4,199	4,398
Other current accounts	119,140	174,855	171,798
Balances with bank on deposit account	52,177	101,984	125,571
Total	185,832	298,731	333,617

- 4) a) As per 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, adjustments relating to the difference arising on account of opening block of Fixed Assets, opening balance of Profit and Loss Account and opening balance of General Reserve relating to Associates and Joint Ventures of the Company considered for its Consolidated Financial Statements were shown as "Adjustments for Subsidiary / Associate companies and Joint Ventures" in Consolidated Statement of Cash Flows for the year ended March 31, 2003.
- b) As per Accounting Standard 21, "Consolidated Financial Statements" and Accounting Standard 27, "Financial Reporting of Interests in Joint Ventures" issued by The Institute of Chartered Accountants of India, adjustments relating to the difference arising on account of opening block of Fixed Assets, opening balance of Profit and Loss Account and goodwill arising on account of acquisition of a subsidiary and interest in Joint Venture of the Company are shown as "Adjustments for Associate companies and Joint Ventures" in Consolidated Statement of Cash Flows for the year ended March 31, 2004.
- 5) Cash and Cash equivalents as at beginning for the year 2002-03 included Rs. (000) 5,460 of Cummins Power Solutions Limited and Rs. (000) 12,000 of Power Systems India Limited taken over on amalgamation. The amalgamation was a non cash transaction.

Cummins India Limited
Cummins India Limited and its subsidiaries

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED
31ST MARCH, 2004. (Contd.)**

Notes : (Contd.)

- 6) Purchase of Investments is net of adjustments on acquisition of MRC Autosolutions Private Limited of Rs. (000) 9,573.
- 7) The figures in brackets represent outflows of cash and cash equivalents.
- 8) Previous years figures have been regrouped, wherever necessary to conform to the current year classification.

In terms of our report of even date

For PRICE WATERHOUSE
Chartered Accountants

Vasant Gujarathi
Partner

Membership Number : 17866

Pune:

Date : June 2, 2004

For and on behalf of the Board

Anant J. Talaulicar
Chairman &
Joint Managing Director

M. M. Godse
Vice President Legal &
Company Secretary

Pune :

Date : June 2, 2004

Vinod Dasari
Joint Managing
Director

Nasser Munjee
Director

Cummins India Limited and its subsidiaries

The Company has obtained approval of the Central Government under Section 212(8) of the Companies Act, 1956 (Act), for not attaching documents of its subsidiaries referred to in Section 212 (1) (a) to (d) of the Act to the Annual Accounts of the Company. As per the said approval, the Company is giving the following information in respect of its three subsidiaries for the financial year ended March 31, 2004 and for the corresponding previous year ended March 31, 2003.

(Rs. '000)

Particulars	Cummins Diesel Sales and Service (India) Limited		Cummins Auto Services Limited		MRC Autosolutions Private Limited	
	As at 31st March, 2004	As at 31st March, 2003	As at 31st March, 2004	As at 31st March, 2003	As at 31st March, 2004	As at 31st March, 2003
Share Capital						
Face Value (Rs. per share) Authorised	100	100	10	10	10	10
- Number of shares	1,200,000	1,200,000	20,000,000	20,000,000	2,000,000	2,000,000
- Amount	120,000	120,000	200,000	200,000	20,000	20,000
Issued, subscribed and paid up						
- Number of shares	600,000	600,000	10,000,000	10,000,000	1,800,000	1,800,000
- Amount	60,000	60,000	100,000	100,000	18,000	18,000
Reserves and Surplus	933,530	984,827	—	—	—	—
Assets						
Fixed Assets (Gross)	363,537	357,604	97,263	100,795	28,360	27,816
Less: Accumulated Depreciation	(153,006)	(141,246)	(21,444)	(13,229)	(2,618)	(1,338)
Net Fixed Assets	210,531	216,358	75,819	87,566	25,742	26,478
Investments (see note 1 below for details)	178,803	231,984	22,801	16,501	—	—
Deferred Tax	7,741	4,764	—	—	—	—
Current Assets, Loans and Advances	1,314,797	1,309,228	125,175	89,282	4,557	5,262
Total Assets	1,711,872	1,762,334	223,795	193,349	30,299	31,740
Liabilities						
Secured Loans	—	—	17,191	6,257	7,247	9,979
Unsecured Loans	157	327	243,350	155,015	14,084	6,402
Current Liabilities and Provisions	706,564	717,180	84,228	66,009	6,822	7,228
Liability under finance lease	11,621	—	1,238	3,124	—	—
Total Liabilities	718,342	717,507	346,007	230,405	28,153	23,609
Miscellaneous Expenditure (to the extent not written off or adjusted)	—	—	(270)	(433)	(83)	(125)
Profit and Loss Account	—	—	(221,942)	(136,623)	(15,771)	(9,744)

Cummins India Limited
Cummins India Limited and its subsidiaries

(Rs. '000)

	Cummins Diesel Sales and Service (India) Limited		Cummins Auto Services Limited		MRC Autosolutions Private Limited	
	For the year ended		For the year ended		For the year ended	
	31st March, 2004	31st March, 2003	31st March, 2004	31st March, 2003	31st March, 2004	31st March, 2003
Income						
Turnover	3,858,714	3,809,150	229,623	150,891	14,228	7,938
Other Income	110,478	96,237	8,991	6,147	—	—
Total Income	3,969,192	3,905,387	238,614	157,038	14,228	7,938
Profit / (Loss) before Taxation	347,622	404,419	(85,319)	(86,901)	(6,028)	(7,969)
Provision for Taxation	122,529	142,247	—	—	—	—
Profit / (Loss) after Taxation	225,093	262,172	(85,319)	(86,901)	(6,028)	(7,969)
Dividend - Interim	245,000	160,000	—	—	—	—
	As at 31st March, 2004	As at 31st March, 2003	As at 31st March, 2004	As at 31st March, 2003	As at 31st March, 2004	As at 31st March, 2003
Note 1:						
Details of Investments						
Trade Investments :						
Kirkoskar Oil Engines Limited	29	29	—	—	—	—
Investment in Joint Venture :						
Valvoline Cummins Limited	78,775	78,775	—	—	—	—
Fourstroke Automotive Private Limited	—	—	7,500	7,500	—	—
Investment in Companies under the same management :						
Nelson Engine Systems India Limited	1	1	1	1	—	—
Investment in subsidiaries :						
Cummins Auto Services Limited	99,998	99,998	—	—	—	—
MRC Autosolutions Private Limited	—	—	15,300	9,000	—	—
Others :						
Konkan Railway Corporation 10.5 % Bonds	—	10,160	—	—	—	—
Mutual Fund Units	—	43,021	—	—	—	—
Total :	178,803	231,984	22,801	16,501	—	—

Note 2 :

MRC Autosolutions Private Limited, the erstwhile 50:50 Joint Venture between Cummins Auto Services Limited and Maharashtra Road Carrier Limited became a wholly owned subsidiary of Cummins Auto Services Limited and consequently, subsidiary of the Company, with effect from June 10, 2003.



Cummins India Limited

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

Tel.: 91-020-25385435 / 25380240. Fax : 91-020-25380125

www.cumminsindia.com