



# Cummins India Limited

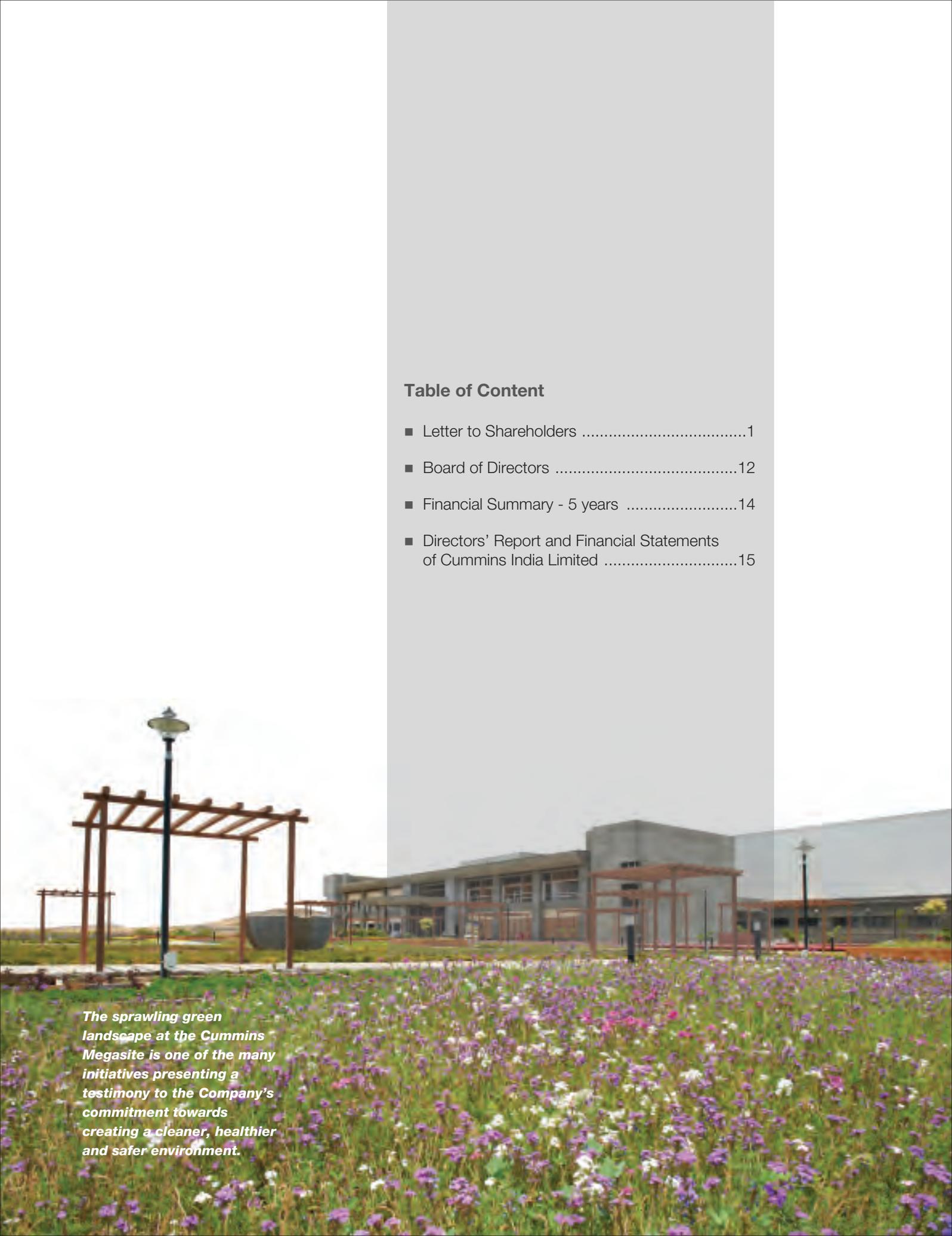
## Annual Report 2010-11

Continuing  
the Legacy of  
Dependability  
with Sustained  
Profitable  
Growth



## Table of Content

|  |    |
|--|----|
| ■ Letter to Shareholders .....   | 1  |
| ■ Board of Directors .....   | 12 |
| ■ Financial Summary - 5 years .....  | 14 |
| ■ Directors' Report and Financial Statements<br>of Cummins India Limited ..... | 15 |



*The sprawling green landscape at the Cummins Megasite is one of the many initiatives presenting a testimony to the Company's commitment towards creating a cleaner, healthier and safer environment.*



**Anant J. Talaulicar**  
Chairman and  
Managing Director  
Cummins India Limited

# To Our Shareholders

2010-11 has been a very good year for Cummins India Limited. The Company resumed its higher growth levels, exceeded its financial targets, progressed on its non-financial objectives and consequently, remained a Dependable partner to all its stakeholders. Along the way, it also crossed significant milestones, the most notable being the inauguration of the 300-acre Cummins Megasite at Phaltan earlier this year. The project reaffirms our commitment to profitable growth as well as our 'One Cummins' approach.

I am pleased to share that Cummins India Limited posted record sales as well as profits, making 2010-11 the best year in its history. Net sales for Cummins India Limited grew 39 percent to Rs. 3,945.4 crores. Net profit before tax at Rs. 802.4 crores increased 31 percent. The Company's cash position remained strong even as we continued to invest in our expansion programs.

## **Maintain or Grow Market Leadership**

The Company has nearly doubled its revenues over the last four years. All four of our businesses: Industrial, Automotive, Power Generation and Distribution have contributed towards this success with equal passion. Clearly this type of growth has been at higher rates than the GDP growth which implies that we have been growing our market share leadership. With this strong foundation of market leadership, unmatched technology, scale and customer support footprint, along with time tested strategies and a stable, diverse leadership team, the Company is positioned well for another doubling by 2015.

Critical to this high growth have been our new product programs and 'fit for market' solutions that have helped us increase our

share in the markets we compete in. Classic examples of 'fit for market' solutions are the mechanically controlled 4B/6B engines that were developed to meet tighter construction segment emissions norms by our Industrial Engine Business this year. Likewise, our Automotive Business redesigned our B series engines to meet the more stringent BSIII emissions norms with mechanically controlled product leading to lower cost and ease of maintainability. The new BSIII emissions norms are now applicable throughout the country, barring 13 major cities, which are at BSIV. Our preparedness not only helped our customers transition smoothly to the new norms, but also testified our leadership in developing clean and green technologies.

I am happy to relay that our Automotive Business also successfully concluded the requirement of 3,500 natural gas powered B series engines for low-floor eco-friendly buses. Ordered by OEMs that were fulfilling the Delhi Transport Corporation tender, these deliveries were staggered over a three-year time frame.

Our Engine Business grew in the High Horsepower segments by positioning value packages in the rail (AC-AC DEMU), marine and pump segment. Last year we had seeded a prototype unit for the Self Propelled Accident Relief Train (SPART). Following its successful validation, we are now working on commencing production of these units for the Indian Railways. The business made further inroads in this segment with major projects like Diesel Electric Multiple Units (DEMU), Power Car, and 4 and 8 Wheeler Over Head Equipment (OHE) cars.

In order to provide greater value to our customers in the water well drilling segment our Engine Business

introduced new rig packages powered by our 14 liter and 19 liter engines. For the construction and mining segments we launched the 15 liter and 19 liter electronic engines. These engines were on display at the 10<sup>th</sup> International Mining and Machinery Exhibition held in Kolkata (IMME). These state-of-the-art engines reinforce our commitment to the construction and mining industry, while highlighting our emission leadership and unrivalled fuel economy.

Our Power Generation Business saw a surge in demand for low horsepower generator sets, which has led us to plan further expansion in our capacity. We intend to set up a power generation plant on the Cummins Megasite in the Special Economic Zone in Phaltan. With an initial capacity of 36,000 units per annum, and a matured capacity of over 50,000 units, this facility would manufacture generator sets and generator drives in the low and medium horsepower range for exports.

The business also launched the 78 liter QSK78 generators for the domestic market, positioning us to become the market leading player in this range.

Our Distribution Business launched an end-to-end maintenance service for telecom towers, which is running successfully in 440 locations. This success offers potential for additional business and also an opportunity to increase the value of our offering.

For long-term success of an organization, capable leadership at various levels is fundamental. We have taken a leader-led approach to imparting these skills in the Company. These Leadership Culture sessions were initiated by the Cummins Inc. Chairman and CEO, Tim Solso. Subsequently, the Cummins Inc. President and

COO, Tom Linebarger facilitated Coaching & Developing sessions around the world. He was followed by our global Business Presidents, Pamela Carter on Talent Management, Rich Freeland on Fostering Open Communications, Tony Saththertwaite on Diversity Management and yours truly on Strategic Thinking/Setting the Aim. I have also been conducting interactive sessions on Leadership Excellence in the Indian context for managers across all levels in India.

Furthering our leadership development efforts, we also launched the Global Leadership Development Program in India. The Program is targeted towards our senior leaders to help them become more effective in and outside India. Additionally, the soon to be announced 'Building Success in Others' program, will provide support to first time managers, equipping them with skills to provide good leadership to junior level employees. We are optimistic that these sessions will help develop excellent leaders capable of leading the Company towards long-term, sustainable prosperity.

Right talent is an essential element to driving high growth that is profitable. The Company is likely to increase its employee strength by over 700 this year. Compared to historical levels this is a very significant increase in hiring volume, and I am happy to relay that numerous initiatives and investments are currently underway to enable us do this well.

We believe diversity leads to innovation and excellence. Clearly, in order to succeed in today's competitive environment, it is essential to have individuals representing diverse backgrounds at all levels of the organization. Being passionately driven by the senior

leadership and embraced by all others in the organization, the year saw us improve representation of women to 19%, with almost 25% women employed in key leadership roles. We are committed to and are working determinedly towards achieving our target of 30% women representation by 2012. We also continued to make progress in expanding the representation of employees from different regions of India.

Given the positive market conditions, coupled with investments that we are making in our people, products, technologies and infrastructure, we believe the Company is poised to achieve another doubling of revenue in the coming four years.

### **Exceed 40% Return on Average Net Assets (ROANA) and 16% Profit Before Interest and Tax (PBIT)**

One of the most visible initiatives to supporting the above objectives is the investment in the Cummins Megasite at Phaltan. Besides augmenting capacities, the considerably leaner and efficient facilities built on this site are geared to help us significantly from a cost perspective. Moreover, by virtue of their location all the expansion projects stand to benefit immensely from the incentives offered by the State Government.

The Cummins Megasite was inaugurated on January 14, 2011, by dignitaries; Shri. Sharad Pawar (Union Minister of Agriculture), Shri. Prithviraj Chavan (Chief Minister of Maharashtra), Smt. Supriya Sule (Member of Parliament) and other senior ministers of State, in the presence of the Cummins Inc. Chairman and CEO, Tim Solso. With this inauguration we launched the first three expansion



**The first three projects:** *Distribution Business' High Horse Power Rebuild Center, ReCon India and Tata Cummins Limited at the Cummins Megasite become operational. Besides augmenting capacities, the considerably leaner and efficient facilities demonstrate project and process excellence with minimal cost of operations.*

projects at the Cummins Megasite, marking the beginning of a Campus that will see nearly 10 facilities operating from one location in the coming few years. All of these projects will have a positive impact on your Company.

**High Horsepower Rebuild Center:** This Center rebuilds mechanical and electronic engines from 19 liters up to 60 liters, and repairs all Cummins engines helping our Distribution Business meet the requirements of our rapidly increasing customer base.

**Tata Cummins Limited:** This project is an expansion of the joint venture Tata Cummins Limited for manufacturing the B series and ISB electronic engines. Built to cater to the surging commercial vehicle, power generation and industrial markets, this expansion will help the Company serve its customers, more effectively.

**ReCon:** This plant is a state-of-the-art remanufacturing facility for parts and engines up to 19 liters in size. This

allows the Cummins India Limited Distribution Business to serve its customers with cost effective parts and engines that offer similar warranty as a new part or engine.

Other than these three initial projects, the next unit to commence operations this year will be a common Parts Distribution Center (PDC) that will serve all Cummins businesses in India. This unit aims to improve supply chain efficiency in aftermarket parts distribution and warehouse operations. In addition to supporting our Distribution Business, the Center will offer optimal warehouse space to all the businesses in India, bringing significant improvement to our inventory management. The Center will have the Cummins Inc. global processes as well as I.T. infrastructure that will enable excellent delivery performance to our customers.

Next in line is an engine upfit plant to cater to the growing requirements of the construction, compressor, and marine segments. Apart from upfitting mechanical



**Continuing to help our customers succeed:** Built over 7 acres of land, the new, lean and modular High Horsepower Rebuild Center of the Distribution Business boasts of concepts like lean manufacturing, state-of-the-art technology and processes that significantly improve engine rebuild and repair capabilities.

and electronic B and L engines for various applications, the facility will also manufacture C series engines. Upon completion the plant will produce 20,000 engines annually.

I am happy to share with you our plans to expand the laboratories and engineering facilities at our Kothrud site into a global, full-fledged India Technical Center. The India Technical Center would support the growth plans of our Industrial, Power Generation, Automotive and Components businesses in India and globally; designing solutions that are cleaner, healthier and safer, and most of all cost effective, giving the Company a competitive advantage in the domestic markets.

I am very optimistic about all these projects and their collective contribution to ensuring our Company's sustained growth in a profitable manner.

As we go about growing our businesses, it is equally important to lean ourselves out. Aligned to our low cost

producer strategy, initiatives such as ACE-II (Accelerated Cost Efficiency) which began in 2008 and TRIMS (Total Cost Reduction in Indirect Materials and Services) which we launched in 2009, continued to help us maintain our low cost leadership position in the domestic markets, and remain the preferred source for exports to our parent.

I am delighted to share that we concluded ACE-II having achieved 96% of the targeted cost reduction, generating accrued savings of Rs. 53.8 crores during 2010-11. ACE-II aimed at reducing total cost of ownership of direct materials by 20% over a three-year period.

Likewise, TRIMS was initiated to reduce the Total Cost of Ownership in indirect materials by 10% per year over three years. The initiative along with other purchasing projects have generated bottom line savings of Rs. 12.4 crores and avoidance savings to the tune of Rs. 39.7 crores for the Company. Additionally, the program has helped consolidate the supply base and leverage our

spend. Projects in the areas of cutting tools, safety equipment, packaging, civil maintenance and housekeeping are currently underway.

Another initiative that continues to play a critical role in driving cost reduction is Six Sigma. Now in its eleventh year, Six Sigma has become so much a part of our DNA that we have progressed to completing nearly 355 projects during the year 2010-11, resulting in savings of approximately Rs. 61.89 crores for the Company. Of the number of projects closed, 90 are Customer Focused Six Sigma (CFSS) projects where our customers were an integral part of the team. We have been laying great emphasis on CFSS as they help our customers succeed and deepen our relationship with them.

We also continued our efforts of engaging and working with our suppliers. Together, we closed 50 Supplier Focused Six Sigma (SFSS) projects.

The Sigma Lite program, renamed as Introduction to Six Sigma, saw 12 launches during the year, imparting training to more than 300 junior managers across various businesses. We strongly believe that Six Sigma is a great way of improving leadership skills, processes and efficiencies and to this effect, have been investing heavily in developing every employee to become a Green Belt and our best performers to become dedicated Black Belts and Master Black Belts.

I am pleased to share that this year seven projects from India won the Cummins Inc. Chairman's Quality Award

presented by Tim Solso. Six Sigma is an intrinsic part of our journey towards leadership excellence and achieving 'Zero Defects'.

### **Achieve and sustain the respect of all stakeholders**

This is as important as achieving our earlier objectives.

I am delighted that shareholders benefited from the Company's performance. We had disbursed an enhanced interim dividend of 350 percent (Rs. 7 per fully paid-up equity share of Rs. 2 each) in March as compared to the 300 percent interim paid the previous year. We concluded the 2010-11 financial year with recommendation of a final dividend of 400 percent (Rs. 8 per share of Rs. 2 each) aggregating to a record 750 percent (Rs. 15 per share of Rs. 2 each). The total return to shareholders during the fiscal year including dividends and share price appreciation was 38.9 percent. Over the last five fiscal years, the total return has been 25.7 percent on a compounded annual growth basis.

We continued to delight our customers with new technologies. As an example, our Automotive Business introduced and successfully demonstrated the CNG hybrid technology in conjunction with Tata Motors for the buses that were supplied to Delhi Transport Corporation (DTC) for the Commonwealth Games. The CNG hybrid technology offers substantial improvement in fuel economy while reducing emissions.

A true measure of us achieving and sustaining the respect of our customers is the Net Promoter Score (NPS), a system that we had launched last year to

measure customer loyalty. Based on the customer feedback received through the system, our Distribution Business has started a project called 'Re-engineering of the Service Delivery Process'. The process has been designed to track every service event from the beginning to the end, enhance communication with our customers and draw the attention of senior leaders within the organization towards speedy resolution of the concerns voiced. The Company has in fact gone a step further in creating opportunities for customers to interact directly with the senior leadership facilitating first hand feedback on our products and services, thus demonstrating our dedication to the first of the ten practices under Cummins Operating System (COS), which is to 'put the customer first and provide real value'.

That we are indeed the preferred partner to do business with was endorsed with the 'Voice of the Customer' award in five of ten categories conferred by the international consultancy Frost & Sullivan on our Power Generation Business. The business has received this recognition for the second time since 2007, reinforcing the Company's position as the preferred power generation brand in India. These awards are based on the end-user satisfaction assessment that the consultancy conducted among generator set customers in India and go a long way in demonstrating our commitment to Dependability.

Additionally, our Engine Business was recognized by a much valued and long-time business partner, Atlas Copco with the award for 'Best Quality Performance'.

Honours were conferred upon the Company by the leading industry body, Confederation of Indian Industry (CII). CII presented the Company with the 11<sup>th</sup> National

Award for "Excellence in Energy Management 2010" for the rural electrification project which the Company had initiated in collaboration with the Cummins Engine Research Facility (CERF) at IIT Bombay. This award under the category of Innovative Energy Saving Product/Service recognizes our indigenously developed technology which allows electricity generation, utilizing locally available renewable energy sources like Straight Vegetable Oil from non-edible oil seeds grown locally, whilst minimizing overall carbon emissions. A pilot of this project was validated in village Kolha in Orissa last year, just one of the Company's many initiatives towards deploying technology and expertise towards the development of the communities. The technology was replicated at village Padarwadi in Maharashtra, this year. The initiative captured on film won the first place amongst entries from 36 other global companies at the Boston College Center for Corporate Citizenship Film Festival.

To our employees, we do not merely offer employment opportunities but long-term growth prospects that allow them to develop and succeed in the organization. Our 'Hire-To-Develop' strategy is aimed at employing the right talent that believes in the Cummins Core Values at the entry level, which is then developed to take up greater responsibilities in the organization. We believe that by doing this in a structured way, we will be giving employees great work assignments and experiences, which will not only enhance their skills but also cement long term relationships with your Company. This year, 466 deserving employees were provided an opportunity to take up new roles and responsibilities within the organization. Over 100 engineers went through our Young Managers Development Program (YMDP). Of the 31 MBA students from premier B-Schools who had

interned with us, 23 were retained through suitable placement across varied functions in the Company. A sizeable percentage of our new recruits are women, aligned with our efforts to increase gender representation in the organization.

As part of our gender diversity efforts, the Affirmative Development Project was successfully implemented in India. Mid-level managers and members of our Women's Affinity Group were given an insight into the business case for diversity in a day-long workshop that was conducted by the Global Diversity Leader and a consultant partner. We are committed to providing an inclusive and energizing environment for talented people of all backgrounds at Cummins.

A key enabler to facilitating our employees' growth path in the organization is the Performance Management System. This process and system witnessed 99% employee utilization this year.

To recognize exemplary performance during the year the Company hosted the sixth annual CMD Awards. Thirty teams from across the Cummins Group in India were rewarded for their commitment to the six Core Values, and critical initiatives such as Six Sigma, Customer Support Excellence, Health, Safety & Environment (HSE), and overall performance.

For many of us, the desire to learn and garner knowledge is an unending journey. For deserving employees who wish to study further, we have introduced an Education Assistance Policy that facilitates participation in education programs. Our high performing employees continue to benefit from our partnership with leading institutions, such as the Indiana

University Kelly School of Business and SP Jain Institute of Management & Research. To this list we have added the Indian Institute of Management, Ahmedabad which has worked with us on a "Cumminized" management program this year. 50 employees from across the organization have been sponsored for MBA programs at these esteemed institutes.

Team Based Work System (TBWS), our global approach at engaging shop floor employees to driving improvement is being implemented in all our facilities at the Cummins Megasite and amongst the existing facilities, such as our Power Generation plant at Pirangut. This initiative develops self-motivated teams that are capable of operating the plant with minimum supervision; thereby improving our product quality and process efficiency, and in turn reducing our cost of operations.

We continue to invest heavily in creating the right environment in the organization. At Cummins the Cummins Code of Business Conduct and Treatment of Others Policy is core to creating the right environment. All employees have been taken through sessions that educate them about the importance of acting with integrity and respect. I am very happy to relay that our most recent Employee Satisfaction Survey shows significant improvement in all five indices of satisfaction, namely; Communication, Performance, Vision, Diversity and Leadership.

A critical aspect to providing a great place to work is ensuring that the work environment is clean, healthy and safe for all our employees. To support sound HSE practices in the organization, the Company has initiated procedures, audits and systems such as Driving Safety,



**Energy conservation with intelligent designing and green thinking:** Abundant natural light on the shop floor gives a whole new meaning to energy saving. All facilities at the Megasite are built in accordance with standards outlined by the Indian Green Building Council.

Supplier/Contractor Safety, Safety System Monitoring and Measurement, and Internal Health Safety and Environmental Management.

Our efforts were recognized when the facility at Kothrud was conferred with the National Energy Award 2010 by the Confederation of Indian Industry, Western Region. Moreover, all of our engine manufacturing plants in Pune have received the ISO 14001 and OHSAS 18001 certifications.

Efforts made by the Kothrud facility in conserving water have shown remarkable results with river water consumption reducing by 43 percent as compared to

last year and domestic water consumption reducing by 10 percent per capita on a daily basis.

Cummins' efforts in the area of energy conservation have been no less significant. Having achieved 31 percent reduction in Green House Gases (GHG) from the 2005 baseline, the Group has succeeded in reducing GHG from 102.22 T Co2/\$Mn in 2005 to 59 T Co2/\$Mn in 2010.

True to our Mission of demanding that everything we do leads to a cleaner, healthier and safer environment, all facilities at the Megasite are being built in accordance with standards outlined by the Indian Green Building

Council. Furthermore, the IT building at the Megosite has been built to qualify for the LEED Certification.

Pursuant to the labour situation at the Kothrud plant last year, relations between the organization and the union leadership are cordial and stronger. The numerous employee engagement initiatives, including developmental and behavioural training sessions and corporate responsibility projects have helped in positively engaging our associates while aligning them to the organizational objectives. We believe our efforts will go a long way in reinforcing ties and providing a great place to work to our associates.

Aside from working to meet financial objectives, our employees have been doing significant work in serving and improving our communities. The Every Employee Every Community (EEEC) program witnessed 93%

employee participation, wherein more than 26,000 hours were devoted to community service this year. Such was the impact of the work that our employees undertook that six projects from India were adjudged winners of the Environmental Challenge that is announced each year by Cummins Inc. We aim at achieving 100% participation from employees across our various businesses going forward.

The Cummins India Foundation continued to work relentlessly in the three identified focus areas, namely; Higher Education, Energy & Environment and Local Infrastructure Development. Under Higher Education, the Cummins Scholarship Program, in its fourth year, sponsored 40 socially and economically disadvantaged students to pursue higher education in Engineering and Management. Additionally, the Cummins India Foundation also donated Rs. 1 lakh to the Lila



**Sensitivity and technology converge to provide a sustainable solution:**

*Committed to improving lives, passionate employees worked in a small village called Nandal, 5 kilometers from Phaltan to replace the traditional wood chulhas that burnt a lot of wood, with cleaner, greener cooking stoves. These stoves have helped to reduce usage of wood by 30 percent and emissions five-fold.*

Poonawalla Foundation towards educating deserving but financially disadvantaged female students at a Masters level.

The Cummins College of Engineering for Women has been established as a Signature Project by Cummins Inc. With this, we will be working towards establishing the college amongst the top 10 technical educational institutions in India over the next five years.

Expanding its horizons the Company is working closely in and around Phaltan to bring positive changes in the lives of the communities. The Company has furthered direct employment opportunities for the employable youth at Phaltan. At the Cummins Megasite, of the 221 employed from Satara District, 75% are residents of Phaltan Taluka alone. Apart from generating employment, the expansions are playing an important role in creating opportunities for many ancillary industries in and around the region.

Committed to improving the neighborhoods of Phaltan, Cummins has adopted three villages namely, Nandal, Surwadi and Dawalewadi that are in close proximity to the town. The Group is working towards undertaking initiatives that will address the very immediate and critical needs like water, sanitation and hygiene, education, per capita income and avenues for income generation. At Nandal, the Cummins Group has already initiated two such projects, one each in the area of Energy & Environment and Infrastructure Development. Similar initiatives are slated to be replicated at Surwadi and Dawalewadi in the near future.

In the area of Higher Education, the Company is working closely to upgrade the Industrial Training

Institute (ITI) at Phaltan. With dedicated efforts towards improving infrastructure, faculty and syllabus, Cummins is committed to improving the quality of technical education offered by the Institute and its Center of Excellence; thereby providing a sustainable solution to making the younger section, employable. This year 12 students from the Satara District were granted the Cummins Scholarship to pursue higher education. This number will increase further in the coming years.

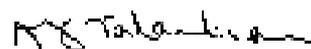
### **In Closing**

In hindsight, the year has indeed been very fulfilling. We have been guided by our Vision, Mission and Core Values in doing what is right for all our stakeholders.

I would like to sincerely thank our customers, suppliers and you, our shareholders for your sustained confidence and support to us. I remain grateful to our Board of Directors for their valuable direction towards helping us grow profitably while sustaining the respect of all stakeholders. I would like to acknowledge our Leadership Team and all employees for their teamwork and diligent execution of our strategies that have ensured sustained superior results.

I recommit myself and my entire team at Cummins India Limited to our Core Values, Mission and ultimately our Vision of 'Making people's lives better by unleashing the Power of Cummins'.

Sincerely,



Anant. J. Talaulicar  
Chairman and Managing Director

# Board of Directors



**Anant J. Talaulicar**  
Chairman and  
Managing Director



**B. H. Reporter**  
Director



**James Kelly**  
Director



**Dr. John Wall**  
Director



**M. A. Levett**  
Director



**Nasser Munjee**  
Director



**Patrick Ward**  
Director



**P. S. Dasgupta**  
Director



**Rajeev Bakshi**  
Director



**Venu Srinivasan**  
Director



**J. M. Barrowman**  
Alternate Director to  
M. A. Levett



**Pradeep Bhargava**  
Alternate Director to  
Patrick Ward



**Sean Milloy**  
Alternate Director to  
Dr. John Wall

## **BANKERS :**

State Bank of India

HDFC Bank Limited

Citibank, N.A.

Bank of America

## **AUDITORS :**

PRICE WATERHOUSE

Chartered Accountants

Muttha Towers, 5<sup>th</sup> Floor

Suite No. 8, Airport Road, Yerwada

Pune 411 006

## **REGISTRAR & TRANSFER AGENT :**

Link Intime India Pvt. Limited

C-13, Pannalal Silk Mills Compound

L.B.S. Marg

Bhandup (West)

Mumbai 400 078

Phone : (022) 25946970

Fax : (022) 25946969

## **Cummins India Limited**

Regd. Office : Kothrud, Pune 411 038

Phone : (020) 25385435, 25380240

Fax : (91) (020) 25380125

Website : [www.cumminsindia.com](http://www.cumminsindia.com)

## Financial Summary - 5 Years

Rs. Crores

| Particulars   | 2010-11  | 2009-10  | 2008-09  | 2007-08  | 2006-07  |
|---|----------|----------|----------|----------|----------|
| <b>Total income</b>   | 4,122.87 | 2,966.62 | 3,455.03 | 2,473.39 | 1,945.49 |
| Raw material  | 2,580.35 | 1,802.26 | 2,233.77 | 1,621.72 | 1,207.24 |
| Employee cost   | 254.63   | 195.26   | 212.96   | 138.42   | 120.04   |
| Mfg. exps. and overheads  | 282.48   | 190.37   | 196.16   | 148.69   | 129.60   |
| Adm.,selling and other exps.  | 164.51   | 129.69   | 184.16   | 134.92   | 108.60   |
| Interest  | 1.90     | 2.05     | 2.61     | 0.67     | 1.41     |
| Depreciation  | 36.64    | 36.08    | 45.56    | 32.96    | 32.60    |
| <b>Net profit before tax</b>  | 802.37   | 610.91   | 579.82   | 396.00   | 346.00   |
| Exceptional Item  | —        | —        | 19.20    | —        | —        |
| Tax provision on income<br>(Net of Excess/Short provision for<br>prior years) | 211.38   | 167.05   | 165.36   | 115.31   | 103.95   |
| <b>Net profit after tax</b>   | 590.99   | 443.87   | 433.66   | 280.69   | 242.05   |
| Dividend  | 297.00   | 237.60   | 178.20   | 91.08    | 79.20    |
| Additional Income tax on dividend   | 48.72    | 39.92    | 31.98    | 15.48    | 12.28    |
| Earnings in foreign exchange  | 1,096.27 | 507.63   | 1,342.49 | 742.05   | 619.74   |
| Dividend %  | 750.00   | 600.00   | 450.00   | 230.00   | 200.00   |
| Earning per share<br>(Face value of Rs.2 )                                    | 29.85    | 22.42    | 21.90    | 14.18    | 12.22    |

Previous years' figures have been regrouped / reclassified wherever necessary.

## DIRECTORS' REPORT

The Directors of Cummins India Limited have pleasure in presenting the Fiftieth Annual Report and Audited Accounts of the Company for the year ended March 31, 2011.

### 1. FINANCIAL RESULTS :

During the year under review, net sales turnover was Rs. 39,454,427 ('000) (Rs. 39,454 million) as compared to Rs. 28,448,704 ('000) (Rs. 28,449 million) during the previous year (39% higher). Exports and other foreign exchange earnings were Rs. 10,962,713 ('000) (Rs. 10,963 million) as compared to Rs. 5,076,277 ('000) (Rs. 5,076 million) during the previous year (116% higher). Profit after tax was Rs. 5,909,903 ('000) (Rs. 5,910 million) as compared to Rs. 4,438,672 ('000) (Rs. 4,439 million) for the previous year (33% higher).

|   | <b>2010-2011</b><br><b>(Rs. '000)</b> | 2009-2010<br>(Rs. '000) |
|---|---------------------------------------|-------------------------|
| <b>APPROPRIATION OF PROFIT :</b>                                      |                                       |                         |
| Profit before taxation  | <b>8,023,667</b>                      | 6,109,147               |
| Net Profit for the year after tax but before tax on proposed dividend | <b>5,909,903</b>                      | 4,438,672               |
| Tax on dividend   | <b>487,161</b>                        | 399,213                 |
| Dividend  | <b>2,970,000</b>                      | 2,376,000               |
| Transferred to General Reserve  | <b>590,991</b>                        | 443,867                 |
| Balance carried to Balance Sheet                                      | <b>8,036,470</b>                      | 6,174,719               |

### 2. DIVIDEND :

Your Directors have recommended a final dividend of Rs. 8/- per equity share of Rs. 2/- each fully paid-up, for the year ended March 31, 2011, in addition to the interim dividend of Rs. 7/- per share declared on February 3, 2011, aggregating to Rs. 15/- per share for the year.

### 3. JOINT VENTURES :

#### a) Cummins Exhaust India Limited (CEIL) :

Your Company divested its entire shareholding of 2 million equity shares in Cummins Exhaust India Limited (a joint venture engaged in the business of manufacture and sale of exhaust silencers and mufflers for Internal Combustion Engines), as it was no longer considered core or strategic to the Company. The shares were sold to MVG Acquisition Corp., USA on April 29, 2011 for a consideration of Rs. 534.40 million.

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

The sales and other income of Cummins Research and Technology India Limited (CRTI), a 50:50 joint venture between Cummins Inc., U.S.A. and your Company, for the year ended March 31, 2011, was Rs. 467,843 ('000) (Rs. 468 million) as compared to Rs. 409,910 ('000) (Rs. 410 million) during the previous year (14% higher). CRTI has a Research and Technology Centre at Pune and is engaged in providing Information Technology Enabled Mechanical Engineering Development Services to Cummins Inc., its subsidiaries and joint ventures across the world.

#### c) Valvoline Cummins Limited (VCL) :

VCL is a 50:50 joint venture with Valvoline International Inc., U.S.A., a global leader in lubricants and engine oils. The net sales and other income of VCL for the year ended March 31, 2011 was Rs. 7,083,285 ('000) (Rs. 7,083 million) as compared to Rs. 5,821,835 ('000) (Rs. 5,822 million) during the previous year (22% higher). VCL has declared a dividend of Rs. 10/- per equity share of Rs. 10/- each on equity paid-up share capital of Rs. 190 million during the Financial Year 2010-11.

#### 4. INITIATIVES AT THE CUMMINS MEGASITE :

Owing to continued strong demand, your Company stepped up its expansion initiatives at the Cummins Megasite at Phaltan with the following projects :

- A High Horse Power Engine Rebuild centre - which has a state of the art facility to rebuild HHP engines, started its operations in March 2011.
- A Parts Distribution Centre (PDC) - which will undertake kitting of parts and components and distribution of the same from a centralized location to cater to the requirements of other Cummins' plants as well as after market, is under construction. The PDC is expected to commence operations in the third quarter of this year.
- A unit for the manufacture/assembly and upfit of B, C and L series engines is also being set up at the Megasite. This facility is expected to commence operations by the first half of 2012, with an annual capacity of approx. 20,000 engines. The plant would cater to the requirements of engines for the construction, compressor, marine and fire pump markets.
- A facility for the manufacture of Power Generator Sets and G-Drives in the low and medium horse power range is also being set up on the MIDC SEZ at Phaltan. This facility is expected to commence production by the middle of 2012 and would have a matured annual capacity of 51,000 units by 2015, mainly for export markets.

Your Company also identified opportunities to provide support to Project Affected People (land owners) by way of providing employment to qualified and eligible members and extending education assistance to others.

#### 5. MANAGEMENT DISCUSSION & ANALYSIS / CORPORATE GOVERNANCE REPORT :

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

#### 6. CODE OF CONDUCT COMPLIANCE :

A declaration signed by the Chairman and Managing Director affirming compliance with the Company's Code of Conduct by Directors and Senior Management, for the Financial Year 2010-2011, as required under Clause 49 of the Listing Agreement with Stock Exchanges is annexed and forms 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 : -

- (i) that in the preparation of the annual accounts, all applicable accounting standards have been followed and there was no material departure from the accounting standards;
- (ii) that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on March 31, 2011 and of the profit for the period April 1, 2010 to March 31, 2011;
- (iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) that the Directors have prepared the annual accounts on a going concern basis.

#### 8. CONSERVATION OF ENERGY :

Your Company continued to undertake various energy conservation initiatives during the year, some of which are given below :-

##### Engine Business Unit Plants (Kothrud and Pune - Nagar Road) :-

- Reduction in power consumption of KV ATPU area for lighting, cooling towers, and other applications.
- Waste Heat Recovery from powerhouse generator set by generation of hot water for use in canteen.
- Reduction in energy consumption of hydraulic press by machine cycle modification.

**Power Generation Business Unit Plants (Kasar Amboli and Daman) :-**

- Compressor AC Drive control installation.
- Installation of energy efficient lights.
- Compressor health check up and air leakage preventive maintenance.
- Installation of LED based street lights.

**Distribution Business Unit, Erandawana, Pune :-**

- Load reduction in administration building by localized lighting at work stations and redesigned general lighting as well as natural lighting.
- Use of energy efficient chokes, light fittings, lamps, push pull switches etc.
- Improved power factor.

**IMPACT OF THE ABOVE MEASURES :**

The above initiatives resulted in savings of about Rs. 3,743 ('000) in addition to Green House Gas (GHG) emission reduction by 490 tons during the year. The energy units saved during the year were about 470,492 kWh.

**Cummins Megasite, Phaltan :-**

Your Company initiated following energy conservation initiatives at the Megasite :

- Use of composite wall and high performance double glazing for façade, thereby achieving reduction in load on the air conditioning system.
- Use of sky lights on roofs to ensure minimal use of lights on the shop floor during day time.
- Use of APFC (Automatic Power Factor Correction) panel for power factor correction at load side.
- Use of dry type transformers to minimize loss of electricity.
- Motion sensors with dimmable ballast for the IT building.
- Use of motion sensors to ensure effective utilization of power.
- Use of timers for alternate switching of street lights after duty hours.
- Use of TS tubes with electronic ballast for shop floor, street and office area lighting.
- Use of glass wool to reduce the working temperature on the shop floor.
- Use of VRV air conditioners for the administrative buildings thereby achieving energy savings.

**9. RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION :**

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

The Technical Centre of your Company continues in its endeavour to indigenize components and develop the next generation of components and systems in collaboration with Cummins Inc., to reduce costs, improve fuel efficiency, performance and durability of its products. In addition, technical productivity enhancements are continuously pursued to reduce the costs associated with new product development.

**A. New Product Development :**

The following new products were developed as part of the above initiatives during the year :

1. Emission recipe development to meet BS-IV emission regulations for Automotive ratings. Multiple Power ratings from 99 HP to 380 HP were developed for various applications.
2. Development of BS-III new ratings. Multiple Power ratings from 99 HP were developed for various applications.
3. Established FTIR Ammonia slip measurement facility to meet BS-IV requirements.
4. Integration of Continental fuel system on GTA855 emissionised recipe for gas compression market.
5. Reduction in cost of ownership by integration of Champion spark plugs on GTA855 engines.
6. Indigenous C8.3 engine certified by IRS for marine application used on 120KW and 80KW Gensets.

- B. Benefits derived as a result of the above activities are :
- Significantly lower development cost ensured value addition to the customers.
  - On time availability of emissions compliant and fuel efficient products to customers.
  - More reliable, durable and performance efficient products and critical components were made available.
  - Component indigenisation and six sigma initiatives resulted in significant cost savings.
  - The above initiatives helped in securing new customers.
- C. Future plans include :
- Developing local solutions to meet upcoming emissions regulations and market needs,
  - Technological innovation to add value to products in the areas of alternative fuels and hybrid engines,
  - Emphasis to reduce carbon foot prints and energy efficient solutions,
  - Continued focus on indigenization and supplier partnership based waste elimination initiatives,
  - Alternate source development for various engine components,
  - Low range engine development for the Power Generation Market.
- D. Your Company continues to draw benefits from Cummins Inc.'s technical capabilities and advanced technology. With continued support from Cummins Inc., U.S.A., your Company is committed to develop advanced fuel efficient and emissions compliant engines to comply with forthcoming domestic and global emissions regulations.
- E. Expenditure on R & D :
- The total expenditure on R & D was as follows :-

|  | <b>2010-2011</b><br><b>(Rs. '000)</b> | 2009-2010<br>(Rs. '000) |
|--|---------------------------------------|-------------------------|
| a) Capital   | <b>50,018</b>                         | 314,195                 |
| b) Recurring   | <b>326,936</b>                        | 317,559                 |
| c) Total   | <b>376,954</b>                        | 631,754                 |
| d) Total R&D expenditure as a percentage of total sales turnover | <b>0.96%</b>                          | 2.22%                   |

#### 10. FOREIGN EXCHANGE EARNINGS AND OUTGO :

During the year under review, your Company exported 9,310 engines and 4,908 generator sets thereby achieving export earnings of Rs. 10,604,257 ('000) (Rs. 10,604 million).

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

|                             | <b>2010-2011</b><br><b>(Rs.'000)</b> | 2009-2010<br>(Rs.'000) |
|-----------------------------|--------------------------------------|------------------------|
| (a) Earnings                | <b>10,962,713</b>                    | 5,076,277              |
| (b) Outgo –                 |                                      |                        |
| - Raw Materials/ components | <b>5,576,732</b>                     | 3,134,867              |
| - Capital equipment         | <b>478,759</b>                       | 305,254                |
| - Others                    | <b>2,455,656</b>                     | 1,354,102              |
|                             | <b>8,511,147</b>                     | 4,794,223              |

**11. PARTICULARS OF EMPLOYEES :**

Information as per Section 217(2A) of the Companies Act, 1956 (the Act), read with the Companies (Particulars of Employees) Rules, 1975, forms part of this Report. As per the provisions of Section 219(1)(b)(iv) of the Act, the Directors' Report and Accounts are being sent to the Shareholders excluding the statement giving particulars of employees under Section 217(2A) of the Act.

Any Shareholder interested in obtaining a copy of the statement, may write to the Assistant Company Secretary at the Registered Office of the Company.

**12. DIRECTORS :**

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

**13. INDUSTRIAL RELATIONS :**

Industrial relations at the Company's plants continue to be cordial.

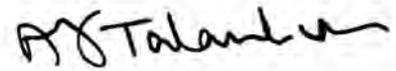
**14. AUDITORS :**

The Auditors, Price Waterhouse, Chartered Accountants, hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

**COST AUDITORS :**

Your Company appointed M/s. Parkhi Limaye & Co., Cost Auditors, Pune as its Cost Auditors for the year 2010-11. The Cost Audit report for the year 2009-10 was filed with the Ministry of Corporate Affairs on September 26, 2010, due date being September 27, 2010.

On behalf of the Board of Directors,



Anant J. Talaulicar  
Chairman & Managing Director

Mumbai: May 30, 2011

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

## 1. Industry Structure and Developments

### Economic Trends and Implications

- India's economic performance in recent years has been quite impressive. Apart from a brief slowdown due to the global financial crisis in the intervening period of 2008-09, growth has remained largely as per the trend for the period between 2005-06 and 2010-11. The Indian economy grew at 8.6% in fiscal 2010-11 as against 7.4% in the previous fiscal. The growth in India has been largely driven by consumption and investment. India's industrial output grew by 7.8% during 2010-11.
- Inflation & Fiscal deficit are the key issues to be addressed to unleash India's growth potential. Inflation management remained a big challenge for the Government during 2010-11. Inflation crossed 10 percent in April 2010. Wholesale Price Index (WPI) inflation stood at 9.4% for FY 2010-11 compared to 3.6% for FY 2009-10, due to the food prices remaining high through most of the year and the rise in commodity prices in the last few months of the fiscal. With food prices at moderate levels, WPI inflation for FY 2011-12 is expected to be ~ 6.0%. The risks due to interest rates being hiked to curb rising inflation, could dampen industrial activity. Rising commodity prices could also put pressure on Company margins.
- Fiscal deficit during 2010-11 was 5.1% of GDP as against 6.8% during 2009-10. The Government has pegged the fiscal deficit target at 4.6% for 2011-12. However, achievement of the fiscal deficit target is dependent on government initiatives on the disinvestment front, subsidies on oil & fertilizers and impact of the food security bill.
- Assuming normal monsoons, robust industrial growth and resilient performance of the service sector, GDP in FY 12 is expected to grow in the range of 8-9%. The focus of Government spend on the infrastructure sector, would continue to support growth.

## 2. Opportunities and Threats

Key **Opportunities** include

### Power Generation

- India continues to be on the path of augmenting its power generation capacity. At the end of the fiscal 2010-11, the installed capacity in the country stood at 173 GW. India continues to have an energy deficit of 8.5% with a peak deficit of 10.3% at the end of the fiscal year. Though the Government has detailed plans to reduce the demand supply gap, shortages continue to exist, due to delayed execution of projects. The energy footprint of our country is fast growing and the demand for energy consuming appliances will significantly increase. The per capita consumption of electricity is expected to cross 1,000 kWh by 2012 from the last reported figure of 733.54 kWh in 2008-09. Overall, the demand supply shortfall is expected to continue to spur demand for captive power options.
- Industrial growth spurred by domestic demand is expected to continue, thereby creating demand for backup power from most sectors like manufacturing, infrastructure, commercial and residential realty, IT & ITES and services.

### Industrial

- The Government is optimistic of the economy growing at about 8.5% to 9%. To sustain this economic growth rate, India will have to invest in developing its infrastructure as well as other supporting industries. This implies that the construction equipment industry will be the largest beneficiary of private & Government spending on infrastructure development. Your Company enjoys strong business relationships with the domestic and global construction equipment leaders and is well positioned to serve the needs of this segment.
- Bharat Stage III emission norms (based on EU Stage IIIA), have been implemented since April 2011 on off-highway wheeled construction equipments such as wheel loaders, skid steer loaders, motor graders, compactors, pavers and cranes. This would provide an opportunity for your Company to consolidate its position in the market.
- The prevailing demand-supply gap in the power sector and growth in the steel & cement sector will fuel demand for mining of coal, iron ore and lignite. This would not only increase the demand for mining equipments but also improve business prospects for shunting and freight locomotives.

- Indian Railways passenger traffic is growing at a steady rate of 6% year on year, leading to increased track utilization, increased demand for short distance trains and in turn increased demand for Diesel Electric Multiple Units (DEMUs). The freight corridor project & increased focus on safety by the Indian Railways will further boost demand for track maintenance machines and maintenance rail cranes, creating additional opportunities for your Company.
- India has witnessed a tenfold increase in energy consumption in the last 5 decades. In the coming years, with the Government's focus on oil and gas exploration & production activity, opportunities exist for your Company to push its engines in the oil and gas exploration, production and distribution applications.
- Your Company is committed to strengthening its partnership with OEMs by supporting them in various new application launches, driving the TCO (Total Cost of Ownership) concept together, enhancing the value proposition in terms of cost efficiency and faster deliveries and improving lead time through Customer Focused Six Sigma (CFSS) projects.

### **Automotive**

- The Medium and Heavy Commercial Vehicle Market (GVW >7.5 Ton) grew by 38% in 2010-11 over the previous year. The market outlook for the coming year is expected to be strong. The Automotive business is likely to benefit from the growth in demand across sectors.
- 13 metro cities moved to BS -IV emission norms from April 2010 and the rest of the country moved to BS-III emission norms from October 2010. Cummins product and production plans were geared to ensure smooth transition of customer requirements to meet these emission norms.
- Your Company's product ranges across all mechanical and electronic products were available to meet OEM requirements. Your Company is expected to maintain its strong position in the market with its portfolio of products that are expected to continue to provide advantages to customers.

### **Distribution**

- The Distribution Business Unit (DBU) outlook for the coming year remains positive in view of the continued uptrend in industrial activity, demand supply gap in the power sector and expected growth in services over the coming quarters.
- Changing technology, product platforms, fuels and emissions regulations creates new business opportunities of unique solutions for DBU.
- Customer expectations are increasing, outsourcing trends are becoming more common, service standards are changing; all these dynamics are acting as a catalyst for your Company to drive profitable growth through Customer Support Excellence.
- Small OEMs in the Automotive, Marine and Industrial segment reflect a significant opportunity for DBU.

### **Exports**

Exports business, driven largely by the global Power Generation demand, has seen a smart recovery after the recession last year. While it is not yet at its best ever levels, the demand scenario appears to be promising as global economic conditions continue to improve in some key pockets of the international markets.

### **Key Threats**

- Growth has its own set of challenges. Continued risk on account of inflation could counter India's growth momentum. Increasing interest rates (to curb inflation) would increase cost of financing which could dampen industrial activity.
- Margin pressures are expected to continue with increased commodity costs and cost efficiency drives by the customers.
- The cyclical downturn in the water-well market which began in Q1-2011, is likely to continue for the rest of the year.
- Key international players are making their foray into India. Private players are also entering so-called Government domains like mining and exploration. This will see the intensity of the competitive landscape rising to new levels.
- Lack of immediate visible demand for CNG buses is likely to affect demand for CNG engines in near future.

### 3. Segment-wise and Product-wise Performance

#### 3.1 Power Generation

- The recovery demonstrated in 2009-10 was sustained in 2010-11. Sales of domestic business grew 29% over 2009-10, despite negative sales growth in the Low Horse Power (LHP) Telecom segment.
- Exports more than doubled on account of the global economic recovery.
- Substantial recovery in gas based gensets is evident from the order book, with 19MW gas based power generation projects under execution.

#### 3.2 Industrial

- The Industrial segment recorded a 27% growth in revenues over last year with strong performance in key segments such as Construction, Compressor & Mining.
- The Compressor segment witnessed a robust growth of more than 42% over last year. This growth was triggered by strong performance in the water-well, gas compression and portable compressor segments. The high pressure water well drill rig market showed significant increase in demand, mainly due to the irregular monsoon.
- The Construction segment grew by 43% over last year, on account of increased investment in the infrastructure sector.
- Successful implementation of new product programs, introduction of electronic engines on varied applications and round-the-clock highly capable customer support network led to a 26% growth in the Mining segment compared to the previous year.
- The Rail segment grew by 25% over last year. The growth was boosted by the execution of major projects like Power Car, HHP DEMU and strong participation in 4-wheeler & 8-wheeler car projects.

#### 3.3 Automotive

- Your Company has benefitted from the growth in demand for heavy commercial vehicles and expansion plans of some of its key automotive customers. Diesel engine volumes for the heavy commercial vehicle segment grew by 92% in 2010-11 over the previous financial year, compensating the fall in demand for CNG engines.
- Your Company successfully executed orders for around 3,500 B Gas plus (CNG) engines in 2010-11. Supplies were staggered over the last two years.

#### 3.4 Distribution

- The Distribution Business Unit recorded a 14% growth in revenues over the previous year and reported a robust performance in almost all lines of business.
- DBU has been able to achieve significant improvements in profitability across its operations through its focus on reducing selling & administrative expenses and stringent cost control measures.

### New Business Initiatives 2010-11

#### Power Generation :

- Your company has seen a surge in demand for Low Horse Power generator sets. This has led to a forecasted shortage of capacity. Your Company has obtained approval for setting up a plant in the Special Economic Zone (SEZ) in Phaltan – to be co-located with other Cummins plants.

#### Industrial :

- Your Company captured new business in High Horse Power segments by positioning value packages in rail (AC DEMU), marine & pumps segments.
- Cummins also seeded a prototype unit for Self Propelled Accident Relief Train (SPART), by working closely with Indian Railways (ICF / RDSO) and delivering a value package (14 ltr. horizontal engines for traction) & 125 kVA DG set powered by Cummins' 6 ltr. engine for traction cooling.

- Your Company provided cost effective indigenous BS-III (CEV) mechanical solutions to OEM partners to enable their business augmentation in these high growth potential segments.

#### **Distribution :**

- Your Company inaugurated a 'state of the art' High Horse Power (HHP) Engine Rebuild Centre at the Cummins Megasite in Phaltan for its line of HHP mechanical & electronic engines to cater to the growing demand.
- In order to improve the service network efficiency, increase penetration and deliver superior services, your Company initiated a network restructuring project.

#### **Exports :**

- Your Company successfully launched the Tier II engines with the QSK50 in the Export segment during the year.

#### **Achievements**

##### **Power Generation :**

- Your Company was awarded Frost and Sullivan awards in the following 5 categories –
  - Corporate Brand Image / Reputation Leadership
  - Customer Service Support Leadership (For Generator sets Above 250 kVA)
  - Most preferred Brand in the Manufacturing / Process industry segment (Above 250 kVA)
  - Most preferred Brand in the IT / Realty / Hospitality segment
  - Most preferred Brand in the Construction / Infrastructure segment

##### **Industrial :**

- Your Company successfully developed cost effective indigenous 6B & 4B mechanical solutions in a service friendly manner for transitioning into BS-III (EU stage III-A) CEV emission norms, which will provide a competitive edge, leading to high growth potential in the construction segment. A leading OEM in the construction equipment sector in India has conferred a certificate of honor on Cummins for significant contribution to 'QUALITY' during the year 2010.
- Your Company introduced 15 ltr. engines for blast hole drilling application in the compressor and mining segments. New packages in the high pressure water well drilling segment were developed with your Company's 14 ltr. and 19 ltr. engines to provide more value to customers.

##### **Automotive :**

- Your Company successfully participated in technology demonstration at the Commonwealth Games in Delhi with the CNG hybrid bus, along with one of its key OEM customers.
- The team was recognized by the OEM for providing round-the-clock support to OEM teams, for supporting 100% availability of buses for transportation of athletes, delegates, TV crew and technicians during the Commonwealth Games.

## **4. Outlook and Initiatives for the Current Year and Thereafter**

### **Power Generation**

- Market indicators are showing increasing demand. Segments such as manufacturing, retail and commercial realty show signs of revival. Infrastructure demand continues to be weak due to delay in big projects.
- LHP demand in commercial & residential realty and retail segments continues to be strong.
- Gas pricing remains a concern with gas distribution companies increasing prices by 5-40% to existing customers. New gas contracts are being negotiated in Gujarat & North India.
- Automated Transfer Switch (ATS) business is getting ready for a quantum jump in India. ATS for Automatic Mains Failure (AMF) application to GOEMs will boost overall Power Electronics sales for the year.
- The global economy looks positive from an exports standpoint.

## Industrial Outlook

- With a growing middle class base, favorable demographics, rising disposable income & consumption levels, growing corporate sector – including service and industry, the outlook remains positive for Cummins Industrial Business.
- Government and private investments will continue to grow in the infrastructure sector due to sustained economic growth.
- The freight corridor project and increased focus on safety by the Indian Railways will lead to an increase in demand for track maintenance machines and maintenance rail cranes.
- Position of Value Package in the Power Car (Rail) segments will help customers improve operational efficiencies substantially.
- Your Company has made significant investments to enhance the HHP engine manufacturing capacity in view of the improving global demand as well as the continued positive outlook in the domestic segment. Capacities are slated to be enhanced by about 25% over the next year.

## Distribution

- Key projects on service delivery have been launched by your Company for creating value to customers and to be their 'first choice'.
- Technology focus is being introduced to act as force multipliers to provide better services to customers and capture new business opportunities.
- The distribution business maintains a positive outlook for the current year and has launched several initiatives to continue this growth.

## 5. Risks and Concerns perceived by the Management

- The global economy seems to be recovering slowly, although the debt crisis on the European continent could trigger short-term vulnerability in the global economy. This may have an adverse impact on global demand in terms of exports out of India.
- On the domestic front, although the Government has a focused approach of investing in infrastructure and growing the economy, the rising fiscal deficit and inflation remain the biggest challenges.

The above could have an adverse effect on future growth.

### Measures to mitigate Risks :-

- Continued focus and leadership in the domestic market will be crucial to take full advantage of the economic revival. New product / market development, overall portfolio diversification and better market penetration for existing products will continue to be a focus area of your Company so as to maintain a competitive advantage.
- Continued focus on direct material cost reduction initiatives, internally termed as 'Accelerated Cost Efficiency' (ACE) program and Six Sigma will help maintain cost leadership in the domestic market and enable your Company to be the preferred source for exports.

## 6. Internal Control Systems and its Adequacy

Your Company has established adequate internal control procedures, commensurate with the nature of its business and size of its operations.

To provide reasonable assurance that assets are safeguarded against loss or damage and that accounting records are reliable for preparing financial statements, management maintains a system of accounting and controls, including an internal audit process. Internal controls are evaluated by the Internal Audit department and supported by Management reviews. All audit observations and follow up actions thereon are tracked for resolution by the Internal Audit and Compliance Function and reported to the Finance and Audit Committee.

## 7. Discussion on Financial Performance with respect to Operational Performance

### Financial Review

The financial statements have been prepared in accordance with the requirements of the Companies Act, 1956 and Generally Accepted Accounting Principles (GAAP). There are no material departures in adoption of the prescribed accounting standards.

The estimates and judgments relating to the financial statements have been made on a reasonable basis, so that the financial statements reflect the form and substance of transactions in a true and fair manner, and reasonably represent the Company's state of affairs and profit for the year.

### Income

Your Company's revenue grew 39% to Rs. 39,454,427 ('000) and profit before tax grew 31% to Rs. 8,023,667 ('000) despite severe cost pressures and rising material cost during the year.

Total employee cost was Rs. 2,546,265 ('000) as against Rs. 1,952,614 ('000) during the previous year. The depreciation charge increased from Rs. 360,801 ('000) during the previous year to Rs. 366,380 ('000) during the year under review. Interest expense decreased to Rs. 18,983 ('000) as against Rs. 20,507 ('000) in the previous year.

### Fixed Assets

Additions to the Fixed Assets block during the year ended March 31, 2011 were Rs. 994,718 ('000) (Rs. 833,189 ('000) in the previous year). The addition consists mainly of leasehold land of Rs. 24,451 ('000), roads of Rs. 61,933 ('000), buildings of Rs. 225,194 ('000) and plant & machinery of Rs. 651,641 ('000). The depreciation block as of March 31, 2011 was Rs. 4,733,817 ('000) as compared to Rs. 4,439,638 ('000) as of March 31, 2010. The deductions/disposals during the year amounted to Rs. 81,137 ('000) as compared to the previous year's Rs. 282,856 ('000). Consequently, the net fixed asset block increased to Rs. 4,410,637 ('000) as of March 31, 2011 as compared to Rs. 3,336,586 ('000) as of March 31, 2010.

The estimated amount of contracts remaining to be executed on capital account and not provided for, as of March 31, 2011 was Rs. 554,983 ('000) and your Company believes that it will be able to fund it internally.

### Investments

Investments decreased from Rs. 7,329,224 ('000) in March 31, 2010 to Rs. 7,254,500 ('000) as on March 31, 2011. The net decrease was due to increased dividend payout and funding of the future expansion plans of your Company.

## 8. Human Resources Development and Industrial Relations

- As on March 31, 2011, the total strength of employees stood at 3,170.

### Leadership Excellence :

Continuing to act on the belief that Strong Leadership is the foundation for creating a 'Great Place to Work', 'Leadership Culture Sessions' were conducted by Anant Talaulicar, Chairman and Managing Director, across the top 250 leaders.

The sessions focused on setting leadership expectations and emphasized the importance of the 5 key Leadership Skills in Cummins' context: Think Strategically/Set the Aim; Talent Management; Foster Open Communication; Coach & Develop; and Diversity.

These sessions are further being cascaded to the next level of leadership in the organization and would cover the next 250 leaders.

Early 2011 also saw the launch of the Global Leadership Development Program in India, to groom Cummins India's top leaders towards development of a global mindset, skills and provide visibility of key India talent to Global Cummins senior leadership. It will also provide an opportunity to develop a deeper knowledge and experience base of Cummins worldwide.

Another program which will be launched in 2011 is the 'Building Success in Others' program which will provide support to first time leaders and equip them with the necessary processes and resources to take up new roles. The program delivery is through E-learning, classroom training with live instructor and self study.

### **Hire-To-Develop & Seamless Talent Deployment :**

This forms a part of the Great Place to Work Strategy, and continues to be a key focus area. This strategy is important to ensure that your Company hires the right talent at the entry level and develops them into senior roles within the Organization. It is strongly believed that this would help in -

- Acculturating employees into the 'Cummins Culture' in the early stage of their career.
- Providing employees ample growth opportunities within Cummins, hence retaining them.
- Enabling Cummins to leverage talent across businesses, functions and geographic locations to drive business growth.
- Facilitating career planning and succession planning for critical positions.

As a part of this strategy, your Company tracks the number of developmental experiences being offered to employees.

Cummins recognizes that its workforce is critical to the Company's success and, therefore, is committed to maintaining and developing the overall knowledge of the workforce. Your Company launched an Education Assistance Policy whereby deserving employees are eligible for financial assistance for participation in formal education programs that are related to your Company's business and the employee's job. This is an important enabler in growing talent within the Organization.

Cummins has also partnered with institutes like Kelly School of Business, U.S.A., SP Jain Institute of Management and Research and Indian Institute of Management (IIM), Ahmedabad for extending education opportunities to employees. Currently, around 50 employees across the organization are undergoing company sponsored MBA programs.

### **Campus Hiring :**

The Campus hiring for 2010 was far more effective as compared to recent years. To get the right talent pipeline of engineers and MBA graduates, your Company inducted over a hundred engineers (of which 74% were women) from campus under its Young Managers Development Program (YMDP).

Cummins co-sponsored the BAJA SAE-India 2010 event in which over 80 college teams competed. Cummins was also chief patron for College of Engineering, Pune (COEP) Tech Fest 'MindSpark' and chief sponsor for 'Wheelomation' event.

### **Diversity :**

The Diversity initiative is passionately driven by the top management and is cascaded down to the root-level. 'Creating an inclusive environment' is a critical element of the sixth Strategic Principle of Cummins. Cummins is an Equal Opportunity Employer, dedicated to diversity in the workplace among other initiatives. Your Company continues to strive to attain 30% female representation in order to drive Diversity across the Group. Your Company is also stressing on the importance of having the required gender diversity across all levels, as a result of which there is 25% gender diversity, currently, at the leadership level.

The focus on Diversity is driven through a structured Business Case for Diversity which is formulated at the top management level. It defines Diversity as more than race, gender, ethnicity; establishes key goals to maximize diversity benefits and lays out reasons Diversity is key to Cummins' future.

The last year saw a key Global Diversity initiative – the Affirmative Development Project - being successfully implemented in India. The Project involved a set of workshops that were conducted by the Cummins Global Diversity Leader and an external consultant partner. The Business Case for Diversity was a key element of all these workshops. The participants were essentially middle managers and also Women Affinity Group members. This Project was very well received by all participants and enabled the Women's Affinity Group get a lot of relevant feedback which eventually served as inputs for its work-plan.

### **Cummins Code of Business Conduct (CCBC) :**

- Your Company continues to reinforce the Cummins Code of Business Conduct (CCBC) through various forums :
  - Conducting face-to-face Ethics sessions (CCBC + Treatment of Each Other Policy sessions) as a part of the On-Boarding for all professional employees.
  - Conducting mandatory 'Ethics Refresher' sessions regularly for all categories of employees.

- Regularly conducting on-line CCBC and Treatment of Each Other tests.
- Annually conducting on-line Ethics certification, for selected employees from critical and relevant functions.
- Displaying posters highlighting the Cummins' Core Values across all locations prominently.
- Leadership interactions and periodic communications.
- The Ethics Infrastructure which includes the Ethics Point website; Ethics Toll free helpline number; Master investigator; Ethics Investigators; Ethics Committee ( Chaired by the Chairman and Managing Director comprising Heads of HR, Legal and Internal Audit); and external forensic agencies on need basis.

#### **Industrial Relations (IR) and other initiatives : 2010-11**

The organizational leadership and the shop employees (associates) have significantly invested time and effort to enhance communications and create a cordial environment. Your Company's leadership has driven interventions to engage associates in developmental activities apart from strengthening various employee engagement activities, such as :

- Celebration of National days and festivals
- Involvement of the associates in the 'Corporate Responsibility' initiatives
- Active participation by associates in Safety initiatives
- Felicitations of employees who have completed 25 years of Service

A Behavioral training program has been designed specifically for the associates and is being conducted with a view to collate the views of associates on making Cummins a 'Great Place to Work'.

Employee relations continued to remain peaceful and cordial.

#### **Employee Satisfaction Survey :**

The survey conducted across all professional employees showed a significant improvement across all 5 indices of satisfaction measurement. The survey feedback showed significant uptick in the satisfaction numbers on Ethics/code, Leadership excellence and Diversity. This confirms that the actions taken by the leadership over the past few years are working positively and helping create the right environment.

## **9. Towards a Sustainable Future**

### **Responsible Citizenship – On a Sustained Basis**

While achieving business objectives is important, achieving it the right way is even more important. As your Company expands its operations, demonstrating responsiveness to the needs of all stakeholders becomes that much more critical. Your Company remains committed to acting responsibly while taking decisions that help in serving customers, returning value to shareholders, creating winning partnerships with suppliers, generating opportunities for employees, protecting the environment and strengthening the communities. This report highlights the various initiatives undertaken by your Company towards building a sustainable future for all stakeholders.

### **Governance & Ethics**

Cummins received notable accolades for its sustained efforts in the areas of corporate governance and ethics, diversity and corporate responsibility.

For the fifth consecutive year, Cummins Inc. was selected one of the most ethical companies in the world by Ethisphere magazine.

As a recipient of a perfect rating for corporate governance by Governance Metrics, Cummins Inc. was one of the 45 of more than 4,000 companies rated to have received a perfect score.

Cummins Inc. was included in the Dow Jones Sustainability World Index for the sixth straight year. This Index recognizes the top 10 percent of the world's 2,500 largest companies for their financial performance, environmental stewardship and leadership in corporate responsibility.

Cummins Inc. was named to CRO magazine's list of top 100 corporate citizens for the 11th time in 12 years.

For the fifth straight year, Cummins Inc. made it to the list of top 50 companies for diversity by DiversityInc magazine.

### **Preservation of Environment**

As a demonstration of unwavering commitment to working in ways that lead to a cleaner, healthier and safer environment, your Company continued to innovate and develop new products and technologies that cause minimal impact to the environment. A fine example is the CNG electric-hybrid technology that was integrated into the buses made by Tata Motors for the Delhi Transport Corporation. The technology reduces fuel consumption by 20% while also achieving reduction in emissions.

Another initiative involved the development of GTA-1710-G and X-1.7-G engines. The former uses gas generated from biomass gasification for providing CO2 neutral power generation technology, while the latter has been designed to run on Straight Vegetable Oil (SVO), extracted from locally available Karanja or Pongamia seeds.

Significant number of green initiatives are visible at the Cummins Megasite in Phaltan. Having adopted practices for optimum utilization and conservation of resources, all the facilities being built on the site comply with standards outlined by the Indian Green Building Council.

Great attention has been paid towards installation and commissioning of new equipment in keeping with safe practices. The facilities will be continuously monitored and measured on indices like Safety, Business Revenue, Quality, Delivery, Inventory, Cost, Productivity, Capacity and ISO Standards. Also installed is a system for assessing performance under 'Operation Excellence' wherein, 5S, Value Stream Mapping and Bottleneck Management will form the key criteria for evaluation.

With an aim to optimize utilization of space, a common facility encompassing IT, water tank, fire pump, sewage treatment plant, medical centre, crèche, training center, and other utilities is being built on the Megasite campus for all the facilities to share.

### **Conservation of Energy**

Facilities at the Cummins Megasite have adopted numerous practices towards optimization and conservation of energy. These include :

- Re-using excavated soil for back-filling
- Using fly ash bricks for construction
- Using polycarbonate sheets for natural lighting
- Installing energy efficient overhead light fittings
- Re-use of excavated stones in constructing the boundary wall
- Use of low E glass for minimizing heat inflow in the buildings
- Use of low Volatile Organic Carbon paints and Forest Stewardship Certified wood
- Installation of rain water harvesting system
- Low water fixtures and motion sensors in rest rooms
- Recycling processed water and using treated effluents for irrigation and landscaping purposes, leading to zero discharge.

Your Company's engine manufacturing plant at Kothrud did some significant work in waste heat recovery through installation of Vapor Absorption Machine, fan-less cooling tower and bio-gas plant for treating canteen waste.

As a result of numerous energy saving and GHG reduction initiatives, your Company has successfully achieved a 31% reduction in GHG. Consequently, green house gas emissions have witnessed a drastic reduction from 102.22 T Co2/\$Mn in 2005 to 59 T Co2/\$Mn in 2010. With respect to water consumption, the Kothrud facility has shown 43% reduction in

river water consumption as compared to last year and a reduction of 10% per capita on a daily basis in domestic water consumption.

In celebration of World Environment Day on June 5, your Company initiated a series of activities from June 5-11 across all its sites. Various employee engagement activities were organized such as sapling distribution, low vehicle usage day, tree plantation, cleaning of Sinhagad Fort and free PUC check up camp amongst others.

National Safety Week was celebrated from March 4-10, which saw participation of employees in activities like; safety pledge, training on emergency preparedness, fire fighting, ergonomics etc, and competitions like; slogans, posters, housekeeping etc.

### **Corporate Responsibility**

Former Chairman and CEO of Cummins Inc., J. Irwin Miller had stated, "While some still argue that business has no social responsibility, we believe that our survival in the very long run is as dependent upon responsible citizenship in our communities and in the society, as it is on responsible technological, financial and production performance." Carrying this belief forward, your Company continues to identify unfulfilled needs, and avenues to help meet those needs. Towards this, various projects have been undertaken in the three focus areas as identified by Cummins Diesel India Foundation (CIF), namely; Higher Education, Energy & Environment and Infrastructure Development.

#### **Higher education :**

Besides upgrading the ITI at Phaltan and its Center of Excellence, and sponsoring the education of female students through the Lila Poonawalla Foundation, the other sustainable efforts undertaken by your Company in this area include -

- **Cummins Scholarship Program :**  
Each year, CIF awards scholarships to deserving students from economically weaker sections of the society. 40 such students were awarded scholarships in 2010.
- **Cummins College of Engineering for Women in Pune :**  
Your Company will be working towards making the Cummins College of Engineering for Women in Pune one of the top undergraduate teaching institutions in India. The project has been established by Cummins Inc. as a signature project, only second globally.
- **Street Kids International Project :**  
Your Company participated in an initiative towards implementation of education programs to enable youth coming from the slums in Pune to live financially independent lives, by way of imparting employable skills to them. These skills enable them to secure employment with BPOs and manufacturing companies, helping them become financially capable to repay the cost of their training. The pilot project led to almost 20 such young individuals getting employed, last year.

#### **Energy and Environment :**

In the area of Energy and Environment, your Company partnered with NGOs with relevant technical expertise to provide solutions to fulfilling basic unfulfilled needs of the communities.

- **Energy Efficient Stoves in Nandal near Phaltan**  
Working alongside an NGO, Appropriate Rural Technology Institute (ARTI), your Company has donated over 500 cooking stoves (chulhas) to the village households. These energy efficient stoves reduce the usage of wood by 30% and emissions five-fold. Likely to save over 10,000 trees from getting cut, the stoves provide a sustainable solution towards a green and clean environment.
- **Electrification of Padarwadi**  
Partnering with an NGO, Maharashtra Arogya Mandal, your Company worked to bring electricity to village Padarwadi, located in the hilly terrain of Maharashtra. This small village of 50 inhabitants with less than Rs. 45 a day as household income, had a rice mill but no electricity to run it. Lack of motorable roads meant the villagers had to walk 2 kms uphill

in extremely difficult terrain to the nearest town to dehusk the rice produced in the village. Your Company worked to install a genset that could operate on oil extracted from locally available Pongamia seeds. With electricity to run the rice mill, the villagers are now spending their energy in cultivation instead of trekking up and down the hill for dehusking the rice. Moreover, sale of excess oil, oil cake and rice husk is helping the villagers generate additional income.

- Tree plantation and maintenance

Green Hills, a Pune Based NGO realized that tree plantations are not very effective unless the trees that have been planted are maintained. As part of the Every Employee Every Community (EEEEC) initiative, employees of your Company developed a drip irrigation system for maintenance of the planted trees; which is likely to increase their survival rate.

#### **Local Community Infrastructure Development :**

Finally in the area of local community infrastructure development, sustained efforts made by your Company were fructified in the form of the following projects -

- Watershed Management at Nandal near Phaltan

Upon conducting community needs analysis, your Company identified the need for a Water Shed Management Program. Partnering with an NGO, Vanarai, your Company built a system to augment the availability of water by constructing check dams to restrain excess water from running off.

- Potable Water for Primary School at Deep Griha Society in Chaufula near Pune

Your Company built a rain water harvesting system at a school in Chaufula near Pune. Bore wells being the only source of water, the project was undertaken in phases to augment the ground water level. Working alongside Deep Griha, an NGO, your Company provided a sustainable source of drinking water to the school.

- Biogas plant to meet energy needs at BAIF Research Centre Student Hostel in Pune

Your Company funded the renovation of the existing biogas plant set up by Khadi Gram Udyog at the BAIF Research Centre Student Hostel in Pune. Used primarily for cooking purpose in the hostel and employee quarters, this plant set up in 1978, had not been in use for a long period of time. Your Company renovated this plant, which now meets the energy needs of the student hostel.

## **10. 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 shareholder value, keeping in view interests of other stakeholders. Integrity, transparency and compliance with regulations in all dealings with government, customers, suppliers, employees and other stakeholders are the objectives of good corporate governance. These principles and objects are embodied in your Company's philosophy on the Code of Corporate Governance. Your Company continues to adopt and practice these principles of good Corporate Governance while ensuring integrity, transparency and accountability at all levels in the organisation.

### 2. BOARD OF DIRECTORS :

#### Composition of the Board of Directors :

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

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

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

There has been no change in the composition of Directors during the financial year.

#### Board Meetings :

During the financial year, the Board of Directors met six times on April 22, 2010, May 29, 2010, August 12, 2010, October 27, 2010, December 21, 2010 and February 3, 2011.

#### Composition and Category of Directors :

| Name                    | Category                     | No. of other Directorships |        | No. of other committee memberships |        |
|-------------------------|------------------------------|----------------------------|--------|------------------------------------|--------|
|                         |                              | Chairman                   | Member | Chairman                           | Member |
| Mr. Anant J. Talaulicar | Promoter<br>Executive        | 1                          | 5      | –                                  | 3      |
| Mr. M. A. Levett        | Promoter<br>Non-Executive    | –                          | –      | –                                  | –      |
| Dr. John Wall           | Promoter<br>Non-Executive    | 1                          | –      | –                                  | –      |
| Mr. Patrick Ward        | Promoter<br>Non-Executive    | –                          | –      | –                                  | –      |
| Mr. James Kelly         | Promoter<br>Non-Executive    | –                          | –      | –                                  | –      |
| Mr. Rajeev Bakshi       | Independent<br>Non-executive | –                          | 2      | –                                  | 1      |
| Mr. P. S. Dasgupta      | Independent<br>Non-executive | –                          | 7      | 2                                  | 4      |
| Mr. Nasser Munjee       | Independent<br>Non-executive | 1                          | 13     | 3                                  | 5      |
| Mr. B.H. Reporter       | Independent<br>Non-executive | 1                          | –      | –                                  | –      |
| Mr. Venu Srinivasan     | Independent<br>Non-executive | 3                          | 10     | 1                                  | 3      |

| Name                 | Category                               | No. of other Directorships |        | No. of other committee memberships |        |
|----------------------|--|----------------------------|--------|------------------------------------|--------|
|                      |  | Chairman                   | Member | Chairman                           | Member |
| Mr. J.M.Barrowman    | Alternate Director to Mr. M.A.Levett   | -                          | -      | -                                  | -      |
| Mr. Sean Milloy      | Alternate Director to Dr. John Wall    | -                          | -      | -                                  | -      |
| Mr. Pradeep Bhargava | Alternate Director to Mr. Patrick Ward | -                          | 3      | 1                                  | 1      |

- Notes: 1. As on March 31, 2011, Mr. B.H. Reporter jointly with Mrs. A. B. Reporter held 75,000 fully paid shares of Rs. 2/- each in the equity share capital of the Company.
2. Directorships in Foreign Companies and Private Limited Companies are excluded in the above table.

#### **Attendance at the Board Meetings and AGM :**

During the year, (i) Mr. Anant J. Talaulicar attended all 6 meetings, (ii) Mr. Nasser Munjee attended 5 meetings, (iii) M/s. Rajeev Bakshi, B.H. Reporter and P.S. Dasgupta attended 4 meetings, (iv) Mr. Venu Srinivasan attended 3 meetings and (v) M/s. M.A.Levett and James Kelly attended 2 meetings.

M/s. John Wall and Patrick Ward could not attend any meeting during the year (However, Mr. Pradeep Bhargava, Alternate Director to Mr. Patrick Ward attended all 6 meetings).

M/s. Anant J. Talaulicar, M.A.Levett, James Kelly, Nasser Munjee, Venu Srinivasan, P.S. Dasgupta, J.M. Barrowman (Alternate Director) and Pradeep Bhargava (Alternate Director) attended the Annual General Meeting (AGM) held on August 12, 2010, while M/s. Rajeev Bakshi, B.H. Reporter, John Wall, Patrick Ward and Sean Milloy (Alternate Director) could not make it due to other commitments.

### **3. COMMITTEES OF THE BOARD :**

#### **(A) FINANCE AND AUDIT COMMITTEE :**

The Finance and Audit Committee consists of 4 Independent Directors – M/s. Nasser Munjee (Chairman), B. H. Reporter, P.S. Dasgupta and Rajeev Bakshi; 1 Promoter / Executive Director – Mr. Anant J. Talaulicar and 1 Promoter/ Non-Executive Director – Mr. Patrick Ward (w.e.f. April 22, 2010).

The meetings of the Finance and Audit Committee were held on April 22, 2010, May 29, 2010, August 12, 2010, September 20, 2010, October 27, 2010, and February 3, 2011. M/s. Nasser Munjee and Anant J. Talaulicar attended 5 meetings; M/s. Rajeev Bakshi, P.S.Dasgupta and B. H. Reporter attended 4 meetings; and Mr. Patrick Ward attended 1 meeting, during the year.

The Committee reviewed the balance sheet and profit & loss account, audited financial results for the year ended March 31, 2010 and un-audited financial results for the quarters ended June 30, 2010, September 30, 2010 and December 31, 2010. The Committee also reviewed (i) appointment of Statutory, Cost and VAT Auditors of the Company (ii) performance of Joint Ventures & Associates (iii) reports of the Internal Auditor (iv) Cost Audit Report for the year 2009-2010 (v) acquisition / sale of assets (vi) Directors' Responsibility Statement (vii) Related Party transactions (viii) performance of Statutory Auditors (ix) Legal Compliance Reports (x) major litigations (xi) Preparedness for IFRS implementation (xii) Amendment to Excess & Obsolete Inventory Policy (xiii) Code of Conduct monitoring and (xiv) Forex Management Policy.

The Committee had regular interaction with the Internal, Statutory and Cost Auditors of the Company.

#### **Broad terms of reference to the Finance and Audit Committee in brief :**

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

The Committee has been entrusted with the responsibility of reviewing Internal Audit findings and ensuring adequacy of internal control systems. The Committee recommends to the Board, appointment of external auditors and payment of audit fees. The Committee holds regular discussions with the Internal, Statutory and Cost Auditors about their scope of audit and holds post audit discussions with the Auditors. The Statutory and Cost Auditors, Internal Auditor and the Chief Financial Officer of the Company are invited for the meetings of the Committee.

**(B) SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE :**

The Shareholders / Investors Grievance Committee consists of 3 Directors - Mr. B.H. Reporter (Chairman), Mr. P.S. Dasgupta and Mr. Anant J. Talaulicar.

During the year, meetings of the Shareholders / Investors Grievance Committee were held on May 29, 2010, August 12, 2010, October 27, 2010 and February 3, 2011. Mr. Anant J. Talaulicar attended 4 meetings, M/s. B.H. Reporter and P. S. Dasgupta attended 3 meetings.

**Broad terms of reference to the Shareholders / Investors Grievance Committee :**

The Shareholders / Investors Grievance Committee reviews and advises the Company on any grievance in relation to (a) Non-transfer of shares (b) Non-receipt of Annual Report (c) Non-receipt of dividend / interest warrants and (d) Any other investors' grievance raised by any shareholder.

**Compliance Officer :**

Mr. Dinesh Castellino  
Vice President Legal & Company Secretary

**The following shareholder complaints were received and resolved during the year April 1, 2010 to March 31, 2011 :**

| Sr. No. | Nature of complaint               | No. of complaints |
|---------|-----------------------------------|-------------------|
| 1.      | Non-receipt of Annual Reports     | 5                 |
| 2.      | Non- receipt of Dividend Warrants | 8                 |
| 3.      | Non-receipt of Share Certificate  | 1                 |
|         | <b>Total</b>                      | <b>14</b>         |

**Number of complaints pending with the Company : Nil**

**Number of pending share transfers : Nil**

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

**4. REMUNERATION OF DIRECTORS :**

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

**Details of Sitting Fees and Commission to Non Executive Directors for the year April 1, 2010 to March 31, 2011:**

In Rs. ('000)

| Name of the Director | Sitting fees | Commission | Total |
|----------------------|--------------|------------|-------|
| Mr. Rajeev Bakshi    | 80           | 275        | 355   |
| Mr. P.S.Dasgupta     | 95           | 275        | 370   |
| Mr. Nasser Munjee    | 100          | 275        | 375   |
| Mr. B.H.Reporter     | 95           | 275        | 370   |
| Mr. Venu Srinivasan  | 30           | 275        | 305   |

**Details of remuneration paid to Mr. Anant J. Talaulicar, Chairman and Managing Director for the year April 1, 2010 to March 31, 2011 :**

In Rs. ('000)

|                         | Sitting fees | Salary | Comm-<br>ission | House<br>rent | Gas/Elect./<br>water | Medical | Other<br>Benefits | Total |
|-------------------------|--------------|--------|-----------------|---------------|----------------------|---------|-------------------|-------|
| Mr. Anant J. Talaulicar | -            | 12     | -               | 1,417         | 86                   | -       | 482               | 1,997 |

Notes :

1. The Company does not have a Stock Option Scheme and no severance fees are payable to any Director.
2. There is no notice period for severance of the Managing Director.
3. The Central Government has approved payment of commission to Non-Executive Directors vide its letter dated February 20, 2007 for a period of five years effective from financial year ended March 31, 2007.

**5. GENERAL SHAREHOLDER INFORMATION :**

|                                   |  |                   |
|-----------------------------------|--|-------------------|
| Registered Office                 | Kothrud, Pune 411 038.<br>Phone No. : (020) 2538 5435, 2538 0240<br>Fax No. : (020) 2538 0125<br>Website : www.cumminsindia.com  |                   |
| Annual General Meeting            | Date and Time : August 4, 2011 at 12 noon<br>Venue : Yashada, MDC Auditorium,<br>Raj Bhavan Complex, Baner Road, Pune 411 007.   |                   |
| Financial Year                    | The Financial Year of the Company is 1 <sup>st</sup> April to 31 <sup>st</sup> March.  |                   |
| Financial calendar<br>(Tentative) | <ul style="list-style-type: none"> <li>■ Results for quarter ending June 30, 2011–By second week of August, 2011.</li> <li>■ Results for quarter and half year ending September 30, 2011 –<br/>By second week of November, 2011.</li> <li>■ Results for quarter and nine months ending December 31, 2011 –<br/>By second week of February, 2012.</li> <li>■ Results for the year ending March 31, 2012 – By last week of May, 2012.</li> </ul> |                   |
| Dates of Book Closure             | July 30, 2011 to August 4, 2011 (both days inclusive).   |                   |
| Interim dividend payment date     | March 3, 2011.   |                   |
| Final Dividend payment date       | August 29, 2011.   |                   |
| Listing on Stock Exchanges        | <b>Name of Exchange</b>  | <b>Stock Code</b> |
|                                   | 1. Bombay Stock Exchange Limited (BSE)<br>P. J. Towers, Dalal Street, Mumbai : 400001  | 500480            |
|                                   | 2. National Stock Exchange of India Limited (NSE)<br>Exchange Plaza, Bandra – Kurla Complex,<br>Bandra (E), Mumbai : 400051  | CUMMINSIND        |
| Payment of Listing Fees           | The Company has paid in advance the Listing Fees to both the Stock Exchanges for the Financial Year 2011-2012.   |                   |

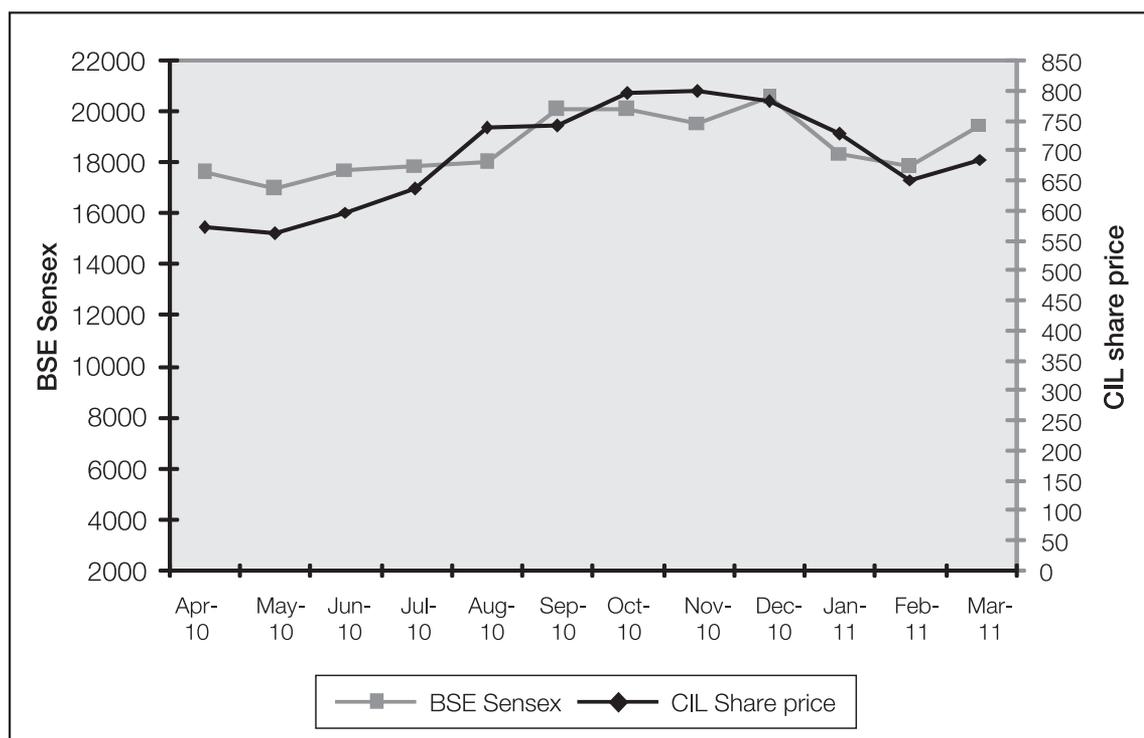
Market price data : High, Low during each month in the financial year 2010-2011.

| BSE            |            |           | NSE            |            |           |
|----------------|------------|-----------|----------------|------------|-----------|
| Month          | High (Rs.) | Low (Rs.) | Month          | High (Rs.) | Low (Rs.) |
| April 2010     | 588.90     | 500.10    | April 2010     | 589.00     | 499.25    |
| May 2010       | 585.00     | 528.20    | May 2010       | 584.85     | 515.15    |
| June 2010      | 619.80     | 543.15    | June 2010      | 625.00     | 540.65    |
| July 2010      | 644.00     | 548.00    | July 2010      | 642.65     | 581.15    |
| August 2010    | 792.70     | 601.00    | August 2010    | 757.00     | 601.65    |
| September 2010 | 768.00     | 719.00    | September 2010 | 768.80     | 717.25    |
| October 2010   | 802.00     | 707.10    | October 2010   | 802.00     | 707.70    |
| November 2010  | 810.00     | 680.00    | November 2010  | 809.90     | 693.00    |
| December 2010  | 809.90     | 713.00    | December 2010  | 808.00     | 719.00    |
| January 2011   | 794.90     | 697.00    | January 2011   | 805.30     | 690.00    |
| February 2011  | 739.00     | 588.00    | February 2011  | 742.00     | 587.10    |
| March 2011     | 702.50     | 630.00    | March 2011     | 715.00     | 634.00    |

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

Chart below depicts the comparable movement of Cummins India Limited's Equity Shares against BSE Sensex, during the year ended March 31, 2011.

Cummins India Limited (monthly closing share price) versus BSE Sensex (monthly closing Sensex) - 2010-11



|   |   |                                     |                                    |
|---|---|-------------------------------------|------------------------------------|
| Registrar and Transfer agent  | <p>The Company has appointed Link Intime India Private Limited, Mumbai as its Registrar and Transfer Agent. Share transfers, dematerialisation of shares, dividend payment and all other investor related activities are attended to and processed at the office of the Registrar and Transfer Agent :-</p> <p>Link Intime India Private Limited<br/> Unit : Cummins India Limited<br/> C-13, Pannalal Silk Mills Compound,<br/> L. B. S. Marg, Bhandup (West), Mumbai : 400 078<br/> Phone No. (022) 2594 6970<br/> Fax No. (022) 2594 6969<br/> Contact Person : Mr. N. Mahadevan Iyer<br/> E-mail : mahadevan.iyer@linkintime.co.in or rmt.helpdesk@linkintime.co.in<br/> Time : 1000 to 1600 hours (Mon. to Fri. excl. public holidays)</p> |                                     |                                    |
| Share Transfer System   | <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>  |                                     |                                    |
| <b>Distribution of shareholding as on March 31, 2011.</b>                             | <b>Category</b>   | <b>No. of shares of Rs.2/- each</b> | <b>% of shareholding</b>           |
|   | Promoters   | 100,980,488                         | 51.00                              |
|   | Mutual Funds  | 28,139,960                          | 14.21                              |
|   | Banks/Financial Institutions/ Insurance Companies   | 13,358,096                          | 6.75                               |
|   | Foreign Institutional Investors (FIIs)  | 22,730,646                          | 11.48                              |
|   | Corporate Bodies  | 13,052,054                          | 6.59                               |
|   | Indian Public   | 19,301,084                          | 9.75                               |
|   | NRIs  | 437,672                             | 0.22                               |
|   | <b>TOTAL</b>  | <b>198,000,000</b>                  | <b>100.00</b>                      |
| <b>Distribution of shareholding within various categories (as on March 31, 2011).</b> |   |                                     |                                    |
| <b>Category (shares)</b>  | <b>No. of shareholders</b>  | <b>No. of Shares</b>                | <b>% of shares to total shares</b> |
| 1-500   | 31,296  | 1,887,090                           | 0.95                               |
| 501-1,000   | 3,014   | 1,176,467                           | 0.59                               |
| 1,001-5,000   | 3,606   | 4,315,630                           | 2.18                               |
| 5,001-10,000  | 868   | 3,147,545                           | 1.59                               |
| 10,001-50,000   | 936   | 8,639,186                           | 4.36                               |
| 50,001-100,000  | 86  | 3,123,662                           | 1.58                               |
| 100,001 and above   | 166   | 175,710,420                         | 88.75                              |
| <b>Total</b>  | <b>39,972</b>   | <b>198,000,000</b>                  | <b>100.00</b>                      |

|   |   |
|---|---|
| Dematerialisation of shares and liquidity (as on March 31, 2011)  | 47.32% shares are in demat form. It may be noted that 51% of the Company's shares are held by its Promoters, Cummins Inc., USA, in physical form. If these shares were to be excluded from the total number of shares, then dematerialised shares would account for 96.57%.   |
| Sub-divided share certificate in lieu of old certificates.  | The Company had on February 10, 1987, sub-divided each Equity Share of the face value of Rs. 100/- each into ten Equity Shares of the face value of Rs. 10/- each. Subsequently, on December 4, 2000, the Company sub-divided each Equity Share of the face value of Rs. 10/- each into five Equity Shares of the face value of Rs. 2/- each. The Company has sent a reminder to those Shareholders who have not yet claimed new certificates for sub-divided Shares of the face value of Rs. 2/- each. |
| Outstanding GDRs / ADRs / Warrants or any Convertible instruments, conversion date and likely impact on equity. | The Company has not issued GDRs / ADRs / Warrants or any Convertible instruments.   |
| Plant locations   | <ol style="list-style-type: none"> <li>1. Kothrud, Pune 411 038.</li> <li>2. Plot No. 206/2, Off. Nagar Road, Haveli, Pune 411 014.</li> <li>3. Village Lonikand, Nagar Road, Pune 412 207.</li> <li>4. Plot No. 19/25A, Silver Industrial Estate, Bhipore, Daman 396 210.</li> <li>5. Gat No. 311/B&amp;1B, Kasar Amboli 412 111, Dist. Pune</li> <li>6. 35A/1/2 Erandwane, Pune 411038.</li> <li>7. MIDC Phaltan, Village Survadi, Dist. Satara.</li> </ol>   |
| Address for correspondence  | Registered Office : Kothrud, Pune 411 038<br>Tel: 020 2538 5435 Fax : 020 2538 0125<br><ol style="list-style-type: none"> <li>1) Mr. Pradip Phansalkar, Sr. Manager, Secretarial<br/>Email – pradip.s.phansalkar@cummins.com</li> <li>2) Mr. Amit Atre, Assistant Company Secretary<br/>Email – amit.g.atre@cummins.com</li> </ol> Registrar and Transfer Agent :<br>Link Intime India Private Limited<br>Please refer details above for address / contact details etc.                                 |

#### 6. ANNUAL GENERAL MEETINGS (AGMs) :

| Particulars          | FY 2007-2008                       | FY 2008-2009   | FY 2009-2010   |
|----------------------|------------------------------------|--|--|
| <b>Date and Time</b> | 24.07.2008<br>at 12.30 p.m.        | 29.07.2009<br>at 12 noon                             | 12.08.2010<br>at 12 noon                             |
| <b>Venue</b>         | Hotel Le Meridien,<br>Pune 411 001 | Yashada, MDC Auditorium,<br>Baner Road, Pune 411 007 | Yashada, MDC Auditorium,<br>Baner Road, Pune 411 007 |

- **Special resolutions passed in the last 3 AGMs :** No special resolution was passed during the previous three Annual General Meetings.
- **Postal Ballot :** No resolution was passed through Postal Ballot during the Financial year 2010-2011 or is being proposed at the ensuing Annual General Meeting.

## 7. DISCLOSURES :

- i) The Company does not have materially significant related party transactions (i.e. transactions of the Company of material nature with its Promoters, Directors or the Management, or their subsidiaries or relatives etc.) which may have potential conflict with the interest of the Company at large.
- ii) The Company has complied with the requirements of regulatory authorities on capital markets and no penalties / strictures have been imposed against it in the last 3 years.
- iii) None of the Directors of the Company are related to each other.
- iv) The Company has complied with the mandatory Corporate Governance requirements of Clause 49 of the Listing Agreement.
- v) The Company released a Whistle Blower Policy during the financial year 2003-2004 which is a non-mandatory requirement as per Clause 49 of the Listing Agreement. No person has been denied access to the Finance and Audit Committee under the Whistle Blower Policy.

## 8. MEANS OF COMMUNICATION :

- The quarterly shareholding pattern and quarterly / half-yearly/ yearly unaudited / audited financial results were posted on the Company's website [www.cumminsindia.com](http://www.cumminsindia.com).
- The official news releases of the Company were displayed on the Company's website [www.cumminsindia.com](http://www.cumminsindia.com).
- The quarterly / half-yearly unaudited and annual audited financial results were published in :
  - Maharashtra Times - year ended March 2010 and quarters ended June, September and December 2010
  - Business Standard - year ended March 2010 and quarters ended June, September and December 2010
- Transcript of Conference calls with the Analysts held on May 31, 2010, August 13, 2010, October 28, 2010, February 4, 2011 and Chairman's Presentation to Shareholders made at AGM on August 12, 2010 and Presentation made to Analysts on June 14, 2010 were displayed on the Company's website [www.cumminsindia.com](http://www.cumminsindia.com).

## 9. COMPLIANCE CERTIFICATE OF THE AUDITORS :

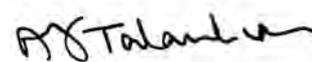
The Company has obtained a Certificate from the Statutory Auditors confirming compliance with conditions of the Code of Corporate Governance as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges and the same is annexed.

---

### Declaration – Code of Conduct

As per Clause 49 of the Listing Agreement with the Stock Exchanges, all Board Members and Senior Management personnel have affirmed compliance with the applicable Code of Conduct for the financial year 2010-11.

For Cummins India Limited



Anant J. Talaulicar  
Chairman & Managing Director

Mumbai : May 30, 2011

## **Auditors' Certificate regarding compliance of conditions of Corporate Governance**

### **To the Members of Cummins India Limited**

We have examined the compliance of conditions of Corporate Governance by Cummins India Limited, for the year ended March 31, 2011, as stipulated in Clause 49 of the Listing Agreements of the said Company with stock exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement), issued by the Institute of Chartered Accountants of India and was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

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

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

**For Price Waterhouse**

Firm Registration Number: 301112E

Chartered Accountants

**Jeetendra Mirchandani**

Partner

Membership Number: 48125

Place: Mumbai

Date: May 30, 2011

## Persons Constituting 'Group' in terms of SEBI (SAST) Regulations, 1997

Persons constituting 'group' as per Regulation 3(1)(e) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, include the following :

| Sr. No. | Company / Body Corporate                              | Sr. No. | Company / Body Corporate                                |
|---------|---|---------|---|
| 1       | 35601 Yukon, Inc.                                     | 37      | Cummins Filter Co. Ltd.                                 |
| 2       | Coil Systems GmbH                                     | 38      | Cummins Filtracion S. de R.L. de C.V.                   |
| 3       | Consolidated Diesel Company                           | 39      | Cummins Filtration GmbH                                 |
| 4       | Consolidated Diesel of North Carolina Inc.            | 40      | Cummins Filtration Inc.                                 |
| 5       | Consolidated Diesel, Inc.                             | 41      | Cummins Filtration International Corp.                  |
| 6       | Cummins Americas, Inc.                                | 42      | Cummins Filtration IP, Inc.                             |
| 7       | Cummins Argentina-Servicios Mineros S.A.              | 43      | Cummins Filtration SARL                                 |
| 8       | Cummins Aust Technologies Pty. Ltd.                   | 44      | Cummins Filtration (Shanghai) Co. Ltd.                  |
| 9       | Cummins Austria GmbH                                  | 45      | Cummins Filtration Trading (Shanghai) Co., Ltd.         |
| 10      | Cummins Belgium N.V.                                  | 46      | Cummins Filtros Ltda.                                   |
| 11      | Cummins Botswana (Pty.) Ltd.                          | 47      | Cummins Financial, Inc.                                 |
| 12      | Cummins Brasil Ltda.                                  | 48      | Cummins Fuel Systems (Wuhan) Co. Ltd.                   |
| 13      | Cummins Canada Limited                                | 49      | Cummins Generator Technologies Americas Inc.            |
| 14      | Cummins Capital Trust I                               | 50      | Cummins Generator Technologies Australia Pty. Ltd.      |
| 15      | Cummins Caribbean LLC                                 | 51      | Cummins Generator Technologies Co., Ltd.                |
| 16      | Cummins CDC Holding Inc.                              | 52      | Cummins Generator Technologies GmbH                     |
| 17      | Cummins Child Development Center, Inc.                | 53      | Cummins Generator Technologies Italy SRL                |
| 18      | Cummins (China) Investment Co. Ltd.                   | 54      | Cummins Generator Technologies Limited                  |
| 19      | Cummins Comercializadora S. de R.L. de C.V.           | 55      | Cummins Generator Technologies Mexico S de R.L. de C.V. |
| 20      | Cummins Corporation                                   | 56      | Cummins Generator Technologies Norway                   |
| 21      | Cummins Czech Republic s.r.o.                         | 57      | Cummins Generator Technologies Romania S.A.             |
| 22      | Cummins Deutschland GmbH                              | 58      | Cummins Generator Technologies Singapore Pte Ltd.       |
| 23      | Cummins Diesel International Ltd.                     | 59      | Cummins Generator Technologies Spain S.A.               |
| 24      | Cummins Diesel Sales Corporation                      | 60      | Cummins Ghana Limited                                   |
| 25      | Cummins Emission Solution (China) Co., Ltd.           | 61      | Cummins Ghana Mining Limited                            |
| 26      | Cummins Emission Solutions Inc.                       | 62      | Cummins Holland B.V.                                    |
| 27      | Cummins Emissions Solutions (Pty.) Ltd.               | 63      | Cummins Hong Kong Ltd.                                  |
| 28      | Cummins Energetica Ltda.                              | 64      | Cummins Intellectual Property, Inc.                     |
| 29      | Cummins Engine (Beijing) Co. Ltd.                     | 65      | Cummins International Finance Corporation               |
| 30      | Cummins Engine (Shanghai) Co. Ltd.                    | 66      | Cummins Italia S.P.A.                                   |
| 31      | Cummins Engine (Shanghai) Trading & Services Co. Ltd. | 67      | Cummins Japan Ltd.                                      |
| 32      | Cummins Energy Solutions Business Europe NV/SA        | 68      | Cummins Juarez, S.A. de C.V.                            |
| 33      | Cummins Energy Solutions Business Iberia              | 69      | Cummins Korea Co. Ltd.                                  |
| 34      | Cummins Engine Holding Co., Inc.                      | 70      | Cummins Lebanon   |
| 35      | Cummins Engine IP, Inc.                               | 71      | Cummins LLC Member, Inc.                                |
| 36      | Cummins Engine Venture Corporation                    | 72      | Cummins LLP   |

**Sr. Company / Body Corporate  
No.**


---

|     |  |
|-----|--|
| 73  | Cummins Ltd.   |
| 74  | Cummins Makina Sanayi ve Ticaret Limited Sirketi                     |
| 75  | Cummins Menggu Investment LLC  |
| 76  | Cummins Middle East FZE  |
| 77  | Cummins Natural Gas Engines, Inc.                                    |
| 78  | Cummins New Zealand Limited  |
| 79  | Cummins Norway AS  |
| 80  | Cummins NV   |
| 81  | Cummins Power Generation (China) Co., Ltd.                           |
| 82  | Cummins Power Generation Deutschland GmbH                            |
| 83  | Cummins Power Generation Foreign Holdings, Ltd.                      |
| 84  | Cummins Power Generation Inc.  |
| 85  | Cummins Power Generation Limited                                     |
| 86  | Cummins Power Generation Mali S.A.                                   |
| 87  | Cummins Power Generation (S) Pte. Ltd.                               |
| 88  | Cummins Power Generation (U.K.) Limited                              |
| 89  | Cummins PowerGen IP, Inc.  |
| 90  | Cummins PowerRent Comercio e Locacao, Ltda.                          |
| 91  | Cummins Romania Srl  |
| 92  | Cummins S, de R.L. de C.V.   |
| 93  | Cummins Sales and Service Korea Co., Ltd.                            |
| 94  | Cummins Sales and Service Philippines Inc.                           |
| 95  | Cummins Sales and Service (Singapore) Pte. Ltd.                      |
| 96  | Cummins Sales and Service (Thailand) Co., Ltd.                       |
| 97  | Cummins Sinai ve Otomotiv Urunleri Sanayi ve Ticaret Limited Sirketi |
| 98  | Cummins Solutions Pty. Ltd.  |
| 99  | Cummins South Africa (Pty.) Ltd.                                     |
| 100 | Cummins Spain, S.L.  |
| 101 | Cummins Trade Receivables, LLC                                       |
| 102 | Cummins Turbo Technologies B.V.                                      |
| 103 | Cummins Technologies India Limited                                   |
| 104 | Cummins U.K. Holdings Ltd.   |

**Sr. Company / Body Corporate  
No.**


---

|     |  |
|-----|--|
| 105 | Cummins U.K. Pension Plan Trustee Ltd.                 |
| 106 | Cummins Vendas e Servicos de Motores e Geradores Ltda. |
| 107 | Cummins Venture Corporation                            |
| 108 | Cummins Xiangfan Machining Co. Ltd.                    |
| 109 | Cummins Zambia Ltd.                                    |
| 110 | Distribuidora Cummins S.A.                             |
| 111 | Industria e Comercio Cummins Ltda.                     |
| 112 | Markon Engineering Company Ltd.                        |
| 113 | Newage Engineers GmbH                                  |
| 114 | Newage Ltd. (U.K.)                                     |
| 115 | Newage Machine Tools Ltd.                              |
| 116 | OOO Cummins  |
| 117 | Petbow Limited   |
| 118 | PGI (Overseas Holdings) B.V.                           |
| 119 | Power Group International (Overseas Holdings) Ltd.     |
| 120 | Power Group International Ltd.                         |
| 121 | Shanghai Cummins Trading Co., Ltd.                     |
| 122 | Turbo Drive Ltd.                                       |
| 123 | Xiangfan Fleetguard Exhaust System Company, Ltd.       |
| 124 | Cummins Inc.   |
| 125 | Cummins Turbo Technologies - Huddersfield              |
| 126 | CWC General Partner Ltd.                               |
| 127 | Cummins Power Systems LLC                              |
| 128 | Cummins Zimbabwe Pvt. Ltd.                             |
| 129 | Cummins Western Canada LP                              |
| 130 | Cummins Generator Technologies India Ltd.              |
| 131 | Cummins Research and Technology India Ltd.             |
| 132 | Empresas Cummins S.A. de C.V.                          |
| 133 | Cummins Yemen LLC                                      |
| 134 | Cummins Emirates Sales and Service LLC                 |
| 135 | Cummins Power LLC                                      |
| 136 | Cummins Northeast LLC                                  |
| 137 | Cummins N.V.   |

## Auditors' Report to the Members of Cummins India Limited

1. We have audited the attached Balance Sheet of Cummins India Limited (the "Company") as at March 31, 2011, and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the "Order"), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the 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, 2011 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
  - (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached 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, 2011;
    - (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**

Firm Registration Number: 301112E

Chartered Accountants

**Jeetendra Mirchandani**

Partner

Membership Number: 48125

Mumbai  
May 30, 2011

## 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, 2011

1. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.
- (b) The fixed assets are physically verified by the Management according to a phased programme designed to cover all the 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. Pursuant to the programme, a portion of the fixed assets has been physically verified by the Management during the year and no material discrepancies between the book records and the physical inventory have been noticed.
- (c) In our opinion and 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. In our opinion, the discrepancies noticed on physical verification of inventory as compared to book records were not material.
3. (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, clauses (iii)(b) to (iii)(d) of paragraph 4 of the Order are not applicable to the company for the current year.
- (b) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, clauses (iii)(f) and (iii)(g) of paragraph 4 of the Order are not applicable to the company for the current year.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have we been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
5. According to the information and explanations given to us, there have been no contracts or arrangements referred to in Section 301 of the Act during the year to be entered in the register required to be maintained under that Section. Accordingly, the question of commenting on transactions made in pursuance of such contracts or arrangements does not arise.
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 or any other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. According to the information and explanations given to us, no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal on the Company in respect of the aforesaid deposits.
7. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
8. We have broadly reviewed the books of account maintained by the Company in respect of products where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Act, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.

9. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities in India.
- (b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of income-tax, sales-tax, wealth-tax, service-tax, customs duty, excise duty and cess as at March 31, 2011 which have not been deposited on account of a dispute, are as follows:

| Name of the statute   | Nature of dues   | Amount (Rs. '000) | Period to which the amount relates               | Forum where the dispute is pending  |
|---|--|-------------------|--|---|
| The Maharashtra Sales Tax on Transfer of Property in Goods involved in the Execution of Works Contracts (Re-enacted) Act, 1989. | Demand on account of Purchase tax/ Works contract tax and surcharge thereon  | 15,492            | 1999-2000  | High Court, Mumbai  |
| Central Sales Tax Act, 1956   | Taxation of sales turnover under B.S.T. Act and disallowance of claim of inter state sale u/s 3(a) of C.S.T. Act, 1956     | 128,692           | 2002-2003<br>2003-2004<br>2004-2005<br>2006-2007 | Joint Commissioner Of Sales Tax (Appeal) / Sr Deputy Commissioner of Sales Tax (Appeals) - Pune |
| VAT Act, 2002   | Additional Demand on account of non receipt of 'C' forms   | 5,153             | 2005-2006  | Deputy Commissioner of Sales Tax (Appeals)  |
| The Customs Act, 1962   | Demand on excess claim of duty drawback and penalty thereon (excluding interest)   | 260,357           | 2005-2006 to 2009-2010                           | Central Excise and Service Tax Appellate Tribunal, Mumbai                                       |
| The Central Sales Tax Act, 1956 (C.S.T.)/ Bombay Sales Tax Act, 1959 (B.S.T.)   | Disallowances of Sales Tax Declaration forms, disallowances of set off claimed under rule 41D and 42H and interest thereon | 34,302            | 1999-2000 to 2001-2002                           | Maharashtra Sales Tax Tribunal, Mumbai  |
| The Central Excise Act, 1944  | Disallowance of credit taken on inputs   | 1,395             | 2004-2005  | Central Excise and Service Tax Appellate Tribunal (Mumbai/ Ahmedabad)                           |

10. The Company has no accumulated losses as at March 31, 2011 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 financial institution or bank or debenture holders as at the balance sheet date.

12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to chit fund / nidhi /mutual benefit fund / societies are not applicable to the company.
14. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
15. In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
16. The Company has not obtained any term loans.
17. On the basis of an overall examination of the Balance Sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
19. The Company has not issued any debentures.
20. The Company has not raised any money by public issues during the year.
21. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material 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**

Firm Registration Number: 301112E

Chartered Accountants

**Jeetendra Mirchandani**

Partner

Membership Number: 48125

Mumbai  
May 30, 2011

## Balance Sheet as at 31st March, 2011

|  | Schedule<br>Number | Rupees '000 | As at 31st<br>March, 2011<br>Rupees '000 | As at 31st<br>March, 2010<br>Rupees '000 |
|--|--------------------|-------------|--|--|
| <b>SOURCES OF FUNDS :</b>                          |                    |             |  |  |
| <b>Shareholders' funds :</b>                       |                    |             |  |  |
| Share capital                                      | 1                  | 396,000     |  | 396,000                                  |
| Reserves and surplus                               | 2                  | 17,666,706  |  | 15,213,964                               |
|  |                    |             | <b>18,062,706</b>                        | 15,609,964                               |
| <b>Loan funds :</b>                                |                    |             |  |  |
| Secured loans                                      | 3                  | 182,629     |  | 86,238                                   |
| Unsecured loans                                    | 4                  | 8           |  | 133                                      |
|  |                    |             | <b>182,637</b>                           | 86,371                                   |
|  |                    |             | <b>18,245,343</b>                        | 15,696,335                               |
| <b>APPLICATION OF FUNDS :</b>                      |                    |             |  |  |
| <b>Fixed assets :</b>                              |                    |             |  |  |
| Gross block  | 5                  | 9,144,454   |  | 7,776,224                                |
| Less : depreciation                                |                    | 4,733,817   |  | 4,439,638                                |
| Net block  |                    |             | <b>4,410,637</b>                         | 3,336,586                                |
| <b>Investments</b>                                 |                    |             |  |  |
| Deferred Taxation :                                | 6                  |             | <b>7,254,500</b>                         | 7,329,224                                |
| Deferred tax Asset                                 | 7                  | 550,883     |  | 499,415                                  |
| Deferred tax Liability                             |                    | (363,463)   |  | (329,522)                                |
|  |                    |             | <b>187,420</b>                           | 169,893                                  |
| <b>Current assets, loans and advances :</b>        |                    |             |  |  |
| Inventories  | 8                  | 5,189,605   |  | 4,096,685                                |
| Sundry debtors                                     |                    | 7,181,566   |  | 5,229,012                                |
| Cash and bank balances                             |                    | 1,037,251   |  | 559,282                                  |
| Other current assets                               |                    | 98,472      |  | 92,655                                   |
| Loans and advances                                 |                    | 3,297,155   |  | 2,694,940                                |
|  |                    | 16,804,049  |  | 12,672,574                               |
| <b>Less : Current liabilities and provisions :</b> |                    |             |  |  |
| Current liabilities                                | 9                  | 7,108,794   |  | 5,209,167                                |
| Provisions   |                    | 3,302,469   |  | 2,602,775                                |
|  |                    | 10,411,263  |  | 7,811,942                                |
| <b>Net current assets</b>                          |                    |             | <b>6,392,786</b>                         | 4,860,632                                |
|  |                    |             | <b>18,245,343</b>                        | 15,696,335                               |

### 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  
Firm Registration No. 301112E  
Chartered Accountants

Anant J. Talaulicar  
Chairman &  
Managing Director

Nasser Munjee  
Director

Jeetendra Mirchandani  
Partner  
Membership Number 48125

Dinesh Castellino  
Vice President Legal &  
Company Secretary

Mumbai  
Date: May 30, 2011

Mumbai  
Date: May 30, 2011

## Profit and Loss Account for the year ended 31st March, 2011

|   | Schedule<br>Number | Rupees '000       | Rupees '000       | Previous Year<br>Rupees '000 |
|---|--------------------|-------------------|-------------------|------------------------------|
| <b>INCOME :</b>   |                    |                   |                   |                              |
| Gross Sales and Services  |                    | <b>41,907,650</b> |                   | 30,287,925                   |
| Less : Excise Duty  |                    | <b>2,453,223</b>  |                   | 1,839,221                    |
| Net Sales   |                    |                   | <b>39,454,427</b> | 28,448,704                   |
| Other Income  | <b>10</b>          |                   | <b>1,774,307</b>  | 1,217,531                    |
|   |                    |                   | <b>41,228,734</b> | 29,666,235                   |
| <b>EXPENDITURE :</b>  |                    |                   |                   |                              |
| Cost of sales and other expenses  | <b>11</b>          | <b>32,819,704</b> |                   | 23,175,780                   |
| Depreciation & Amortisation   |                    | <b>366,380</b>    |                   | 360,801                      |
| <b>INTEREST :</b>   |                    |                   |                   |                              |
| on fixed loans  |                    | -                 |                   | 487                          |
| others  |                    | <b>18,983</b>     |                   | 20,020                       |
|   |                    |                   | <b>18,983</b>     | 20,507                       |
|   |                    |                   | <b>33,205,067</b> | 23,557,088                   |
| <b>PROFIT BEFORE TAX</b>  |                    |                   | <b>8,023,667</b>  | 6,109,147                    |
| <b>PROVISION FOR TAX:</b>   |                    |                   |                   |                              |
| Current Tax (including net excess provision<br>for earlier years <b>Rs. ('000) 121,194</b> (previous<br>year Rs. ('000) 65,433) |                    | <b>2,131,292</b>  |                   | 1,609,722                    |
| Deferred Tax  |                    | <b>(17,528)</b>   |                   | 60,753                       |
|   |                    |                   | <b>2,113,764</b>  | 1,670,475                    |
| <b>NET PROFIT FOR THE YEAR</b>  |                    |                   | <b>5,909,903</b>  | 4,438,672                    |
| Balance carried forward from last balance sheet   |                    |                   | <b>6,174,719</b>  | 4,955,127                    |
| <b>APPROPRIATIONS :</b>   |                    |                   |                   |                              |
| I Proposed final dividend   |                    |                   | <b>1,584,000</b>  | 1,188,000                    |
| II Interim dividend   |                    |                   | <b>1,386,000</b>  | 1,188,000                    |
| III Tax on dividend   |                    |                   | <b>487,161</b>    | 399,213                      |
| IV Transferred to general reserve   |                    |                   | <b>590,991</b>    | 443,867                      |
| Balance carried to balance sheet  |                    |                   | <b>8,036,470</b>  | 6,174,719                    |
| Basic and Diluted Earnings per share (in Rupees)<br>(Nominal value per share Rs. 2)   |                    |                   | <b>29.85</b>      | 22.42                        |

### 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  
Firm Registration No. 301112E  
Chartered Accountants

Anant J. Talaulicar  
Chairman &  
Managing Director

Nasser Munjee  
Director

Jeetendra Mirchandani  
Partner  
Membership Number 48125

Dinesh Castellino  
Vice President Legal &  
Company Secretary

Mumbai  
Date: May 30, 2011

Mumbai  
Date: May 30, 2011

## Schedules forming part of the Balance Sheet

|  | <b>As at 31st<br/>March, 2011<br/>Rupees '000</b> | As at 31st<br>March, 2010<br>Rupees '000 |
|--|---|--|
| <b>SCHEDULE NO. 1</b>                                    |   |  |
| <b>SHARE CAPITAL :</b>                                   |   |  |
| <b>Authorised :</b>                                      |   |  |
| 200,000,000 equity shares<br>of Rs. 2 each               | <b>400,000</b>                                    | 400,000                                  |
| <b>Issued and subscribed :</b>                           |   |  |
| 198,000,000 equity shares<br>of Rs. 2 each fully paid up | <b>396,000</b>                                    | 396,000                                  |

Of the above equity shares;

- i) 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 are held by the holding company, Cummins Inc.,USA.

|   | <b>Rupees '000</b> | <b>As at 31st<br/>March, 2011<br/>Rupees '000</b> | As at 31st<br>March, 2010<br>Rupees '000 |
|---|--------------------|---|--|
| <b>SCHEDULE NO. 2</b>                             |                    |   |  |
| <b>RESERVES AND SURPLUS :</b>                     |                    |   |  |
| <b>Capital redemption reserve account</b>         |                    | <b>7,000</b>                                      | 7,000                                    |
| <b>General reserve :</b>                          |                    |   |  |
| Balance as per last account                       | <b>9,032,245</b>   |   | 8,588,378                                |
| Add : Transferred from<br>profit and loss account | <b>590,991</b>     |   | 443,867                                  |
|   |                    | <b>9,623,236</b>                                  | 9,032,245                                |
| <b>Profit and loss account</b>                    |                    | <b>8,036,470</b>                                  | 6,174,719                                |
|   |                    | <b>17,666,706</b>                                 | 15,213,964                               |

## Schedules forming part of the Balance Sheet

|  | <b>As at 31st<br/>March, 2011<br/>Rupees '000</b> | As at 31st<br>March, 2010<br>Rupees '000 |
|--|---|--|
| <b>SCHEDULE NO. 3</b>  |   |  |
| <b>SECURED LOANS :</b>   |   |  |
| From banks -   |   |  |
| <b>Working Capital Facilities</b>  | <b>182,629</b>                                    | 86,238                                   |
| Secured by hypothecation of inventories, receivables and<br>movable assets of the Company. |   |  |
|  | <u><b>182,629</b></u>                             | <u>86,238</u>                            |
|  | <u><b>182,629</b></u>                             | <u>86,238</u>                            |
| <br><b>SCHEDULE NO. 4</b>  |   |  |
| <b>UNSECURED LOANS :</b>   |   |  |
| Fixed Deposits (matured)   | <b>8</b>  | 133                                      |
|  | <u><b>8</b></u>                                   | <u>133</u>                               |
|  | <u><b>8</b></u>                                   | <u>133</u>                               |

## Schedules forming part of the Balance Sheet

### SCHEDULE NO. 5

#### FIXED ASSETS :

Rupees '000

| Particulars  | Gross block<br>(at cost) as at<br>31st March,<br>2010 | Additions        | Deductions       | <b>Gross block<br/>(at cost) as at<br/>31st March,<br/>2011</b> | Depreciation<br>as per<br>Schedule 5A | <b>Net block<br/>as at<br/>31st March,<br/>2011</b> |
|--|---|------------------|------------------|---|---------------------------------------|---|
| <b>Tangible Assets:</b>  |   |                  |                  |   |                                       |   |
| Land   |   |                  |                  |   |                                       |   |
| -Freehold *  | 39,584  | –                | –                | <b>39,584</b>   | –                                     | <b>39,584</b>                                       |
| -Leasehold **  | –   | 24,451           | –                | <b>24,451</b>   | 54                                    | <b>24,397</b>                                       |
| Leasehold Improvements   | –   | 15,025           | –                | <b>15,025</b>   | 33                                    | <b>14,992</b>                                       |
| Roads  | 32,505  | 61,933           | –                | <b>94,438</b>   | 6,756                                 | <b>87,682</b>                                       |
| Buildings  | 787,871   | 225,194          | –                | <b>1,013,065</b>  | 192,888                               | <b>820,177</b>                                      |
| Plant and machinery  | 5,846,607   | 651,641          | 72,759           | <b>6,425,489</b>  | 4,041,960                             | <b>2,383,529</b>                                    |
| Furniture and<br>fittings  | 111,230   | 11,671           | 2,851            | <b>120,050</b>  | 29,252                                | <b>90,798</b>                                       |
| Vehicles   | 51,682  | 4,803            | 5,527            | <b>50,958</b>   | 29,576                                | <b>21,382</b>                                       |
| <b>Intangible Assets:</b>  |   |                  |                  |   |                                       |   |
| Software   | 94,205  | –                | –                | <b>94,205</b>   | 92,578 #                              | <b>1,627</b>  |
| Technical Knowhow  | 205,984   | –                | –                | <b>205,984</b>  | 126,394 #                             | <b>79,590</b>                                       |
| Global Sourcing<br>Consideration   | 214,326   | –                | –                | <b>214,326</b>  | 214,326 #                             | –   |
|  | <u>7,383,994</u>                                      | <u>994,718</u>   | <u>81,137</u>    | <b><u>8,297,575</u></b>   | <u>4,733,817</u>                      | <b><u>3,563,758</u></b>                             |
|  | <u>(6,833,661)</u>                                    | <u>(833,189)</u> | <u>(282,856)</u> | <b><u>(7,383,994)</u></b>                                       | <u>(4,439,638)</u>                    | <b><u>(2,944,356)</u></b>                           |
| Buildings, plant and machinery<br>etc., under erection including<br>advances for capital expenditure |   |                  |                  | <b>846,879</b>  | –                                     | <b>846,879</b>                                      |
|  |   |                  |                  | <u>(392,230)</u>  | –                                     | <u>(392,230)</u>                                    |
|  |   |                  |                  | <b><u>9,144,454</u></b>   | <u>4,733,817</u>                      | <b><u>4,410,637</u></b>                             |
|  |   |                  |                  | <u>(7,776,224)</u>  | <u>(4,439,638)</u>                    | <b><u>(3,336,586)</u></b>                           |

#### NOTES :

\* Includes reservations by Pune Municipal Corporation for Garden, Economically Weaker Section (EWS), Maternity Home and Road.

\*\* Pending finalisation of formal leasehold agreement with MIDC.

# Represents amounts amortised till date.

Figures in brackets are in respect of the previous year.

## Schedules forming part of the Balance Sheet

### SCHEDULE NO. 5 A

#### DEPRECIATION AND AMORTISATION

Rupees '000

| Particulars                   | Depreciation upto 31st March, 2010 | Depreciation for the year | Depreciation on deductions | Total depreciation upto 31st March, 2011 |
|-------------------------------|------------------------------------|---------------------------|----------------------------|--|
| <b>Tangible Assets:</b>       |                                    |                           |                            |  |
| Land                          |                                    |                           |                            |  |
| -Freehold                     | -                                  | -                         | -                          | -  |
| -Leasehold                    | -                                  | 54                        | -                          | 54                                       |
| Leasehold Improvements        | -                                  | 33                        | -                          | 33                                       |
| Roads                         | 6,061                              | 695                       | -                          | 6,756                                    |
| Buildings                     | 166,280                            | 26,608                    | -                          | 192,888                                  |
| Plant and machinery           | 3,804,434                          | 279,611                   | 42,085                     | 4,041,960                                |
| Furniture and fittings        | 48,059                             | 6,649                     | 25,456                     | 29,252                                   |
| Vehicles                      | 29,713                             | 4,523                     | 4,660                      | 29,576                                   |
| <b>Intangible Assets:</b>     |                                    |                           |                            |  |
| Software                      | 70,433                             | 22,145                    | -                          | 92,578 #                                 |
| Technical Knowhow             | 100,332                            | 26,062                    | -                          | 126,394 #                                |
| Global Sourcing Consideration | 214,326                            | -                         | -                          | 214,326 #                                |
|                               | 4,439,638                          | 366,380                   | 72,201                     | 4,733,817                                |
|                               | (4,323,632)                        | (360,801)                 | (244,795)                  | (4,439,638)                              |

# Represents amounts amortised till date.

Figures in brackets are in respect of the previous year.

## Schedules forming part of the Balance Sheet

| SCHEDULE NO. 6  |   |  | As at 31st<br>March, 2011<br>Rupees '000 | As at 31st<br>March, 2010<br>Rupees '000 |
|---|---|--|--|--|
| <b>INVESTMENTS:</b>                                   |   |  |  |  |
| <u>Number</u>   | <u>Face value<br/>per unit<br/>Rupees</u> |  |  |  |
| <b>LONG TERM INVESTMENTS<br/>AT COST</b>              |   |  |  |  |
| <b>INVESTMENT IN JOINT VENTURES</b>                   |   |  |  |  |
| Fully paid equity shares                              |   |  |  |  |
| 9,500,000   | 10  | Valvoline Cummins Limited                        | <b>80,375</b>                            | 80,375                                   |
| 2,000,000   | 10  | Cummins Exhaust India Limited                    | <b>20,000</b>                            | 20,000                                   |
| 114,600   | 10  | Cummins Research and Technology India Limited.   | <b>1,146</b>                             | 1,146                                    |
|   |   |  | <b>101,521</b>                           | 101,521                                  |
| <b>TRADE INVESTMENTS</b>                              |   |  |  |  |
| Fully paid equity shares                              |   |  |  |  |
| 779,997   | 10  | Cummins Generator Technologies India Limited.    | <b>171,989</b>                           | 171,989                                  |
|   |   |  | <b>171,989</b>                           | 171,989                                  |
| <b>OTHER THAN TRADE INVESTMENTS<br/>EQUITY SHARES</b> |   |  |  |  |
| 5,091,330   | 2   | KPIT Cummins Infosystems Limited *               | <b>39,685</b>                            | 39,685                                   |
| 1,000   | 25  | The Shamrao Vithal Co-operative Bank Limited     | <b>25</b>                                | 25                                       |
| 1,000   | 10  | The Saraswat Co-operative Bank Limited           | <b>10</b>                                | 10                                       |
| 600,000   | 2   | Housing Development Finance Corporation Limited* | <b>1,575</b>                             | 1,575                                    |
| 500   | 10  | HDFC Bank Limited *                              | <b>5</b>                                 | 5  |
|   | 2   | Kirloskar Industries Limited *                   | <b>-</b>                                 | 29                                       |
| 15,000  | 2   | Kirloskar Oil Engines Limited *                  | <b>27</b>                                | -  |
| 1,000   | 10  | Kirloskar Industries Limited *                   | <b>2</b>                                 | -  |
|   |   |  | <b>41,329</b>                            | 41,329                                   |
|   |   | Carried forward                                  | <b>314,839</b>                           | 314,839                                  |

## Schedules forming part of the Balance Sheet

| SCHEDULE NO. 6 (Contd.) |                                  |  | Rupees '000    | As at 31st<br>March, 2011<br>Rupees '000 | As at 31st<br>March, 2010<br>Rupees '000 |
|-------------------------|----------------------------------|--|----------------|--|--|
| Number                  | Face value<br>per unit<br>Rupees |  |                |  |  |
|                         |                                  | Brought forward  |                | <b>314,839</b>                           | 314,839                                  |
|                         |                                  | <b>TAX FREE REDEEMABLE/<br/>NON-CUMULATIVE BONDS</b>                     |                |  |  |
| 400                     | 100,000                          | 5.75% National Housing Bank*   | <b>41,410</b>  |  | 41,410                                   |
| 500                     | 100,000                          | 5.50% Nuclear Power Corporation<br>Limited *                             | <b>50,000</b>  |  | 50,000                                   |
|                         |                                  |  |                | <b>91,410</b>                            | 91,410                                   |
|                         |                                  | <b>GOVERNMENT OF INDIA BONDS</b>   |                |  |  |
|                         |                                  | 8.35% Government of India 2022 *   | <b>63,100</b>  |  | 63,100                                   |
|                         |                                  | (Face Value Rs.50,000,000)   |                |  |  |
|                         |                                  | 7.49% Government of India 2017 *   | <b>65,415</b>  |  | 65,415                                   |
|                         |                                  | (Face Value Rs.55,000,000)   |                |  |  |
|                         |                                  | 7.38% Government of India 2015 *   | <b>56,575</b>  |  | 56,575                                   |
|                         |                                  | (Face Value Rs.50,000,000)   |                |  |  |
|                         |                                  |  |                | <b>185,090</b>                           | 185,090                                  |
|                         |                                  | <b>CORPORATE BONDS</b>   |                |  |  |
| 12                      | 1,250,000                        | 6.68% Power Grid Corporation of India<br>2019 *                          | <b>15,175</b>  |  | 15,175                                   |
|                         |                                  |  |                | <b>15,175</b>                            | 15,175                                   |
|                         |                                  | <b>UNITS OF MUTUAL FUNDS</b>   |                |  |  |
|                         |                                  | <b>Debt Fund (Growth Option)</b>   |                |  |  |
| 5,000,000               | 10                               | HDFC FMP 18M October 2009 - Growth                                       | <b>50,000</b>  |  | 50,000                                   |
| 10,000,000              | 10                               | Birla Sunlife Fixed Term Plan Series CC                                  | <b>100,000</b> |  | 100,000                                  |
| 10,000,000              | 10                               | Kotak FMP 370 days series- 2   | <b>100,000</b> |  | 100,000                                  |
| 5,000,000               | 10                               | Kotak FMP 370 days series- 3   | <b>50,000</b>  |  | 50,000                                   |
| 5,002,331               | 10                               | SBI SDFS 370 Days - 3 Growth   | <b>50,023</b>  |  | 50,023                                   |
| 5,000,000               | 10                               | IDFC FMP TMS Series -5   | <b>50,000</b>  |  | 50,000                                   |
| 5,000,000               | 10                               | Tata Fixed Horizon Fund Series 25<br>Schem A- Super High Investment Plan | <b>50,000</b>  |  | 50,000                                   |
| 3,214,814               | 10                               | Birla Sun Life Dynamic Bond Fund-Retail<br>Plan-Growth                   | <b>50,000</b>  |  | 30,000                                   |
| 15,000,000              | 10                               | Birla Sun Life Fixed Term Plan - Series<br>CF - Growth                   | <b>150,000</b> |  | -  |
|                         |                                  | Carried forward  |                | <b>606,514</b>                           | 606,514                                  |

## Schedules forming part of the Balance Sheet

| SCHEDULE NO. 6 (Contd.) |                                  |  | Rupees '000    | As at 31st<br>March, 2011<br>Rupees '000 | As at 31st<br>March, 2010<br>Rupees '000 |
|-------------------------|----------------------------------|--|----------------|--|--|
| Number                  | Face value<br>per unit<br>Rupees |  |                |  |  |
|                         |                                  | Brought forward  |                | <b>606,514</b>                           | 606,514                                  |
| 5,000,000               | 10                               | Birla Sun Life Fixed Term Plan - Series CG/Growth                                      | <b>50,000</b>  |  | -  |
| 5,000,000               | 10                               | Birla Sun Life Fixed Term Plan - Series CI-Growth                                      | <b>50,000</b>  |  | -  |
| 10,000,000              | 10                               | Birla Sun Life Fixed Term Plan - Series CJ-Growth                                      | <b>100,000</b> |  | -  |
| 5,000,000               | 10                               | Birla Sun Life Fixed Term Plan - Series CT - Growth                                    | <b>50,000</b>  |  | -  |
| 5,000,000               | 10                               | Birla Sun Life Fixed Term Plan-Series CK-Growth  | <b>50,000</b>  |  | -  |
| 5,000,000               | 10                               | DWS Fixed Term Fund - Series 77 - Growth   | <b>50,000</b>  |  | -  |
| 5,000,000               | 10                               | Fidelity Fixed Maturity Plan Series IV - Plan E- Growth Option                         | <b>50,000</b>  |  | -  |
| 5,000,000               | 10                               | Fidelity Fixed Maturity Plan Series IV - Plan F - Growth Option                        | <b>50,000</b>  |  | -  |
| 5,000,000               | 10                               | Fidelity Fixed Maturity Plan Series V-Plan E-Growth Option                             | <b>50,000</b>  |  | -  |
| 5,000,000               | 10                               | HDFC FMP 370D September 2010 (1) - Growth Option                                       | <b>50,000</b>  |  | -  |
| 5,000,000               | 10                               | ICICI Prudential Fixed Maturity Plan - Series 54 - 1 Year Plan A - Growth              | <b>50,000</b>  |  | -  |
| 10,000,000              | 10                               | ICICI Prudential Fixed Maturity Plan - Series 55 - 1 Year Plan C Cumulative            | <b>100,000</b> |  | -  |
| 5,028,681               | 10                               | ICICI Prudential Fixed Maturity Plan - Series 55 - 1 Year Plan F Cumulative            | <b>50,287</b>  |  | -  |
| 4,289,379               | 12                               | ICICI Prudential Interval Fund - Annual Interval Plan IV - Institutional Growth Option | <b>50,000</b>  |  | -  |
| 5,000,000               | 10                               | IDFC FMP - YS - 40 - Growth  | <b>50,000</b>  |  | -  |
| 5,000,000               | 10                               | IDFC FMP - YS - 42 - Growth  | <b>50,000</b>  |  | -  |
| 5,000,000               | 10                               | IDFC FMP YS 33 Growth  | <b>50,000</b>  |  | -  |
| 15,000,000              | 10                               | IDFC FMP YS 34 Growth  | <b>150,000</b> |  | -  |
| 10,000,000              | 10                               | IDFC FMP-Ys-35 -Growth   | <b>100,000</b> |  | -  |
| 10,000,000              | 10                               | Kotak FMP 370 Days Series 10 Growth  | <b>100,000</b> |  | -  |
|                         |                                  | Carried forward  |                | <b>606,514</b>                           | 606,514                                  |

## Schedules forming part of the Balance Sheet

| SCHEDULE NO. 6 (Contd.) |                                  |   | Rupees '000    | As at 31st<br>March, 2011<br>Rupees '000 | As at 31st<br>March, 2010<br>Rupees '000 |
|-------------------------|----------------------------------|---|----------------|--|--|
| Number                  | Face value<br>per unit<br>Rupees |   |                |  |  |
|                         |                                  | Brought forward   |                | <b>606,514</b>                           | 606,514                                  |
| 10,000,000              | 10                               | Kotak FMP Series 28 (370 Days) -<br>Growth  | <b>100,000</b> |  | –  |
| 5,000,000               | 10                               | Kotak FMP Series 29 (370 Days) Growth   | <b>50,000</b>  |  | –  |
| 5,000,000               | 10                               | Kotak FMP Series 30 (370 Days) -<br>Growth  | <b>50,000</b>  |  | –  |
| 5,000,000               | 10                               | Kotak FMP Series 42 (368 Days) -<br>Growth  | <b>50,000</b>  |  | –  |
| 5,000,000               | 10                               | Kotak FMP Series 43 (367 Days) -<br>Growth  | <b>50,000</b>  |  | –  |
| 10,000,000              | 10                               | SBI Debt Fund Series - 370 Days - 8 -<br>Growth   | <b>100,000</b> |  | –  |
| 5,000,000               | 10                               | Tata Fixed Maturity Plan Series 29<br>Scheme C Growth   | <b>50,000</b>  |  | –  |
| 10,000,000              | 10                               | Tata Fixed Maturity Plan Series 29<br>Scheme B Growth   | <b>100,000</b> |  | –  |
| 5,000,000               | 10                               | TFMP 31 Scheme B -Growth Option   | <b>50,000</b>  |  | –  |
|                         |                                  |   |                | <b>2,550,310</b>                         | 480,023                                  |
|                         |                                  | <b>Debt Fund (Dividend Option)</b>  |                |  |  |
|                         | 10                               | DWS Money Plus Advantage Fund- Inst-<br>Div   | –              |  | 30,000                                   |
|                         | 10                               | DWS Money Plus Advantage Fund- Reg-<br>Div  | –              |  | 20,000                                   |
| 3,962,719               | 12                               | HDFC MF Monthly Income Plan-Long<br>Term Plan-Monthly Dividend Option                         | <b>50,000</b>  |  | 50,000                                   |
| 5,260,103               | 10                               | HDFC Short Term Plan-Dividend   | <b>54,147</b>  |  | 51,959                                   |
|                         | 10                               | UTI - Short Term Income Fund<br>-Institutional Dividend Option                                | –              |  | 170,005                                  |
| 4,839,939               | 11                               | HDFC High Interest Fund - Short Term<br>Plan-Dividend Option                                  | <b>51,178</b>  |  | –  |
| 5,000,000               | 10                               | UTI Fixed Interval Income Fund (Annual<br>Interval Plan) Series IV – Instn Dividend<br>Option | <b>50,000</b>  |  | –  |
| 5,000,000               | 10                               | HDFC FMP 370D September 2010 (2)<br>Dividend Option   | <b>50,000</b>  |  | –  |
|                         |                                  |   |                | <b>255,325</b>                           | 321,964                                  |
|                         |                                  | <b>Total Long term investments</b>  | <b>(A)</b>     | <b>3,412,149</b>                         | 1,408,501                                |

## Schedules forming part of the Balance Sheet

|   |   | As at 31st<br>March, 2011  | As at 31st<br>March, 2010 |
|---|---|--|---------------------------|
|   |   | Rupees '000  | Rupees '000               |
| <b>SCHEDULE NO. 6 (Contd.)</b>  |   |  |                           |
| <u>Number</u>   | <u>Face value<br/>per unit<br/>Rupees</u> |  |                           |
| <b>CURRENT INVESTMENTS AT LOWER<br/>OF COST AND FAIR VALUE OTHER<br/>THAN TRADE INVESTMENTS</b> |   |  |                           |
| <b>UNITS OF MUTUAL FUNDS</b>  |   |  |                           |
| <b>Fixed Maturity Plan</b>  |   |  |                           |
| –   | 10  | ICICI Prudential Banking & PSU Debt<br>Fund  | –                         |
| 10,000,000  | 10  | Birla sunlife Interval Income Fund-Qrty<br>Plan- Series -1                                   | 50,213                    |
| –   | 10  | Tata Fixed Income Portfolio Fund<br>Scheme -3  | 100,000                   |
| 5,000,000   | 10  | UTI Fixed Income Interval Fund- Qrty<br>Interval Plan -III                                   | –                         |
| –   | 10  | UTI Fixed Income Interval Fund Quarterly<br>Interval Plan -1                                 | 50,185                    |
| –   | 10  | UTI Fixed Income Interval Fund Monthly<br>Interval Plan -1                                   | 50,000                    |
| 10,000,000  | 10  | Birla Sun Life Quarterly Interval Fund –<br>Series 4 DIVIDEND                                | 100,000                   |
| 10,000,000  | 10  | Birla Sun Life Short Term FMP - Series<br>11 - Dividend                                      | –                         |
| 5,000,000   | 10  | DSP BlackRock FMP – 3M – Series 27 -<br>Dividend Payout                                      | 100,000                   |
| 5,000,000   | 10  | ICICI Prudential Fixed Maturity Plan-<br>Series 53-6 Months Plan A Dividend                  | 50,000                    |
| 10,000,000  | 10  | ICICI Prudential Interval Fund - Quarterly<br>Interval Plan II - Institutional Dividend      | 100,000                   |
| 15,000,000  | 10  | ICICI Prudential Interval Fund - Quarterly<br>Interval Plan III - Institutional Dividend     | 150,000                   |
| 10,000,000  | 10  | ICICI Prudential Interval Fund IV -<br>Quarterly Interval Plan B - Institutional<br>Dividend | 100,000                   |
| 5,000,000   | 10  | IDFC FMP – 100days – S3 -Dividend  | 50,000                    |
|   |   | Carried forward  | –                         |
|   |   | –  | –                         |

## Schedules forming part of the Balance Sheet

| SCHEDULE NO. 6 (Contd.) |                                  |  | As at 31st<br>March, 2011<br>Rupees '000 | As at 31st<br>March, 2010<br>Rupees '000 |
|-------------------------|----------------------------------|--|--|--|
| Number                  | Face value<br>per unit<br>Rupees |  |  |  |
|                         |                                  | Brought forward  | -  | -  |
| 10,000,000              | 10                               | IDFC FMP – QS - 62 -Dividend   | <b>100,000</b>                           | -  |
| 5,000,000               | 10                               | Kotak FMP 6M Series 10 - Dividend  | <b>50,000</b>                            | -  |
| 5,000,000               | 10                               | Kotak FMP 6M Series 11 - Dividend  | <b>50,000</b>                            | -  |
| 15,000,000              | 10                               | Kotak Quarterly Interval Plan Series 10 -<br>Dividend  | <b>150,000</b>                           | -  |
| 10,000,000              | 10                               | Kotak Quarterly Interval Plan Series 4 -<br>Dividend   | <b>100,000</b>                           | -  |
| 5,000,000               | 10                               | Kotak Quarterly Interval Plan Series<br>5-Dividend   | <b>50,000</b>                            | -  |
| 10,000,000              | 10                               | Kotak Quarterly Interval Plan Series 6 -<br>Dividend   | <b>100,000</b>                           | -  |
| 9,999,500               | 10                               | Kotak Quarterly Interval Plan Series 7 -<br>Dividend   | <b>100,000</b>                           | -  |
| 4,999,900               | 10                               | Kotak Quarterly Interval Plan Series 8 -<br>Dividend   | <b>50,000</b>                            | -  |
| 20,000,000              | 10                               | SBI Debt Fund Series - 180 Days - 14<br>Dividend   | <b>200,000</b>                           | -  |
| 10,000,000              | 10                               | SBI Debt Fund Series - 90 Days - 38<br>Dividend  | <b>100,000</b>                           | -  |
| 5,000,000               | 10                               | SBI Debt Fund Series 90 Days 41 -<br>Dividend Payout   | <b>50,000</b>                            | -  |
| 10,380,945              | 10                               | Tata Fixed Income Portfolio Fund -<br>Scheme A2 - Institutional Plan - Monthly<br>Dividend   | <b>103,820</b>                           | -  |
| 15,311,690              | 10                               | Tata Fixed Income Portfolio Fund -<br>Scheme A3 - Institutional Plan - Monthly<br>Dividend   | <b>153,117</b>                           | -  |
| 10,320,607              | 10                               | Tata Fixed Income Portfolio Fund<br>- Scheme B2 - Institutional Plan -<br>Quarterly Dividend | <b>103,347</b>                           | -  |
| 10,296,312              | 10                               | UTI F I I F Series II -Quarterly Interval<br>Plan – IV –Instn. Dividend Option               | <b>102,963</b>                           | -  |
| 4,998,001               | 10                               | UTI F I I F Series II -Quarterly Interval<br>Plan – VII – Instn Dividend Option              | <b>50,000</b>                            | -  |
| 5,000,000               | 10                               | UTI F I I F Series II -Quarterly Interval<br>Plan – VI-Institutional Dividend Option         | <b>50,000</b>                            | -  |
|                         |                                  |  | <b>2,513,247</b>                         | 400,398                                  |
|                         |                                  | Carried forward  | <b>2,513,247</b>                         | 400,398                                  |

## Schedules forming part of the Balance Sheet

| SCHEDULE NO. 6 (Contd.) |                                  | Rupees '000   | As at 31st<br>March, 2011<br>Rupees '000 | As at 31st<br>March, 2010<br>Rupees '000 |
|-------------------------|----------------------------------|---|--|--|
| Number                  | Face value<br>per unit<br>Rupees |   |  |  |
|                         |                                  | Brought forward   | <b>2,513,247</b>                         | 400,398                                  |
|                         |                                  | <b>Liquid Fund (DIVIDEND)</b>   |  |  |
|                         | 10                               | Birla Sun Life Savings Fund-Institutional<br>Plan- Daily Dividend                           | -  | 333,460                                  |
| 5,002,198               | 10                               | Birla Sun Life Short Term Oppportunities<br>Fund-Institutional Weekly Dividend Plan         | <b>50,055</b>                            | 50,257                                   |
|                         | 12                               | Canara Robeco Treasury Advantage<br>Fund - Super Institutional Plan- Daily Div<br>Reinvest  | -  | 602,574                                  |
|                         | 10                               | DWS Cash Opportunities Fund<br>Institutional-Daily  | -  | 404,289                                  |
| 1,782,540               | 10                               | DWS Ultra Short Term Fund- Inst Plan -<br>Daily Dividend                                    | <b>17,857</b>                            | 181,906                                  |
| 5,997,625               | 10                               | DWS Treasury Fund Cash Plan<br>Institutional Dividend option                                | <b>60,274</b>                            | -  |
| 29,784,469              | 10                               | DWS MONEY PLUS FUND - INST DAILY<br>DIVIDEND  | <b>300,198</b>                           | -  |
| 9,805,556               | 10                               | IDFC-Money Manager Fund-Investment<br>Plan-Inst Plan B-Daily Div.                           | <b>100,000</b>                           | 562,517                                  |
| 4,618,995               | 10                               | IDFC-Money Manager Fund-Treasury<br>Plan Plan C-Daily Dividend                              | <b>46,197</b>                            | -  |
| 574,266                 | 10                               | HDFC Cash Management Fund Treasury<br>Advantage - Wholesale Plan Daily<br>Dividend Option   | <b>5,761</b>                             | 542,549                                  |
| 251,497                 | 106                              | ICICI Prudential Flexible Income Plan-<br>Daily Dividend Plan                               | <b>26,592</b>                            | 637,225                                  |
|                         | 10                               | JPMorgan India Treasury Fund-Super<br>Institutional -Daily dividend re-investment<br>option | -  | 483,468                                  |
|                         | 10                               | Kotak Floater Long-Term-Daily Dividend  | -  | 462,947                                  |
| 24,863,240              | 10                               | SBI Magnum Income Fund - F R P -<br>Short Term - Daily (D)                                  | <b>250,055</b>                           | -  |
| 6,978,736               | 10                               | SBI Premier Liquid Fund - Institutional -<br>Daily Dividend                                 | <b>70,014</b>                            | -  |
|                         |                                  | Carried forward   | <b>2,513,247</b>                         | 400,398                                  |

## Schedules forming part of the Balance Sheet

| SCHEDULE NO. 6 (Contd.) |                                  |  | As at 31st<br>March, 2011<br>Rupees '000 | As at 31st<br>March, 2010<br>Rupees '000 |
|-------------------------|----------------------------------|--|--|--|
| Number                  | Face value<br>per unit<br>Rupees |  | Rupees '000                              |  |
|                         |                                  | Brought forward  | <b>2,513,247</b>                         | 400,398                                  |
| 4,707,522               | 10                               | SBI Short Horizon Fund - Ultra Short<br>Term Fund - Institutional Plan - Daily<br>Dividend | <b>47,103</b>                            | 490,058                                  |
| 12,923,956              | 10                               | Tata Floater Fund Daily Dividend   | <b>129,700</b>                           | 525,011                                  |
| 22,503,726              | 10                               | Templeton India Ultra-short Bond Fund -<br>Super Institutional - Dividend                  | <b>225,298</b>                           | -  |
|                         | 1,000                            | UTI - Treasury Advantage Fund -<br>Institutional-Daily Dividend                            | -  | 244,064                                  |
|                         |                                  |  | <b>1,329,104</b>                         | 5,520,325                                |
|                         |                                  | <b>Total Current Investments</b>   | <b>(B) 3,842,351</b>                     | 5,920,723                                |
|                         |                                  | <b>Total Investments</b>   | <b>(A+B) 7,254,500</b>                   | 7,329,224                                |
|                         |                                  | <b>* Aggregate cost of quoted<br/>investments</b>  | <b>332,969</b>                           | 332,969                                  |
|                         |                                  | <b>Aggregate cost of unquoted<br/>investments</b>  | <b>6,921,531</b>                         | 6,996,255                                |
|                         |                                  |  | <b>7,254,500</b>                         | 7,329,224                                |
|                         |                                  | <b>Aggregate market value of quoted<br/>investments</b>                                    | <b>1,531,057</b>                         | 1,170,529                                |

## Schedules forming part of the Balance Sheet

### SCHEDULE NO. 6 (Contd.)

Notes :

|  | Nos.       | Cost<br>(Rs.) | Face Value<br>(Rs.) |
|--|------------|---------------|---------------------|
| <b>I) Sale / Redemption :</b>  |            |               |                     |
| <b>UNITS OF MUTUAL FUNDS</b>   |            |               |                     |
| <b>Debt Fund (Dividend Option)</b>   |            |               |                     |
| DWS MONEY PLUS ADVANTAGE FUND- Inst-Div  | 2,809,831  | 30,000,000    | 28,098,307          |
| DWS MONEY PLUS ADVANTAGE FUND- Reg-Div   | 1,884,890  | 20,000,000    | 18,848,898          |
| UTI - Short Term Income Fund -Institutional Dividend Option                                  | 16,899,248 | 170,004,745   | 168,992,480         |
| <b>Liquid Fund - Dividend</b>  |            |               |                     |
| Birla Sun Life Savings Fund-Institutional Plan- Daily Dividend                               | 33,323,364 | 333,460,243   | 333,233,644         |
| Birla Sun Life Short Term Opportunities Fund-Institutional<br>Weekly Dividend Plan           | 5,024,099  | 50,257,020    | 50,240,991          |
| Canara Robeco Treasury Advantage Fund - Super Institutional<br>Plan- Daily Div Reinvest      | 48,566,836 | 602,573,587   | 582,802,029         |
| DWS CASH OPPORTUNITIES FUND INSTITUTIONAL-Daily  | 40,330,868 | 404,288,718   | 403,308,678         |
| DWS Ultra Short Term Fund- Inst Plan - Daily Dividend  | 18,159,889 | 181,906,028   | 181,598,893         |
| HDFC Cash Management Fund Treasury Advantage -<br>Wholesale Plan Daily Dividend Option       | 54,084,499 | 542,548,650   | 540,844,989         |
| ICICI Prudential Flexible Income Plan Premium-Daily Dividend<br>Plan                         | 6,025,298  | 637,224,874   | 632,656,298         |
| IDFC-Money Manager Fund-Investment Plan-Inst Plan B-Daily<br>Div.                            | 56,167,491 | 562,517,426   | 561,674,913         |
| JPMorgan India Treasury Fund-Super Institutional -Daily<br>dividend re-investment option     | 48,303,782 | 483,467,719   | 483,037,815         |
| Kotak Floater Long-Term-Daily Dividend   | 45,928,236 | 462,947,432   | 459,282,359         |
| SBI Short Horizon Debt Fund - Ultra Short Term Fund -<br>Institutional Plan - Daily Dividend | 48,976,459 | 490,058,449   | 489,764,590         |
| Tata Floater Fund Daily Dividend   | 52,314,996 | 525,012,378   | 523,149,964         |
| UTI - Treasury Advantage Fund - Institutional-Daily Dividend                                 | 244,012    | 244,064,497   | 244,012,265         |
| <b>Fixed Maturity Plans</b>  |            |               |                     |
| Birla Sun Life Interval Income Fund - Quarterly Series I-<br>Institutional Dividend          | 10,000,000 | 100,000,000   | 100,000,000         |
| Fixed Income Interval Fund "Monthly Interval Plan" Institutional<br>Dividend Option          | 10,000,000 | 100,000,000   | 100,000,000         |
| ICICI Prudential Banking and PSU Debt Fund Premium Plus<br>Daily Dividend                    | 5,014,527  | 50,213,132    | 50,145,272          |
| Tata Fixed Income Portfolio Fund - Scheme C3 - Institutional<br>Plan - Monthly Dividend      | 5,018,433  | 50,184,516    | 50,184,327          |
| UTI Fixed Income Interval Fund ( Quarterly Interval Plan I) Inst<br>Dividend Plan            | 5,000,000  | 50,000,000    | 50,000,000          |
| UTI Fixed Income Interval Fund ( Quarterly Interval Plan -III) –<br>Inst Dividend Plan       | 5,000,000  | 50,000,000    | 50,000,000          |
| <b>II) Purchased and sold / redeemed during the year :-</b>                                  |            |               |                     |
| <b>LIQUID-DIVIDEND</b>   |            |               |                     |
| Birla Sun Life Cash Manager-Plan A(Institutional Daily Dividend)                             | 83,108,977 | 831,339,098   | 831,089,771         |

## Schedules forming part of the Balance Sheet

### SCHEDULE NO. 6 (Contd.)

|   | Nos.       | Cost<br>(Rs.) | Face Value<br>(Rs.) |
|---|------------|---------------|---------------------|
| Birla Sun Life Cash Plus-Institutional Premium Plan - Daily Dividend                      | 19,963,222 | 200,021,498   | 199,632,215         |
| Birla Sun Life Floating Rate Fund-Long Term - Institutional Plan- Weekly Dividend         | 35,316,965 | 353,577,852   | 353,169,651         |
| Birla Sun Life Savings Fund-Institutional Plan- Daily Dividend                            | 10,296,327 | 103,033,289   | 102,963,274         |
| Birla Sun Life Short Term Opportunities Fund-Institutional Weekly Dividend Plan           | 8,006      | 80,070        | 80,059              |
| Birla Sun Life Ultra Short Term Fund - Institutional Plan - Daily Dividend                | 47,207,751 | 472,337,154   | 472,077,512         |
| Canara Robeco Treasury Advantage Fund - Super Institutional Plan- Daily Div Reinvest      | 771,199    | 9,568,344     | 9,254,389           |
| DSP BlackRock Money Manager Fund - Institutional Plan - Daily Dividend Reinvest           | 150,408    | 150,527,904   | 150,407,578         |
| DWS CASH OPPORTUNITIES FUND INSTITUTIONAL-Daily Dividend                                  | 282,826    | 2,835,133     | 2,828,260           |
| DWS Insta Cash Plus Fund Super Institutional Plan-Daily Dividend                          | 56,835,150 | 570,079,291   | 568,351,503         |
| DWS Treasury Fund Cash Plan Institutional Dividend option                                 | 84,579,639 | 850,000,000   | 845,796,392         |
| DWS Ultra Short Term Fund- Inst Plan - Daily Dividend                                     | 51,715,035 | 518,076,044   | 517,150,345         |
| Fidelity Ultra Short Term Debt Fund - Super Institutional Plan - Daily Dividend Option    | 10,037,031 | 100,420,493   | 100,370,308         |
| HDFC Cash Management Fund - Savings Plan-Daily Dividend Option                            | 37,612,720 | 400,063,933   | 376,127,198         |
| HDFC Cash Management Fund Treasury Advantage - Wholesale Plan Daily Dividend Option       | 50,585,790 | 507,451,350   | 505,857,897         |
| ICICI Prudential Flexible Income Plan Premium-Daily Dividend Plan                         | 8,161,111  | 862,915,107   | 856,916,690         |
| ICICI Prudential Floating Rate Plan-D - Dividend Daily                                    | 1,002,638  | 100,286,813   | 100,263,753         |
| ICICI Prudential Liquid Plan - -Super Institutional Dividend Daily                        | 29,444,256 | 520,229,749   | 519,564,309         |
| IDFC CF Daily-Dividend(Institutional Plan)  | 9,445,279  | 100,000,000   | 94,452,788          |
| IDFC CF-Plan C-Daily Dividend   | 67,990,395 | 680,073,929   | 679,903,953         |
| IDFC Ultra Short Term Fund - Monthly Dividend   | 10,086,682 | 101,322,814   | 100,866,823         |
| IDFC-Money Manager Fund-Investment Plan-Inst Plan B-Daily Div.                            | 39,314,819 | 393,791,849   | 393,148,186         |
| IDFC-Money Manager Fund-Treasury PlanPlan C-Daily Dividend                                | 68,989,652 | 690,000,000   | 689,896,516         |
| JPMorgan India Liquid Fund-Super Institutional-Daily dividend re-investment option        | 13,990,542 | 140,015,949   | 139,905,424         |
| JPMorgan India Treasury Fund-Super Institutional - Daily dividend re-investment option    | 27,466,688 | 274,911,333   | 274,666,879         |
| Kotak Floater Long-Term-Daily Dividend  | 45,865,477 | 462,314,840   | 458,654,775         |
| Kotak Liquid-Institutional Premium Plan - (Daily Dividend)                                | 32,716,823 | 400,064,585   | 392,601,877         |
| LICMF Liquid Fund-Dividend  | 27,325,274 | 300,034,238   | 273,252,737         |
| LICMF Savings Plus Fund - Daily Dividend  | 38,061,138 | 380,611,382   | 380,611,382         |
| MAGNUM INSTA CASH FUND - DAILY DIVIDEND   | 23,286,061 | 390,048,501   | 372,576,969         |
| SBI Short Horizon Debt Fund - Ultra Short Term Fund - Institutional Plan - Daily Dividend | 90,939,591 | 909,941,551   | 909,395,914         |
| Tata Floater Fund Daily Dividend  | 72,241,582 | 724,987,622   | 722,415,822         |
| Tata Liquid Super High Investment Plan - Daily  | 26,921     | 30,003,510    | 26,920,567          |
| Templeton India Treasury Management - Institution-Daily                                   | 29,982     | 30,002,330    | 29,982,152          |

## Schedules forming part of the Balance Sheet

### SCCHEDULE NO. 6 (Contd.)

|  | Nos.        | Cost<br>(Rs.) | Face Value<br>(Rs.) |
|--|-------------|---------------|---------------------|
| Templeton India Treasury Management Account-Super Institutional Plan - Daily Dividend  | 129,924     | 130,011,870   | 129,924,431         |
| Templeton India Ultra-short Bond Fund - Super Institutional - Dividend                 | 109,872,548 | 1,100,000,000 | 1,098,725,478       |
| UTI- Liquid Fund-Cash Plan-INST - Income   | 294,315     | 300,038,316   | 294,315,152         |
| UTI - Treasury Advantage Fund - Institutional-Daily Dividend                           | 1,096,415   | 1,096,649,630 | 1,096,414,887       |
| <b>Debt Fund (DIVIDEND OPTION)</b>   |             |               |                     |
| UTI - Short Term Income Fund -Institutional Dividend Option                            | 135,653     | 1,369,704     | 1,356,532           |
| <b>Fixed Maturity Plans</b>  |             |               |                     |
| Birla Sun Life Short Term FMP- Series 3-Dividend                                       | 10,000,000  | 100,000,000   | 100,000,000         |
| Birla Sun Life Short Term FMP-Series 1-Dividend  | 10,000,000  | 100,000,000   | 100,000,000         |
| Fixed Income Interval Fund – Monthly Interval Plan – Dividend Option                   | 10,039,216  | 100,392,157   | 100,392,157         |
| Fixed Income Interval Fund Monthly Interval Plan Institutional Dividend Option         | 43,309      | 433,092       | 433,092             |
| HDFC FMP 100D AUGUST 2010 (2) - Dividend Option  | 10,000,000  | 100,000,000   | 100,000,000         |
| HDFC FMP 100D October 2010 (1) Dividend Option   | 10,000,000  | 100,000,000   | 100,000,000         |
| HDFC FMP 100D September 2010 (2)-Dividend Option                                       | 10,000,000  | 100,000,000   | 100,000,000         |
| HDFC FMP 100D September 2010 (4) Dividend Option                                       | 10,000,000  | 100,000,000   | 100,000,000         |
| HDFC FMP 35D AUGUST 2010 (1) - Dividend Option   | 10,000,000  | 100,000,000   | 100,000,000         |
| HDFC FMP 35D September 2010 (1) Dividend Option  | 10,000,000  | 100,000,000   | 100,000,000         |
| HDFC FMP 35D September 2010 (2) Dividend Option  | 10,001,316  | 100,013,160   | 100,013,160         |
| HDFC FMP 90D June 2010 - Dividend Option   | 10,000,000  | 100,000,000   | 100,000,000         |
| ICICI Prudential Banking and PSU Debt Fund Premium Plus Daily Dividend                 | 26,027      | 261,273       | 260,275             |
| ICICI Prudential Interval Fund - Quarterly Interval Plan I - Institutional Dividend    | 10,298,865  | 102,988,650   | 102,988,650         |
| ICICI Prudential Interval Fund II - Quarterly Interval Plan A - Retail Dividend        | 5,000,000   | 50,000,000    | 50,000,000          |
| ICICI Prudential Interval Fund II - Quarterly Interval Plan C - Institutional Dividend | 4,999,850   | 50,000,000    | 49,998,500          |
| ICICI Prudential Interval Fund II - Quarterly Interval Plan F - Institutional Dividend | 10,128,000  | 101,280,000   | 101,280,000         |
| ICICI Prudential Interval Fund V - Monthly Interval Plan A - Institutional Dividend    | 20,122,112  | 201,249,137   | 201,221,119         |
| IDFC FMP - Quarterly Series 61 - Dividend  | 5,000,000   | 50,000,000    | 50,000,000          |
| Kotak FMP Series 31 (77 Days) - Dividend   | 5,000,000   | 50,000,000    | 50,000,000          |
| SBI Debt Fund Series - 180 Days - 10 - Dividend  | 10,000,000  | 100,000,000   | 100,000,000         |
| SBI Debt Fund Series - 90 Days - 36 Dividend   | 5,000,000   | 50,000,000    | 50,000,000          |
| Tata Fixed Income Portfolio Fund - Scheme A3 - Institutional Plan - Monthly Dividend   | 20,369,719  | 203,697,195   | 203,697,195         |
| Tata Fixed Income Portfolio Fund - Scheme C3 - Institutional Plan - Monthly Dividend   | 34,996      | 350,388       | 349,960             |
| UTI Fixed Income Interval Fund ( Quarterly Interval Plan I) Inst Dividend Plan         | 58,087      | 580,867       | 580,867             |

## Schedules forming part of the Balance Sheet

### SCCHEDULE NO. 6 (Contd.)

|  | Nos.       | Cost<br>(Rs.) | Face Value<br>(Rs.) |
|--|------------|---------------|---------------------|
| UTI Fixed Income Interval Fund Monthly Interval Plan II-Instn. Dividend Option                         | 5,020,590  | 50,205,903    | 50,205,903          |
| UTI Fixed Income Interval Fund-Monthly Interval Plan Series - I - Institutional Dividend Plan - Payout | 9,998,900  | 100,000,000   | 99,989,001          |
| <b>III) Purchased during the year :-</b>   |            |               |                     |
| <b>Debt Fund (GROWTH OPTION)</b>   |            |               |                     |
| Birla Sun Life Fixed Term Plan - Series CF - Growth  | 15,000,000 | 150,000,000   | 150,000,000         |
| Birla Sun Life Fixed Term Plan - Series CG/Growth  | 5,000,000  | 50,000,000    | 50,000,000          |
| Birla Sun Life Fixed Term Plan - Series CI-Growth  | 5,000,000  | 50,000,000    | 50,000,000          |
| Birla Sun Life Fixed Term Plan - Series CJ-Growth  | 10,000,000 | 100,000,000   | 100,000,000         |
| Birla Sun Life Fixed Term Plan - Series CT - Growth  | 5,000,000  | 50,000,000    | 50,000,000          |
| Birla Sun Life Fixed Term Plan-Series CK-Growth  | 5,000,000  | 50,000,000    | 50,000,000          |
| DWS Fixed Term Fund - Series 77 - Growth   | 5,000,000  | 50,000,000    | 50,000,000          |
| Fidelity Fixed Maturity Plan Series IV - Plan E- Growth Option   | 5,000,000  | 50,000,000    | 50,000,000          |
| Fidelity Fixed Maturity Plan Series IV - Plan F - Growth Option  | 5,000,000  | 50,000,000    | 50,000,000          |
| Fidelity Fixed Maturity Plan Series V-Plan E-Growth Option   | 5,000,000  | 50,000,000    | 50,000,000          |
| HDFC FMP 370D September 2010 (1) - Growth Option   | 5,000,000  | 50,000,000    | 50,000,000          |
| ICICI Prudential Fixed Maturity Plan – Series 54 - 1 Year Plan A - Growth                              | 5,000,000  | 50,000,000    | 50,000,000          |
| ICICI Prudential Interval Fund - Annual Interval Plan IV - Institutional Growth Option                 | 4,289,379  | 50,000,000    | 42,893,786          |
| IDFC FMP – YS – 40 - Growth  | 5,000,000  | 50,000,000    | 50,000,000          |
| IDFC FMP – YS – 42 - Growth  | 5,000,000  | 50,000,000    | 50,000,000          |
| IDFC FMP YS 33 Growth  | 5,000,000  | 50,000,000    | 50,000,000          |
| IDFC FMP YS 34 Growth  | 15,000,000 | 150,000,000   | 150,000,000         |
| IDFC FMP–YS–35 -Growth   | 10,000,000 | 100,000,000   | 100,000,000         |
| Kotak FMP 370 Days Series 10 Growth  | 10,000,000 | 100,000,000   | 100,000,000         |
| Kotak FMP Series 28 (370 Days) - Growth  | 10,000,000 | 100,000,000   | 100,000,000         |
| Kotak FMP Series 29 (370 Days) Growth  | 5,000,000  | 50,000,000    | 50,000,000          |
| Kotak FMP Series 30 (370 Days) - Growth  | 5,000,000  | 50,000,000    | 50,000,000          |
| Kotak FMP Series 42 (368 Days) - Growth  | 5,000,000  | 50,000,000    | 50,000,000          |
| Kotak FMP Series 43 (367 Days) - Growth  | 5,000,000  | 50,000,000    | 50,000,000          |
| SBI Debt Fund Series - 370 Days - 8 - Growth   | 10,000,000 | 100,000,000   | 100,000,000         |
| Tata Fixed Maturity Plan Series 29 Scheme C Growth   | 5,000,000  | 50,000,000    | 50,000,000          |
| Tata Fixed Maturity Plan Series 29 Scheme B Growth   | 10,000,000 | 100,000,000   | 100,000,000         |
| TFMP 31 Scheme B -Growth Option  | 5,000,000  | 50,000,000    | 50,000,000          |
| Birla Sun Life Dynamic Bond Fund-Retail Plan-Growth  | 1,277,368  | 20,000,000    | 12,773,676          |
| ICICI Prudential Fixed Maturity Plan - Series 55 - 1 Year Plan C Cumulative                            | 10,000,000 | 100,000,000   | 100,000,000         |
| ICICI Prudential Fixed Maturity Plan - Series 55 - 1 Year Plan F Cumulative                            | 5,028,681  | 50,286,810    | 50,286,810          |
| <b>Debt Fund (DIVIDEND OPTION)</b>   |            |               |                     |
| HDFC High Interest Fund - Short Term Plan-Dividend Option  | 4,839,939  | 51,177,936    | 48,399,388          |
| HDFC Short Term Plan-DIVIDEND  | 212,101    | 2,188,284     | 2,121,005           |
| UTI Fixed Interval Income Fund (Annual Interval Plan) Series IV – Instn Dividend Option                | 5,000,000  | 50,000,000    | 50,000,000          |
| HDFC FMP 370D September 2010 (2) Dividend Option   | 5,000,000  | 50,000,000    | 50,000,000          |

## Schedules forming part of the Balance Sheet

### SCHEDULE NO. 6 (Contd.)

|  | Nos.       | Cost<br>(Rs.) | Face Value<br>(Rs.) |
|--|------------|---------------|---------------------|
| <b>Fixed Maturity Plans</b>  |            |               |                     |
| Birla Sun Life Interval Income Fund - Quarterly Series I- Institutional Dividend       | 10,000,000 | 100,000,000   | 100,000,000         |
| Birla Sun Life Quarterly Interval Fund – Series 4 DIVIDEND                             | 10,000,000 | 100,000,000   | 100,000,000         |
| Birla Sun Life Short Term FMP - Series 11 - Dividend                                   | 10,000,000 | 100,000,000   | 100,000,000         |
| DSP BlackRock FMP – 3M – Series 27 - Dividend Payout                                   | 5,000,000  | 50,000,000    | 50,000,000          |
| ICICI Prudential Fixed Maturity Plan-Series 53-6 Months Plan A Dividend                | 5,000,000  | 50,000,000    | 50,000,000          |
| ICICI Prudential Interval Fund - Quarterly Interval Plan II - Institutional Dividend   | 10,000,000 | 100,000,000   | 100,000,000         |
| ICICI Prudential Interval Fund - Quarterly Interval Plan III - Institutional Dividend  | 15,000,000 | 150,000,000   | 150,000,000         |
| ICICI Prudential Interval Fund IV - Quarterly Interval Plan B - Institutional Dividend | 10,000,000 | 100,000,000   | 100,000,000         |
| IDFC FMP – 100days – S3 -Dividend  | 5,000,000  | 50,000,000    | 50,000,000          |
| IDFC FMP – QS - 62 -Dividend   | 10,000,000 | 100,000,000   | 100,000,000         |
| Kotak FMP 6M Series 10 - Dividend  | 5,000,000  | 50,000,000    | 50,000,000          |
| Kotak FMP 6M Series 11 - Dividend  | 5,000,000  | 50,000,000    | 50,000,000          |
| Kotak Quarterly Interval Plan Series 10 - Dividend                                     | 15,000,000 | 150,000,000   | 150,000,000         |
| Kotak Quarterly Interval Plan Series 4 - Dividend                                      | 10,000,000 | 100,000,000   | 100,000,000         |
| Kotak Quarterly Interval Plan Series 5-Dividend  | 5,000,000  | 50,000,000    | 50,000,000          |
| Kotak Quarterly Interval Plan Series 6 - Dividend                                      | 10,000,000 | 100,000,000   | 100,000,000         |
| Kotak Quarterly Interval Plan Series 7 - Dividend                                      | 9,999,500  | 100,000,000   | 99,995,000          |
| Kotak Quarterly Interval Plan Series 8 - Dividend                                      | 4,999,900  | 50,000,000    | 49,999,000          |
| SBI Debt Fund Series - 180 Days - 14 Dividend  | 20,000,000 | 200,000,000   | 200,000,000         |
| SBI Debt Fund Series - 90 Days - 38 Dividend   | 10,000,000 | 100,000,000   | 100,000,000         |
| SBI Debt Fund Series 90 Days 41 - Dividend Payout                                      | 5,000,000  | 50,000,000    | 50,000,000          |
| Tata Fixed Income Portfolio Fund - Scheme A2 - Institutional Plan - Monthly Dividend   | 10,380,945 | 103,820,203   | 103,809,447         |
| Tata Fixed Income Portfolio Fund - Scheme A3 - Institutional Plan - Monthly Dividend   | 15,311,690 | 153,116,897   | 153,116,897         |
| Tata Fixed Income Portfolio Fund - Scheme B2 - Institutional Plan - Quarterly Dividend | 10,320,607 | 103,347,106   | 103,206,067         |
| UTI F I I F Series II -Quarterly Interval Plan – IV –Instn. Dividend Option            | 10,296,312 | 102,963,116   | 102,963,116         |
| UTI F I I F Series II -Quarterly Interval Plan – VII – Instn Dividend Option           | 4,998,001  | 50,000,000    | 49,980,008          |
| UTI F I I F Series II -Quarterly Interval Plan – VI-Institutional Divided Option       | 5,000,000  | 50,000,000    | 50,000,000          |
| UTI Fixed Income Interval Fund ( Quarterly Interval Plan –III) – Inst Dividend Plan    | 5,000,000  | 50,000,000    | 50,000,000          |
| <b>LIQUID-DIVIDEND</b>   |            |               |                     |
| Birla Sun Life Short Term Oppportunities Fund-Institutional Weekly Dividend Plan       | 5,002,198  | 50,054,990    | 50,021,976          |
| DWS MONEY PLUS FUND - INST DAILY DIVIDEND  | 29,784,469 | 300,197,664   | 297,844,691         |
| DWS Treasury Fund Cash Plan Institutional Dividend option                              | 5,997,625  | 60,274,332    | 59,976,250          |
| DWS Ultra Short Term Fund- Inst Plan - Daily Dividend                                  | 1,782,540  | 17,857,308    | 17,825,400          |

## Schedules forming part of the Balance Sheet

### SCHEDULE NO. 6 (Contd.)

|  | <b>Nos.</b> | <b>Cost<br/>(Rs.)</b> | <b>Face Value<br/>(Rs.)</b> |
|--|-------------|-----------------------|-----------------------------|
| HDFC Cash Management Fund Treasury Advantage -<br>Wholesale Plan Daily Dividend Option       | 574,266     | 5,760,753             | 5,742,663                   |
| ICICI Prudential Flexible Income Plan Premium-Daily Dividend<br>Plan                         | 251,497     | 26,592,025            | 26,407,175                  |
| IDFC-Money Manager Fund-Investment Plan-Inst Plan B-Daily<br>Div.                            | 9,805,556   | 100,000,000           | 98,055,558                  |
| IDFC-Money Manager Fund-Treasury PlanPlan C-Daily Dividend                                   | 4,618,995   | 46,196,880            | 46,189,952                  |
| SBI Magnum Income Fund - F R P - Short Term - Daily (D)                                      | 24,863,240  | 250,054,687           | 248,632,400                 |
| SBI Premier Liquid Fund - Institutional - Daily Dividend                                     | 6,978,736   | 70,014,164            | 69,787,355                  |
| SBI Short Horizon Debt Fund - Ultra Short Term Fund -<br>Institutional Plan - Daily Dividend | 4,707,522   | 47,103,466            | 47,075,221                  |
| Tata Floater Fund Daily Dividend   | 12,923,956  | 129,699,654           | 129,239,561                 |
| Templeton India Ultra-short Bond Fund - Super Institutional -<br>Dividend                    | 22,503,726  | 225,298,307           | 225,037,264                 |

## Schedules forming part of the Balance Sheet

|  | Rupees '000      | As at 31st<br>March, 2011<br>Rupees '000 | As at 31st<br>March, 2010<br>Rupees '000 |
|--|------------------|--|--|
| <b>SCHEDULE NO. 7</b>  |                  |  |  |
| <b>DEFERRED TAXATION :</b>   |                  |  |  |
| <b>Deferred Tax Asset :</b>  |                  |  |  |
| Provision for doubtful debts   | <b>16,398</b>    |  | 20,574                                   |
| Provision others   | <b>327,726</b>   |  | 314,326                                  |
| Provision for employee benefits  | <b>148,334</b>   |  | 101,749                                  |
| Disallowances under Section 43B  | <b>58,425</b>    |  | 62,766                                   |
|  | <hr/>            | <b>550,883</b>                           | <hr/> 499,415                            |
| <b>Deferred Tax Liability :</b>  |                  |  |  |
| Fixed Assets - Excess of Net block over written<br>down value as per the provisions of the Income Tax<br>Act, 1961 | <b>(363,463)</b> |  | (329,522)                                |
|  | <hr/>            | <b>(363,463)</b>                         | <hr/> (329,522)                          |
|  |                  | <b>187,420</b>                           | 169,893                                  |
|  |                  | <hr/> <hr/>                              | <hr/> <hr/>                              |

## Schedules forming part of the Balance Sheet

|   | Rupees '000      | As at 31st<br>March, 2011<br>Rupees '000 | As at 31st<br>March, 2010<br>Rupees '000 |
|---|------------------|--|--|
| <b>SCHEDULE NO. 8</b>                                     |                  |  |  |
| <b>CURRENT ASSETS, LOANS AND ADVANCES :</b>               |                  |  |  |
| <b>Inventories **:</b>                                    |                  |  |  |
| Stores and Spares   |                  | <b>108,228</b>                           | 88,207                                   |
| Loose tools and gauges                                    |                  | <b>45,575</b>                            | 65,625                                   |
| Stock-in-trade :  |                  |  |  |
| Raw materials and components                              | <b>2,369,434</b> |  | 1,956,116                                |
| Work-in-progress  | <b>902,498</b>   |  | 737,477                                  |
| Finished goods  | <b>1,017,968</b> |  | 700,208                                  |
| Materials in transit                                      | <b>745,902</b>   |  | 549,052                                  |
| ** Refer note 1(d) of Schedule 12 for method of valuation |                  | <b>5,035,802</b>                         | 3,942,853                                |
|   |                  | <b>5,189,605</b>                         | 4,096,685                                |
| <b>Sundry debtors : Secured</b>                           |                  |  |  |
| Debts outstanding for a period exceeding six months       |                  |  |  |
| Considered good   | <b>10,980</b>    |  | 2,530                                    |
| Other debts   |                  |  |  |
| Considered good   | <b>281,116</b>   |  | 235,004                                  |
| <b>Sundry debtors : Unsecured</b>                         |                  |  |  |
| Debts outstanding for a period exceeding six months       |                  |  |  |
| Considered good   | <b>153,229</b>   |  | 105,244                                  |
| Considered doubtful                                       | <b>47,840</b>    |  | 71,494                                   |
| Other debts -   |                  |  |  |
| Considered good   | <b>6,736,241</b> |  | 4,886,233                                |
| Considered doubtful                                       | <b>2,858</b>     |  | 6,560                                    |
|   | <b>7,232,264</b> |  | 5,307,065                                |
| Less: Provision for doubtful debts                        | <b>50,698</b>    |  | 78,053                                   |
|   |                  | <b>7,181,566</b>                         | 5,229,012                                |
| <b>Cash and bank balances :</b>                           |                  |  |  |
| Cash on hand  | <b>452</b>       |  | 383                                      |
| Balances with scheduled banks :                           |                  |  |  |
| on current account  | <b>186,399</b>   |  | 258,899                                  |
| on deposit account  | <b>850,400</b>   |  | 300,000                                  |
|   |                  | <b>1,037,251</b>                         | 559,282                                  |
| Carried forward   |                  | <b>13,408,422</b>                        | 9,884,979                                |

## Schedules forming part of the Balance Sheet

|  | Rupees '000      | As at 31st<br>March, 2011<br>Rupees '000 | As at 31st<br>March, 2010<br>Rupees '000 |
|--|------------------|--|--|
| <b>SCHEDULE NO. 8 (Contd.)</b>   |                  |  |  |
| Brought forward  |                  | <b>13,408,422</b>                        | 9,884,979                                |
| <b>Other current assets :</b>  |                  |  |  |
| Interest accrued on investments  | <b>19,772</b>    |  | 19,702                                   |
| Other receivables  | <b>78,700</b>    |  | 72,953                                   |
|  |                  | <b>98,472</b>                            | 92,655                                   |
| <b>Loans and advances :</b>  |                  |  |  |
| Unsecured considered good :  |                  |  |  |
| Inter Corporate Deposit<br>(Refer Note 3(a) of Schedule 12)                                | <b>278,768</b>   |  | 673,299                                  |
| Advances recoverable in cash<br>or in kind or for value to be<br>received, considered good | <b>2,600,678</b> |  | 1,686,542                                |
| Balance with Excise Department   | <b>244,250</b>   |  | 211,255                                  |
| Taxation (Net of provision)  | <b>173,459</b>   |  | 123,844                                  |
|  |                  | <b>3,297,155</b>                         | 2,694,940                                |
|  |                  | <b>16,804,049</b>                        | 12,672,574                               |

## Schedules forming part of the Balance Sheet

|   | Rupees '000      | As at 31st<br>March, 2011<br>Rupees '000 | As at 31st<br>March, 2010<br>Rupees '000 |
|---|------------------|--|--|
| <b>SCHEDULE NO. 9</b>   |                  |  |  |
| <b>CURRENT LIABILITIES AND PROVISIONS :</b>                   |                  |  |  |
| <b>Current liabilities :</b>                                  |                  |  |  |
| Acceptances   | <b>377,107</b>   |  | 784,447                                  |
| Sundry Creditors  |                  |  |  |
| i) Micro & Small Enterprises (Refer Note 3(b) of Schedule 12) | <b>223,614</b>   |  | 140,942                                  |
| ii) Others  | <b>5,905,244</b> |  | 3,658,745                                |
| Advances from customers                                       | <b>85,783</b>    |  | 143,367                                  |
| Dividend warrants posted but not encashed *                   | <b>31,097</b>    |  | 20,364                                   |
| Advance Income  | <b>94,509</b>    |  | 72,421                                   |
| Dealer Deposit  | <b>129,017</b>   |  | 153,675                                  |
| Other Liabilities   | <b>262,423</b>   |  | 235,206                                  |
|   |                  | <b>7,108,794</b>                         | 5,209,167                                |
| <b>Provisions :</b>   |                  |  |  |
| Proposed dividend   | <b>1,584,000</b> |  | 1,188,000                                |
| Tax on dividend   | <b>256,964</b>   |  | 197,312                                  |
| Post retirement benefits and leave entitlement                | <b>482,480</b>   |  | 294,811                                  |
| Others (Refer Note 7 of Schedule 12)                          | <b>979,025</b>   |  | 922,652                                  |
|   |                  | <b>3,302,469</b>                         | 2,602,775                                |
|   |                  | <b>10,411,263</b>                        | 7,811,942                                |

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

## Schedules forming part of the Profit and Loss Account

|  | Rupees '000      | Rupees '000      | Previous year<br>Rupees '000 |
|--|------------------|------------------|------------------------------|
| <b>SCHEDULE NO. 10</b>   |                  |                  |                              |
| <b>OTHER INCOME :</b>  |                  |                  |                              |
| Interest from  |                  |                  |                              |
| - On deposits (tax deducted at source<br><b>Rs.('000) 3,553</b> ; previous year Rs.( '000) 3,258)                      | <b>28,293</b>    |                  | 31,629                       |
| - Income Tax refunds   | <b>9,672</b>     |                  | 6,119                        |
| - Others   | <b>12,427</b>    |                  | 8,028                        |
| Provision for earlier years written back   | <b>32,077</b>    |                  | —                            |
| Miscellaneous income (Refer Note 12(b) of Schedule 12)   | <b>1,030,004</b> |                  | 463,326                      |
| Export benefits  | <b>82,876</b>    |                  | 60,474                       |
| Income from investments  |                  |                  |                              |
| Interest Income  |                  |                  |                              |
| - On Bonds (Long term Investments)   | <b>18,037</b>    |                  | 18,133                       |
| - On Fixed Deposits with banks (tax<br>deducted at source <b>Rs. ('000) 5,511</b> ,<br>previous year Rs. ('000) 1,341) | <b>55,180</b>    |                  | 13,413                       |
|  | <b>73,217</b>    |                  | 31,546                       |
| Dividend Income  |                  |                  |                              |
| Other than trade   |                  |                  |                              |
| - On Current Investments   | <b>298,840</b>   |                  | 203,705                      |
| - On Long Term investments   | <b>17,212</b>    |                  | 15,279                       |
| - On Investment in Associates / Joint<br>Ventures  | <b>188,660</b>   |                  | 387,119                      |
|  | <b>504,712</b>   |                  | 606,103                      |
| Gain on sale/redemption of current investments   | <b>1,029</b>     |                  | 1,936                        |
| Net gain on fixed assets sold or discarded   | <b>—</b>         |                  | 8,370                        |
|  |                  | <b>1,774,307</b> | 1,217,531                    |
|  |                  | <b>1,774,307</b> | 1,217,531                    |

## Schedules forming part of the Profit and Loss Account

|   | Rupees '000      | Rupees '000       | Previous year<br>Rupees '000 |
|---|------------------|-------------------|------------------------------|
| <b>SCHEDULE NO. 11</b>  |                  |                   |                              |
| <b>COST OF SALES AND OTHER EXPENSES :</b>                     |                  |                   |                              |
| Raw materials and components consumed                         |                  | <b>24,044,666</b> | 16,795,215                   |
| Purchase of goods for resale                                  |                  | <b>2,245,896</b>  | 1,033,389                    |
| Payments to and provision<br>for employees :                  |                  |                   |                              |
| Salaries, wages, bonus, commission, etc.                      | <b>2,088,421</b> |                   | 1,600,001                    |
| Company's contribution to<br>provident and other funds (Net ) | <b>285,758</b>   |                   | 171,034                      |
| Welfare expenses  | <b>172,086</b>   |                   | 181,579                      |
|   |                  | <b>2,546,265</b>  | 1,952,614                    |
| Operating and other expenses :                                |                  |                   |                              |
| Stores, spares,<br>consumable materials, etc.                 | <b>500,039</b>   |                   | 344,656                      |
| Tools and gauges  | <b>103,554</b>   |                   | 68,849                       |
| Repairs to buildings  | <b>91,894</b>    |                   | 58,423                       |
| Repairs to machinery  | <b>57,313</b>    |                   | 30,936                       |
| Other repairs   | <b>23,257</b>    |                   | 13,597                       |
| Power and fuel  | <b>310,591</b>   |                   | 184,999                      |
| Rent  | <b>75,299</b>    |                   | 63,441                       |
| Rates and taxes   | <b>80,087</b>    |                   | 78,299                       |
| Insurance   | <b>24,263</b>    |                   | 14,095                       |
| Outside processing charges                                    | <b>271,580</b>   |                   | 98,840                       |
| Commission on Sales   | <b>349,844</b>   |                   | 323,883                      |
| Warranty Expenses (Refer Note 7 of Schedule 12)               | <b>663,740</b>   |                   | 673,050                      |
| Other expenses  | <b>1,274,486</b> |                   | 957,441                      |
| Donations and contributions                                   | <b>20,102</b>    |                   | 10,000                       |
| Net Loss on fixed assets sold / discarded                     | <b>2,375</b>     |                   | -                            |
| Net Loss on sale/redemption of long term investments          | <b>716</b>       |                   | 5,562                        |
|   |                  | <b>3,849,140</b>  | 2,926,071                    |
| Technical fees and royalties                                  |                  | <b>620,763</b>    | 274,500                      |
| Carried forward   |                  | <b>33,306,730</b> | 22,981,789                   |

## Schedules forming part of the Profit and Loss Account

|  | Rupees '000      | Rupees '000       | Previous year<br>Rupees '000 |
|--|------------------|-------------------|------------------------------|
| <b>SCHEDULE NO. 11 (Contd.)</b>  |                  |                   |                              |
| Brought forward  |                  | <b>33,306,730</b> | 22,981,789                   |
| (Increase)/decrease in inventories<br>of finished goods and work-in-progress : |                  |                   |                              |
| Closing inventories :  |                  |                   |                              |
| Finished goods   | <b>1,017,968</b> |                   | 700,208                      |
| Work-in-progress   | <b>902,498</b>   |                   | 737,477                      |
|  |                  | <b>1,920,466</b>  | 1,437,685                    |
| Opening inventories :  |                  |                   |                              |
| Finished goods   | <b>700,208</b>   |                   | 614,962                      |
| Work-in-progress   | <b>737,477</b>   |                   | 1,019,739                    |
|  |                  | <b>1,437,685</b>  | 1,634,701                    |
|  |                  | <b>(482,781)</b>  | 197,016                      |
|  |                  | <b>32,823,949</b> | 23,178,805                   |
| Less : cost of plant and machinery<br>manufactured                             |                  | <b>4,245</b>      | 3,025                        |
|  |                  | <b>32,819,704</b> | 23,175,780                   |

## Notes to the Balance Sheet as at 31st March, 2011 and Profit and Loss Account for the year ended as on that date.

### SCHEDULE NO.12

#### 1. Significant accounting policies

##### a) Basis of accounting

- (i) The financial statements have been prepared to comply in all material aspects with all the applicable accounting principles in India, the applicable accounting standards notified under section 211 (3C) of the Companies Act, 1956 and the relevant provisions of the Companies Act, 1956.
- (ii) The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and liabilities. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from the estimates and assumptions used in preparing the accompanying financial statements. Any revisions to accounting estimates are recognised prospectively in current and future periods.

##### b) Fixed assets and depreciation

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

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

##### c) Investments

Long term investments are stated at cost. A provision for diminution is made to recognize a decline, other than temporary, in the value of long term investments. Current investments are stated at the lower of cost and fair value. Fixed Income Securities (Bonds) are stated at their cost of acquisition and held till maturity.

##### d) Inventories

Inventories are stated at lower of cost and net realisable value after providing for obsolescence. 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. Material in transit is valued at cost incurred till date.

##### e) Foreign currency transactions

Transactions in foreign currencies are accounted at the exchange rates prevailing on the date of transactions. Monetary foreign currency current assets and current liabilities are translated at the year-end exchange rates. The resulting profits and losses are appropriately recognised in the Profit and Loss Account.

The Company uses foreign exchange forward contracts to cover its foreign currency cash flow risks, arising from exposures from exports and imports, against movements in foreign exchange rates. Foreign exchange forward contracts are not used for trading or speculation purpose. Premium/Discounts are recognized over the life of the contracts. Gains and Losses at the end of each accounting period are recognized in the profit and loss account and correspondingly in the Balance sheet against the respective line items covered.

## Notes to the Balance Sheet as at 31st March, 2011 and Profit and Loss Account for the year ended as on that date.

### f) Revenue recognition

- i) Sale of goods is recognised as per the terms of sale. Sales exclude amounts recovered towards excise duty and sales tax.
- ii) Revenue from Long Term Service Contracts is recognized using the percentage completion method. Percentage of completion is determined as a proportion of cost incurred to date to the total estimated contract cost. Provision is made for any loss in the period in which it is foreseen. Billing in excess of contract revenue has been reflected as 'Advance Income' under 'Current Liabilities' in the Balance Sheet. In case of other Service contracts, revenue is recognized on a straight line basis.
- iii) Dividend income from investments is recognised when the right to receive payment is established.

### g) Lease charges under operating leases

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

### h) Product warranty and New Engine Performance Inspection fees

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

The Company periodically reviews the adequacy of its product warranties and adjusts, if necessary, the accrued warranty provision, for actual experience.

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

### i) Employee benefits

- i) Post-employment Benefits

- a) Defined Contribution Plans:

The Company has Defined Contribution Plans for Post employment benefits in the form of Superannuation Fund for management employees and Provident Fund for non management employees which is administered by Life Insurance Corporation / Regional Provident Fund Commissioner. In case of Superannuation Fund for management employees and Provident Fund for non management employees the Company has no further obligation beyond making the contributions.

- b) Defined Benefit Plans:

Funded Plan: The Company has defined benefit plans for Post-employment benefits in the form of Gratuity for all employees, pension for non management employees and Provident Fund for management employees which are administered through Company managed Trust / Life Insurance Corporation (LIC).

Unfunded Plan: The Company has unfunded Defined Benefit plans in the form of Post Retirement Medical Benefits and Ex-gratia benefits as per the policy of the company.

Liability for above defined benefit plans is provided on the basis of valuation, as at the Balance Sheet date, carried out by independent actuary. The actuarial method used for measuring the liability is the Projected Unit Credit method. In case of Provident Fund for management employees, the Company has an obligation to make good the shortfall, if any, between the return from the investments of the trust and the notified interest rate. The Company's contributions and such shortfall are charged to the Profit and Loss Account as and when incurred.

- ii) Other Long-term Employee Benefit:

Liability for Compensated Absences is provided on the basis of valuation, as at the Balance Sheet date, carried out by independent actuary. The Actuarial valuation method used for measuring the liability is the Projected Unit

## Notes to the Balance Sheet as at 31st March, 2011 and Profit and Loss Account for the year ended as on that date.

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

- iii) Termination benefits are recognized as an expense as and when incurred.
- iv) The Actuarial gains and losses arising during the year are recognized in the Profit and Loss Account of the year without resorting to any amortization.

### j) Research and development costs

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

### k) Income Tax

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

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

### l) Provisions

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

### m) Impairment of Asset

The company tests for impairments at the close of the accounting period if and only if there are indications that suggest a possible reduction in the recoverable value of an asset. If the recoverable value of an Asset, i.e. the net realizable value or the economic value in use of a cash generating unit, is lower than the carrying amount of the asset the difference is provided for as impairment. However, if subsequently the position reverses and the recoverable amount becomes higher than the then carrying value the provision to the extent of the then difference is reversed, but not higher than the amount provided for.

## 2. Capital Commitments

|  | <b>Rs. '000</b> | Previous year<br>Rs. '000 |
|--|-----------------|---------------------------|
| Capital Commitments, net of capital advances | <b>554,983</b>  | 613,560                   |

3. a) Inter corporate deposit includes an amount of **Rs. ('000) 275,000** (previous year Rs. ('000) 265,000) placed with Cummins Technologies India Limited, a fellow subsidiary. Maximum amount due during the year **Rs. ('000) 290,840** (previous year Rs. ('000) 273,836).

**Notes to the Balance Sheet as at 31st March, 2011 and Profit and Loss Account for the year ended as on that date.**

b) Sundry creditors include –

|   | <b>Rs. '000</b> | Previous year<br>Rs. '000 |
|---|-----------------|---------------------------|
| Total outstanding dues of micro and small enterprises | <b>223,614</b>  | 140,942                   |

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

|   |  | <b>Rupees '000s</b>   |                  |
|---|--|---|------------------|
| 1 | The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of the year.  | a. Principal  | <b>214,317</b>   |
|   |  |   | (136,197)        |
|   |  | b. Interest   | <b>9,297</b>     |
|   |  |   | (4,745)          |
|   |  | <b>Total</b>  | <b>223,614</b>   |
|   |  |   | (140,942)        |
| 2 | The amount of interest paid by the buyer in terms of Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 along with the amount of the payment made to the supplier beyond the appointed day during the year.   | a. Principal  | <b>1,977,317</b> |
|   |  |   | (601,069)        |
|   |  | b. Interest   | <b>4,105</b>     |
|   |  |   | (10,979)         |
|   |  | <b>Total</b>  | <b>1,981,422</b> |
|   |  |   | (612,048)        |
| 3 | The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006.  | –   | –                |
|   |  |   | (–)              |
| 4 | The amount of interest accrued and remaining unpaid at the end of the year.  | a. Total Interest accrued   | <b>8,657</b>     |
|   |  |   | (4,745)          |
|   |  | b. Total Interest unpaid  | <b>8,657</b>     |
|   |  |   | (4,745)          |
| 5 | The amount of further Interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under Section 23 of the Micro, Small and Medium Enterprises Development Act, 2006. | <i>Included in S. No. 4(b) above is Rs. NIL being interest on amounts outstanding as at the beginning of the accounting year.</i> |                  |

The figures in brackets are in respect of the previous year.

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

## Notes to the Balance Sheet as at 31st March, 2011 and Profit and Loss Account for the year ended as on that date.

### 4. Contingent liabilities

|   | <b>As at<br/>31<sup>st</sup> March, 2011<br/>Rs. '000</b> | As at<br>31 <sup>st</sup> March, 2010<br>Rs. '000 |
|---|---|---|
| a) Bills discounted not matured   | <b>32,586</b>   | 337,804   |
| b) Income tax matters pending in appeal including effect of similar matters in respect of appeals decided in favour of the Company (refer note below) | <b>318,365</b>  | 66,176  |
| c) Central excise duty matters  | <b>28,598</b>   | 25,141  |
| d) Duty drawback demand pending in appeal (excludes interests, if any)  | <b>260,357</b>  | –   |
| e) Sales Tax Matters pending in appeal  | <b>240,325</b>  | 178,943   |
| f) Claims against the Company not acknowledged as debts (excludes interests, penalties if any, and claims which cannot be quantified)                 | <b>667</b>  | 665   |
| g) Civil liability / secondary civil liability in respect of suits filed against the Company  | <b>1,944</b>  | 1,944   |

In addition to above, the company has received a draft assessment order u/s 143 (3) read with Section 144C of the Income Tax Act, 1961 proposing adjustments to income returned by the company by **Rs.('000) 735,054** on account of transfer pricing matters for the assessment year 2007-08, the tax impact of which could range upto **Rs. ('000 ) 247,419** (previous year Rs ('000) 171,900). The company has filed objections with the Dispute Resolution Panel which are yet to be heard and only post this hearing a demand may potentially be raised. Pending hearing before the Dispute Resolution Panel, the management is of the opinion that the said amount is not payable.

**Notes to the Balance Sheet as at 31st March, 2011 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**

| <b>Name of related party</b> | <b>Nature of relationship</b> |
|------------------------------|-------------------------------|
| Cummins Inc.                 | Holding Company               |

**b) Transactions with related parties as per the books of account during the year ended 31st March, 2011.**

|                          |                                    | <b>Rs. ('000)</b>               |
|--------------------------|------------------------------------|---------------------------------|
| <b>Transaction</b>       | <b>Name of the Party</b>           | <b>Total</b>                    |
| Purchases of goods       | Cummins Inc.                       | <b>2,274,874</b><br>(1,557,596) |
|                          | Tata Cummins Limited               | <b>3,338,212</b><br>(2,489,891) |
|                          | Cummins Limited                    | <b>980,090</b><br>(473,029)     |
|                          | Others                             | <b>2,875,178</b><br>(1,876,339) |
| Sale of goods            | Cummins Limited                    | <b>6,640,229</b><br>(2,734,553) |
|                          | Others                             | <b>2,288,952</b><br>(979,345)   |
| Purchase of fixed assets | Cummins Inc.                       | <b>4,414</b><br>( - )           |
|                          | Others                             | -<br>(854)                      |
| Sale of fixed assets     | Cummins Technologies India Limited | -<br>(31,810)                   |
| Services Rendered        | Cummins Inc.                       | <b>113,867</b><br>(86,489)      |
|                          | Tata Cummins Limited               | <b>471,057</b><br>(175,094)     |
|                          | Others                             | <b>205,056</b><br>(148,944)     |
| Remuneration Paid        | Anant Talaulicar                   | <b>1,997</b><br>(4,379)         |
|                          | Raj Menon                          | <b>24,362</b><br>( - )          |

**Notes to the Balance Sheet as at 31st March, 2011 and Profit and Loss Account for the year ended as on that date.**

|  |   | Rs. ('000)                    |
|--|---|-------------------------------|
| Transaction                                  | Name of the Party                             | Total                         |
| Services Received                            | Cummins Power Generation Limited              | <b>129,642</b><br>( - )       |
|  | Cummins Technologies India Limited            | <b>414,119</b><br>(208,264)   |
|  | Others  | <b>113,524</b><br>(124,269)   |
| Transfer of Technology including royalty     | Cummins Inc.                                  | <b>612,191</b><br>(274,500)   |
|  | Others  | <b>8,572</b><br>( - )         |
| Inter Corporate Deposits Given               | Cummins Technologies India Limited            | <b>10,000</b><br>(255,000)    |
| Inter Corporate Deposits Recovered           | Cummins Research and Technology India Limited | -<br>(70,000)                 |
|  | Cummins Technologies India Limited            | -<br>(220,000)                |
|  | Valvoline Cummins Limited                     | -<br>(100,000)                |
| Interest Received On inter corporate deposit | Cummins Technologies India Limited            | <b>28,293</b><br>(20,627)     |
|  | Cummins Research and Technology India Limited | -<br>(3,090)                  |
|  | Valvoline Cummins Limited                     | -<br>(8,050)                  |
| Dividend Received                            | Cummins Generator Technologies India Limited  | <b>93,600</b><br>(218,399)    |
|  | Valvoline Cummins Limited                     | <b>95,000</b><br>(119,700)    |
|  | Cummins Exhaust India Limited                 | -<br>(49,000)                 |
| Dividend paid                                | Cummins Inc.                                  | <b>1,312,740</b><br>(868,428) |

**Notes to the Balance Sheet as at 31st March, 2011 and Profit and Loss Account for the year ended as on that date.**

c) Amounts outstanding as at 31st March, 2011.

|                                    |                                    | Rs. ('000)                      |
|------------------------------------|------------------------------------|---------------------------------|
| Transaction                        | Name of the Party                  | Total                           |
| Sundry Creditors                   | Cummins Inc.                       | <b>1,080,783</b><br>(573,855)   |
|                                    | Cummins Limited                    | <b>319,367</b><br>(162,441)     |
|                                    | Others                             | <b>744,444</b><br>(434,676)     |
| Sundry Debtors                     | Cummins Limited                    | <b>1,111,128</b><br>(1,061,254) |
|                                    | Others                             | <b>891,809</b><br>(363,783)     |
| Advances recoverable               | Cummins Inc.                       | <b>64,501</b><br>(26,822)       |
|                                    | Tata Cummins Limited               | <b>78,107</b><br>( - )          |
|                                    | Others                             | <b>23,114</b><br>(46,681)       |
| Inter Corporate Deposit Receivable | Cummins Technologies India Limited | <b>275,000</b><br>(265,000)     |
| Interest Receivable on ICD Balance | Cummins Technologies India Limited | <b>3,768</b><br>(8,299)         |

## Notes to the Balance Sheet as at 31st March, 2011 and Profit and Loss Account for the year ended as on that date.

### Notes:

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

| Nature of Relationship | Name of the Party  |
|------------------------|--|
| Holding Company        | Cummins Inc.   |
| Fellow subsidiaries    | Cummins Engine (China) Investment Co. Ltd.<br>Cummins, Belgium<br>Cummins Brazil Limited<br>Cummins Comercializadora S. de R.L. de C.V.<br>Cummins De Los Andes S.A.<br>Cummins Deutschland GmbH<br>Cummins Diesel Italia Spa<br>Cummins Diesel N.V.<br>Cummins Diesel Recon<br>Cummins Diesel Sales Corporation, Singapore<br>Cummins DKSH (Singapore) Pte. Ltd.<br>Cummins DKSH (Thailand) Limited<br>Cummins Emission Solutions<br>Cummins Engine (Shanghai) Trading And Service Co.<br>Cummins Firepower<br>Cummins France, S.A.<br>Cummins Generator Technologies (China) Co. Ltd.<br>Cummins Ghana Limited<br>Cummins Japan Limited<br>Cummins Limited<br>Cummins Middle East Fze<br>Cummins Natural Gas Engines, Inc.<br>Cummins Power Generation (China) Co., Ltd.<br>Cummins Power Generation (S) Pte. Ltd.<br>Cummins Power Generation Limited<br>Cummins Power Generation Limited, U.S.A.<br>Cummins Power Generation, Australia<br>Cummins Rocky Mountain LLC<br>Cummins S De R L De C V<br>Cummins Sales & Service Philippines, Inc.<br>Cummins Sales and Service Korea Co., Ltd.<br>Cummins Sales and Service Singapore Pte. Ltd.<br>Cummins Serbomonte<br>Cummins South Africa (Pty.) Ltd.<br>Cummins South Pacific Pty. Limited<br>Cummins Spain S.L.<br>Cummins Technologies India Limited<br>Cummins Turbo Technologies (US)<br>Cummins Turbo Technologies Limited<br>Cummins Westport<br>Diesel Recon UK Depot<br>Distribuidora Cummins S.A.<br>Dongfeng Cummins Engine Company |

**Notes to the Balance Sheet as at 31st March, 2011 and Profit and Loss Account for the year ended as on that date.**

| Nature of Relationship  | Name of the Party  |
|---|--|
| Key Management Personnel  | Komatsu Cummins Chile, Limited<br>OOO Cummins<br>Shanghai Cummins Trade Co. Ltd.<br>Anant Talaulicar (Chairman and Managing Director)<br>Raj Menon (Chief Operating Officer) |
| Associate   | Cummins Generator Technologies India Limited   |
| Joint Venture   | Valvoline Cummins Limited<br>Cummins Exhaust India Limited<br>Cummins Reseach and Technology India Limited   |
| Enterprise with common Key Management Personnel<br>(Anant Talaulicar) | Tata Cummins Limited   |

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

## Notes to the Balance Sheet as at 31st March, 2011 and Profit and Loss Account for the year ended as on that date.

### 6. Segmental Information

#### a) Primary Segment

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

#### b) Secondary Segment

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

| Information about business segments<br>(Primary Segments)       |                           | Engine Business   | Others            | Rs. '000<br>Total |
|---|---------------------------|-------------------|-------------------|-------------------|
| i)  | Segment Revenue           | <b>36,361,567</b> | <b>3,092,860</b>  | <b>39,454,427</b> |
|   |                           | (25,913,976)      | (2,534,728)       | (28,448,704)      |
| ii)   | Segment result            | <b>6,218,926</b>  | <b>1,206,801</b>  | <b>7,425,727</b>  |
|   |                           | (4,522,892)       | (932,776)         | (5,455,668)       |
|   | Unallocated -Other Income |                   |                   | <b>616,923</b>    |
|   |                           |                   |                   | (673,988)         |
|   | Interest                  |                   |                   | <b>18,983</b>     |
|   |                           |                   |                   | (20,507)          |
|   | Profit before tax         |                   |                   | <b>8,023,667</b>  |
|   |                           |                   |                   | (6,109,147)       |
|   | Provision for tax         |                   |                   |                   |
|   | Current tax               |                   |                   | <b>2,131,292</b>  |
|   |                           |                   |                   | (1,609,722)       |
|   | Deferred tax              |                   |                   | <b>-17,528</b>    |
|   |                           |                   |                   | (60,753)          |
|   | Net Profit for the year   |                   |                   | <b>5,909,903</b>  |
|   |                           |                   |                   | (4,438,672)       |
| iii)  | Segment assets            | <b>19,930,949</b> | <b>1,090,506</b>  | <b>21,021,455</b> |
|   |                           | (15,130,053)      | (735,561)         | (15,865,614)      |
|   | Common assets             |                   |                   | <b>7,635,151</b>  |
|   |                           |                   |                   | (7,642,663)       |
|   | Enterprise assets         |                   |                   | <b>28,656,606</b> |
|   |                           |                   |                   | (23,508,277)      |
| iv)   | Segment liabilities       | <b>8,171,467</b>  | <b>550,364</b>    | <b>8,721,831</b>  |
|   |                           | (6,096,634)       | (395,869)         | (6,492,503)       |
|   | Common liabilities        |                   |                   | <b>1,872,069</b>  |
|   |                           |                   |                   | (1,405,810)       |
|   | Enterprise liabilities    |                   |                   | <b>10,593,900</b> |
|   |                           |                   |                   | (7,898,313)       |
| v)  | Capital Expenditure       | <b>1,428,081</b>  | <b>21,286</b>     | <b>1,449,367</b>  |
|   |                           | (655,499)         | (3,007)           | (658,506)         |
|   | Depreciation              | <b>361,993</b>    | <b>4,387</b>      | <b>366,380</b>    |
|   |                           | (354,916)         | (5,885)           | (360,801)         |
| Information about geographical segments<br>(Secondary Segments) |                           | Domestic          | Export            | Total             |
| vi)   | Segment revenue           | <b>28,850,170</b> | <b>10,604,257</b> | <b>39,454,427</b> |
|   |                           | (23,565,444)      | (4,883,260)       | (28,448,704)      |

#### Notes:

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

**Notes to the Balance Sheet as at 31st March, 2011 and Profit and Loss Account for the year ended as on that date.**

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

|                 | Rs. '000                    |                            |                           |                             |
|-----------------|-----------------------------|----------------------------|---------------------------|-----------------------------|
|                 | Warranty                    | Service Costs and Overhaul | Statutory Matters         | Total                       |
| Opening Balance | <b>854,339</b><br>(796,897) | <b>55,813</b><br>(50,528)  | <b>12,500</b><br>(15,235) | <b>922,652</b><br>(862,660) |
| Additions       | <b>663,740</b><br>(673,050) | <b>31,885</b><br>(31,489)  | <b>-</b><br>(1,354)       | <b>695,625</b><br>(705,893) |
| Utilisations    | <b>579,082</b><br>(615,608) | <b>32,419</b><br>(26,204)  | <b>7,500</b><br>(4,089)   | <b>619,001</b><br>(645,901) |
| Reversal        | <b>-</b><br>(-)             | <b>20,251</b><br>(-)       | <b>-</b><br>(-)           | <b>20,251</b><br>(-)        |
| Closing Balance | <b>938,997</b><br>(854,339) | <b>35,028</b><br>(55,813)  | <b>5,000</b><br>(12,500)  | <b>979,025</b><br>(922,652) |

Figures in brackets are in respect of the previous year

- i) The provision for warranty is on account of warranties given on products sold by the Company. The provision is based on the historic data and estimated figures. The timing and amount of the cash flows that will arise from these matters will be determined at the time of receipt of claims from customers.
- ii) Provision for service costs comprise of dealer claims. Provision is made on the amount claimed by the dealers. The timing and the amount of cash flows that will arise from the dealer claims will be determined at the time of settlement of these claims.
- iii) The provisions for statutory matters are on account of legal matters where the Company anticipates probable outflow. The amount of provision is based on estimate made by the Company considering the facts and circumstances of each case. The timing and amount of cash flows that will arise from these matters will be determined by the relevant authorities only on settlement of these cases.

**8. Lease commitments**

**Operating lease:**

There are no future minimum lease payments under these leases as at the end of the year.

The minimum lease payments recognized in the statement of profit and loss (included under other expenses) for the year are **Rs. NIL** (previous year Rs. ('000) 16,473).

9. The net exchange differences (gains/(losses)) arising during the year appropriately recognised in the profit and loss account is **Rs. ('000) 12,752** (previous year Rs. ('000) 101,973).

## Notes to the Balance Sheet as at 31st March, 2011 and Profit and Loss Account for the year ended as on that date.

### 10. a) Directors Remuneration

| <u>Particulars</u>                    | <u>Rs. ('000)</u> | Previous Year<br>Rs. ('000) |
|---------------------------------------|-------------------|-----------------------------|
| Salary                                | 12                | 12                          |
| Perquisites                           | 1,985             | 4,367                       |
| Commission - non-whole time directors | 1,375             | 1,375                       |
| Sitting fees                          | 400               | 320                         |
| Total                                 | <u>3,772</u>      | <u>6,074</u>                |

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

| <b>Particulars</b>   | <b>Rs. '000</b> | <b>Rs. '000</b>  | Previous Year<br>Rs. '000 |
|--|-----------------|------------------|---------------------------|
| Profits before Tax as per Profit and Loss account  |                 | <u>8,023,667</u> | 6,109,147                 |
| Add: Directors' remuneration   | 3,772           |                  | 6,074                     |
| Depreciation (including amortization) provided in the books  | 366,380         |                  | 360,801                   |
| Net (profit) / loss on fixed assets sold or Discarded  | 2,375           |                  | (8,370)                   |
| Provision for doubtful debts and advances  | 17,837          |                  | 24,405                    |
|  | <u>390,364</u>  |                  | <u>382,910</u>            |
| Less: Depreciation (including amortization) under section 350 of the Companies Act, 1956 *         | 366,380         |                  | 360,801                   |
| Net (profit) / loss on fixed assets sold or discarded under section 350 of the Companies Act, 1956 | 2,375           |                  | (8,370)                   |
| Net Profit / (loss) on redemption or sale of Investments   | 313             |                  | (3,626)                   |
|  | <u>369,068</u>  |                  | <u>348,805</u>            |
| Net Profit as per section 309(5)   |                 | <u>8,044,963</u> | <u>6,143,252</u>          |
| Restricted to 1%   |                 | <u>80,450</u>    | <u>61,433</u>             |
| Commission payable to non-wholetime directors  |                 | 1,375            | 1,375                     |

\* The Company depreciates fixed assets based on estimated useful lives that are lower than those implicit in Schedule XIV of the Companies Act, 1956. Accordingly, the rates of depreciation used by the Company are higher than the minimum prescribed by Schedule XIV.

### c) The Chairman, Managing Director and some senior employees are also entitled to participate in the Employees Stock Option plan of Cummins Inc. (the holding company), the cost of which is borne by Cummins Inc.

**Notes to the Balance Sheet as at 31st March, 2011 and Profit and Loss Account for the year ended as on that date.**

**11. Remuneration to Auditors:**

|   | Rs. '000      | Previous year<br>Rs. '000 |
|---|---------------|---------------------------|
| Statutory Audit                         | 6,230         | 5,863                     |
| Limited Review                          | 1,500         | 1,500                     |
| Tax Audit                               | 2,520         | 2,200                     |
| Other services                          | 525           | 340                       |
| Reimbursement of out of pocket expenses | 183           | 84                        |
|   | <b>10,958</b> | <b>9,987</b>              |

12. a) Other expenses include provision for doubtful debts **Rs. ('000) 17,837** (previous year Rs. ('000) 24,405).  
 b) Other Income includes commission income of **Rs. ('000) 541,863** (previous year Rs. ('000) 154,182).
13. The total research and development expenses incurred by the Company are as under :

| Particulars       | Rs. ('000)  |
|-------------------|---|
|                   | <b>Total Research and<br/>Development expense</b> |
| a. On capital A/c | <b>50,018</b><br>(314,195)                        |
| b. On revenue A/c | <b>326,936</b><br>(317,559)                       |
| Total             | <b>376,954</b><br>(631,754)                       |

The expenses disclosed above include expenses incurred on development of parts. Figures in brackets are in respect of the previous year.

14. The Company has 50% interest in Joint Ventures namely Cummins Exhaust India Limited, Cummins Research and Technology India Limited and Valvoline Cummins Limited, incorporated in India. The following represents the Company's share of Assets and Liabilities as at 31<sup>st</sup> March, 2011 and Income and Expenses for the year ended on that date.

**a) Cummins Exhaust India Limited \***

|  | As at<br>March 31, 2011<br>Rs '000 | As at<br>March 31, 2010<br>Rs'000 |
|--|------------------------------------|-----------------------------------|
| Assets                                 | 256,705                            | 117,117                           |
| Liabilities                            | 110,849                            | 30,932                            |
| Income                                 | 525,142                            | 223,786                           |
| Expenses (including provision for tax) | 465,471                            | 189,240                           |
| Contingent Liabilities                 | Nil                                | Nil                               |
| Capital Commitments                    | 6,058                              | 1,276                             |

\* Subsequent to year end (in April 2011), the Company divested its entire 2 million shares held in Cummins Exhaust India Limited for a consideration of **Rs. ('000) 534,397**.

## Notes to the Balance Sheet as at 31st March, 2011 and Profit and Loss Account for the year ended as on that date.

### b) Cummins Research and Technology India Limited

|  | <b>As at<br/>March 31, 2011<br/>Rs '000</b> | As at<br>March 31, 2010<br>Rs '000 |
|--|---|------------------------------------|
| Assets                                 | <b>256,822</b>                              | 204,836                            |
| Liabilities                            | <b>31,442</b>                               | 36,684                             |
| Income                                 | <b>233,922</b>                              | 204,955                            |
| Expenses (including provision for tax) | <b>176,694</b>                              | 162,214                            |
| Contingent Liabilities                 | <b>7,729</b>                                | 13,883                             |
| Capital Commitments                    | <b>30</b>                                   | 179                                |

### c) Valvoline Cummins Limited

|  | <b>As at<br/>March 31, 2011<br/>Rs '000</b> | As at<br>March 31, 2010<br>Rs '000 |
|--|---|------------------------------------|
| Assets                                 | <b>1,365,118</b>                            | 985,548                            |
| Liabilities                            | <b>531,766</b>                              | 399,273                            |
| Income                                 | <b>3,541,643</b>                            | 2,911,677                          |
| Expenses (including provision for tax) | <b>3,183,788</b>                            | 2,477,673                          |
| Contingent Liabilities                 | <b>14,487</b>                               | 11,909                             |
| Capital Commitments                    | <b>10,477</b>                               | Nil                                |

## 15. Earnings Per share

|  | <b>As at<br/>March 31, 2011</b> | As at<br>March 31, 2010 |
|--|---------------------------------|-------------------------|
| Earnings per share is calculated by dividing the profit attributable to the Equity Shareholders by the weighted average number of Equity Shares outstanding during the year. The numbers used in calculating basic and diluted earnings are stated below : |                                 |                         |
| a) Profit for the year after taxation Rs. ('000)   | <b>5,909,903</b>                | 4,438,672               |
| Weighted average number of shares outstanding during the year  | <b>198,000,000</b>              | 198,000,000             |
| b) Earnings per share (Basic and Diluted) Rs.  | <b>29.85</b>                    | 22.42                   |
| Face value per share Rs.   | <b>2.00</b>                     | 2.00                    |

**Notes to the Balance Sheet as at 31st March, 2011 and Profit and Loss Account for the year ended as on that date.**

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

|  | Installed capacity<br>* Nos. | Production<br>Nos.        |
|--|------------------------------|---------------------------|
| Internal Combustion engines in all H.P. ranges.  | <b>53,300</b><br>(53,300)    | <b>39,056</b><br>(30,176) |
| Generating sets (including semi finished generating sets) powered by Internal Combustion Engines | <b>62,800</b><br>(62,800)    | <b>9,222</b><br>(9,084)   |
| Machine tools including special purpose machines and transfer lines                              | <b>7</b><br>(7)              | –<br>(–)                  |
| Hydraulic Governors  | <b>300</b><br>(300)          | –<br>(–)                  |
| Manufactured components (see note (ii) below) (Nos. million)                                     | –<br>(–)                     | <b>0.367</b><br>(0.259)   |

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

Notes:

- i) Production includes Engines captively consumed **Nil**. (Previous year – 1 no.)
- 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.

## Notes to the Balance Sheet as at 31st March, 2011 and Profit and Loss Account for the year ended as on that date.

### b) Turnover, opening and closing stocks :

|  | Sale                        |                                   | Stocks             |                             |                     |                               |
|--|-----------------------------|-----------------------------------|--------------------|-----------------------------|---------------------|-------------------------------|
|  | Qty.<br>Nos.                | Value<br>Rs. '000                 | Opening<br>Nos.    | Rs.<br>'000                 | Closing<br>Nos.     | Rs.<br>'000                   |
| Internal Combustion Engines  | <b>38,793*</b><br>(29,131)* | <b>27,158,068</b><br>(18,913,094) | <b>187</b><br>(86) | <b>32,851</b><br>(67,891)   | <b>102</b><br>(187) | <b>121,045</b><br>(32,851)    |
| Generating sets (including semi finished generating sets) powered by Internal Combustion Engines | <b>9,163#</b><br>(8,934)#   | <b>2,257,993</b><br>(1,693,299)   | <b>127</b><br>(75) | <b>23,980</b><br>(16,972)   | <b>124</b><br>(127) | <b>28,271</b><br>(23,980)     |
| Goods for resale :   |                             |                                   |                    |                             |                     |                               |
| Engines  | <b>7,590</b><br>(3,823)     | <b>1,742,643</b><br>(783,292)     | -<br>(-)           | -<br>(-)                    | <b>388</b><br>(-)   | <b>65,690</b><br>(-)          |
| Gross income from services rendered  |                             | <b>1,226,508</b><br>(933,343)     |                    |                             |                     |                               |
| Spare parts accessories and components   |                             | <b>6,125,663</b><br>(5,180,729)   |                    | <b>574,295</b><br>(393,119) |                     | <b>738,819</b><br>(574,295)   |
| Others   |                             | <b>943,552</b><br>(944,947)       |                    | <b>69,082</b><br>(136,980)  |                     | <b>64,143</b><br>(69,082)     |
|  |                             | <b>39,454,427</b><br>(28,448,704) |                    | <b>700,208</b><br>(614,962) |                     | <b>1,017,968</b><br>(700,208) |

\* net of sales returns **113 nos.** (previous year 78 nos.), excluding engines given as free replacement **159 nos.** (previous year 221 nos.), seeding units sale of **76 nos.** (previous year 264 nos.) and R & R units sale of **Nil nos.** (previous year 380 nos.)

# net of sales returns **32 nos.** (previous year 36 nos.), excluding gensets given as free replacement **30 nos.** (previous year 6 nos.) and R & R units sale of **Nil nos.** (previous year 56 nos.)

Figures in brackets are in respect of the previous year

**Notes to the Balance Sheet as at 31st March, 2011 and Profit and Loss Account for the year ended as on that date.**

**c) Details of raw materials and components consumed**

|   | <b>Rs '000</b>    | Previous year<br>Rs. '000 |
|---|-------------------|---------------------------|
| i) Castings – various   | <b>246,650</b>    | 157,388                   |
| ii) Forgings – various  | <b>363,990</b>    | 191,200                   |
| iii) Components   | <b>16,883,774</b> | 12,181,015                |
| iv) Engines (nos. <b>26,745</b> ; previous year 21,613 nos.)  | <b>2,215,200</b>  | 1,900,162                 |
| v) Long Blocks (nos. <b>1,071</b> ; previous year 3,230 nos.) | <b>130,208</b>    | 338,396                   |
| vi) Others including semi-finished components                 | <b>4,204,844</b>  | 2,027,054                 |
|   | <b>24,044,666</b> | 16,795,215                |

Item (iii) includes 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.

**d) Details of purchase of goods for resale :**

|         | <b>Qty.<br/>Nos.</b> | <b>Value<br/>Rs. '000</b> | Qty.<br>Nos. | Previous year<br>Value<br>Rs. '000 |
|---------|----------------------|---------------------------|--------------|------------------------------------|
| Engines | <b>7,978</b>         | <b>1,808,332</b>          | 3,823        | 783,292                            |
| Others  |                      | <b>437,564</b>            |              | 250,097                            |
| Total   | <b>7,978</b>         | <b>2,245,896</b>          | 3,823        | 1,033,389                          |

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

|                       | <b>Rs.'000</b>    | %             | Rs '000    | Previous year<br>% |
|-----------------------|-------------------|---------------|------------|--------------------|
| Imported              | <b>5,414,922</b>  | <b>22.52</b>  | 3,828,860  | 22.80              |
| Indigenously procured | <b>18,629,744</b> | <b>77.48</b>  | 12,966,355 | 77.20              |
| Total                 | <b>24,044,666</b> | <b>100.00</b> | 16,795,215 | 100.00             |

**17. Value of imports calculated on CIF basis :**

|                        | <b>Rs. '000</b>  | Previous year<br>Rs. '000 |
|------------------------|------------------|---------------------------|
| a) Raw materials       | <b>1,208,392</b> | 915,549                   |
| b) Components          | <b>4,368,340</b> | 2,219,318                 |
| c) Machinery spares    | <b>10,035</b>    | 8,674                     |
| d) Capital goods       | <b>478,759</b>   | 305,254                   |
| e) Tools, stores, etc. | <b>191,218</b>   | 13,657                    |
| Total                  | <b>6,256,744</b> | 3,462,452                 |

## Notes to the Balance Sheet as at 31st March, 2011 and Profit and Loss Account for the year ended as on that date.

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

|   | <b>Rs. '000</b> | Previous year<br>Rs. '000 |
|---|-----------------|---------------------------|
| a) Royalty  | <b>620,763</b>  | 274,500                   |
| b) Others (including IT Service charges, Customer Support Charges, travelling, subscriptions, membership fees, commission on exports, foreign bank charges, etc.) | <b>320,900</b>  | 188,843                   |
| Total   | <b>941,663</b>  | 463,343                   |

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

|   |                    | Previous year |
|---|--------------------|---------------|
| Number of shareholders                        | <b>1</b>           | 1             |
| Number of equity shares (shares of Rs.2 each) | <b>100,980,000</b> | 100,980,000   |
| Amount remitted Rs. ('000)                    |                    |               |
| For the year ended 31st March 2010 (Final)    | <b>605,880</b>     |               |
| For the year ended 31st March, 2011 (Interim) | <b>706,860</b>     |               |
| For the year ended 31st March, 2010 (Interim) |                    | 605,880       |
| For the year ended 31st March, 2009 (Final)   |                    | 262,548       |

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

### 20. Earnings in foreign exchange :

|  | <b>Rs. '000</b>   | Previous year<br>Rs. '000 |
|--|-------------------|---------------------------|
| i) Export on FOB basis   | <b>10,604,257</b> | 4,883,260                 |
| ii) Recovery of freight, insurance and other expenses on exports   | -                 | 3,368                     |
| iii) Other income (assembly and testing charges, development charges, recovery of certification charges, refund of claims, etc.) | <b>358,456</b>    | 189,649                   |
| Total  | <b>10,962,713</b> | 5,076,277                 |

### 21. Disclosures in Accordance with Revised AS-15 on "Employee Benefits"

|  |               |
|--|---------------|
| 1. Defined Contributions Plans - The Company has recognised the following amounts in Profit and Loss for the year: | Rs.'000       |
|  | Total         |
| Particulars  |               |
| Contribution to Employees Provident Fund   | <b>43,899</b> |
|  | (40,452)      |
| Contribution to Management Superannuation Fund   | <b>63,516</b> |
|  | (47,138)      |

**Notes to the Balance Sheet as at 31st March, 2011 and Profit and Loss Account for the year ended as on that date.**

2. Defined Benefit Plans –

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

a. A reconciliation of opening and closing balances of the present value of the Defined Benefit Obligation (DBO):

| Rs.'000 |   |                             |                              |                            |                         |                             |                                 |
|---------|---|-----------------------------|------------------------------|----------------------------|-------------------------|-----------------------------|---------------------------------|
| Sr. No. | Particulars                                   | Gratuity                    | Pension                      | Ex-gratia                  | PRMB                    | PF                          | Total                           |
|         | Opening DBO as on 1 <sup>st</sup> April 2010  | <b>444,228</b><br>(440,035) | <b>214,531</b><br>(237,149)  | <b>8,390</b><br>(8,344)    | <b>5,754</b><br>(3,677) | <b>675,921</b><br>(604,182) | <b>1,348,824</b><br>(1,293,387) |
| i)      | Current Service Cost                          | <b>32,259</b><br>(31,939)   | <b>7,374</b><br>(8,542)      | <b>346</b><br>(333)        | <b>223</b><br>(156)     | <b>93,344</b><br>(74,412)   | <b>133,546</b><br>(115,382)     |
| ii)     | Interest Cost                                 | <b>32,780</b><br>(32,269)   | <b>14,598</b><br>(16,785)    | <b>572</b><br>(578)        | <b>431</b><br>(262)     | <b>66,037</b><br>(49,831)   | <b>114,418</b><br>(99,725)      |
| iii)    | Actuarial -Gains / Losses                     | <b>104,510</b><br>(-1,168)  | <b>619</b><br>(-21,558)      | <b>129</b><br>(1,025)      | <b>-428</b><br>(2,284)  | <b>-298</b><br>(5,829)      | <b>104,532</b><br>(-13,588)     |
| iv)     | Benefits Paid                                 | <b>-47,953</b><br>(-52,679) | <b>- 54,760</b><br>(-43,922) | <b>- 2,100</b><br>(-1,890) | <b>- 450</b><br>(-625)  | <b>-57,885</b><br>(-76,332) | <b>- 163,148</b><br>(-175,448)  |
| v)      | Past Service Cost                             | <b>-</b><br>(-2,118)        | <b>-</b><br>(16,477)         | <b>-</b><br>(-)            | <b>-</b><br>(-)         | <b>-</b><br>(-)             | <b>-</b><br>(14,359)            |
| vi)     | Acquisitions / Transfer out                   | <b>-</b><br>(-4,050)        | <b>-</b><br>(-)              | <b>-</b><br>(-)            | <b>-</b><br>(-)         | <b>-</b><br>(17,999)        | <b>-</b><br>(13,949)            |
| vii)    | Plan Amendments                               | <b>-</b><br>(-)             | <b>781</b><br>(1,058)        | <b>-</b><br>(-)            | <b>-</b><br>(-)         | <b>-</b><br>(-)             | <b>781</b><br>(1,058)           |
|         | Closing DBO as on 31 <sup>st</sup> March 2011 | <b>565,824</b><br>(444,228) | <b>183,143</b><br>(214,531)  | <b>7,337</b><br>(8,390)    | <b>5,530</b><br>(5,754) | <b>777,119</b><br>(675,921) | <b>1,538,953</b><br>(1,348,824) |

## Notes to the Balance Sheet as at 31st March, 2011 and Profit and Loss Account for the year ended as on that date.

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

|         |                                   |                             |                              |               |             |                              | Rs.'000                         |
|---------|-----------------------------------|-----------------------------|------------------------------|---------------|-------------|------------------------------|---------------------------------|
| Sr. No. | Particulars                       | Gratuity                    | Pension                      | Ex-gratia     | PRMB        | PF                           | Total                           |
|         | Opening Fair Value of Plan Assets | <b>398,610</b><br>(407,866) | <b>250,060</b><br>(254,031)  | –<br>(–)      | –<br>(–)    | <b>675,711</b><br>(603,999)  | <b>1,324,381</b><br>(1,265,896) |
| i)      | Expected Return on Plan Assets    | <b>30,386</b><br>(31,448)   | <b>17,989</b><br>(19,263)    | –<br>(–)      | –<br>(–)    | <b>65,322</b><br>(55,659)    | <b>113,697</b><br>(106,370)     |
| ii)     | Actuarial Gains / -Losses         | <b>9,350</b><br>(-11,175)   | <b>3,531</b><br>(3,271)      | –<br>(–)      | –<br>(–)    | –<br>(–)                     | <b>12,881</b><br>(-7,904)       |
| iii)    | Contribution by the Employer      | <b>9,369</b><br>(23,149)    | <b>4,375</b><br>(17,417)     | –<br>(1,890)  | –<br>(625)  | <b>93,269</b><br>(92,385)    | <b>107,013</b><br>(135,466)     |
| iv)     | Benefits Paid                     | <b>-47,953</b><br>(-52,678) | <b>- 54,760</b><br>(-43,922) | –<br>(-1,890) | –<br>(-625) | <b>- 57,885</b><br>(-76,332) | <b>- 160,598</b><br>(- 175,447) |
| v)      | Acquisition / Transfer out        | <b>-2,496</b><br>(–)        | –<br>(–)                     | –<br>(–)      | –<br>(–)    | –<br>(–)                     | <b>-2,496</b><br>(–)            |
|         | Closing Fair Value of Plan Assets | <b>397,266</b><br>(398,610) | <b>221,195</b><br>(250,060)  | –<br>(–)      | –<br>(–)    | <b>776,417</b><br>(675,711)  | <b>1,394,878</b><br>(1,324,381) |

**Notes to the Balance Sheet as at 31st March, 2011 and Profit and Loss Account for the year ended as on that date.**

- c. Amount recognized in Balance Sheet including a reconciliation of the present value of the defined obligation in (a) and the fair value of the plan assets in (b) to the assets and liabilities recognized in the balance sheet for current year and last 3 years:

|         |   |                  |                  |              |              |                 | Rs.'000            |
|---------|---|------------------|------------------|--------------|--------------|-----------------|--------------------|
| Sr. No. | Particulars   | Gratuity         | Pension          | Ex-gratia    | PRMB         | PF              | Total              |
| i)      | Present value of Funded Obligations                                   | <b>565,824</b>   | <b>183,143</b>   | -            | -            | <b>776,417</b>  | <b>1,525,384</b>   |
|         |   | (444,228)        | (214,531)        | (-)          | (-)          | (675,711)       | (1,334,470)        |
|         |   | (440,035)        | (237,149)        | (-)          | (-)          | (578,612)       | (1,255,796)        |
|         |   | (320,086)        | (256,637)        | (-)          | (-)          | (-)             | (576,723)          |
| ii)     | Fair value of Plan Assets   | <b>- 397,266</b> | <b>- 221,195</b> | -            | -            | <b>-776,417</b> | <b>- 1,394,878</b> |
|         |   | (-398,610)       | (-250,060)       | (-)          | (-)          | (-675,711)      | (-1,324,381)       |
|         |   | (-407,866)       | (-254,032)       | (-)          | (-)          | (-578,612)      | (-1,240,570)       |
|         |   | (-324,672)       | (-242,014)       | (-)          | (-)          | (-)             | (-566,686)         |
| iii)    | Amount not recognized as an asset, because of the limit in para 59(b) | -                | <b>12,950</b>    | -            | -            | -               | <b>12,950</b>      |
|         |   | (-)              | (11,632)         | (-)          | (-)          | (-)             | (11,632)           |
|         |   | (-)              | (10,282)         | (-)          | (-)          | (-)             | (10,282)           |
|         |   | (-)              | (-)              | (-)          | (-)          | (-)             | (-)                |
| iv)     | Present Value of Unfunded Obligations                                 | -                | -                | <b>7,337</b> | <b>5,530</b> | <b>702</b>      | <b>13,569</b>      |
|         |   | (-)              | (-)              | (8,390)      | (5,754)      | (210)           | (14,354)           |
|         |   | (-)              | (-)              | (8,344)      | (3,677)      | (119)           | (12,140)           |
|         |   | (-)              | (-)              | (8,357)      | (2,417)      | (-)             | (10,774)           |
| v)      | Net Liability / -Asset recognized in Balance Sheet                    | <b>168,558</b>   | <b>- 25,102</b>  | <b>7,337</b> | <b>5,530</b> | <b>702</b>      | <b>157,025</b>     |
|         |   | ( 45,618)        | (-23,897)        | (8,390)      | (5,755)      | (210)           | (36,076)           |
|         |   | (32,169)         | (-6,601)         | (8,344)      | (3,677)      | (119)           | (37,708)           |
|         |   | (-4,586)         | (14,623)         | (8,357)      | (2,417)      | (-)             | (20,811)           |
| vi)     | Experience Gain / -Loss adjustments on plan Liabilities               | <b>-51,644</b>   | <b>-2,409</b>    | <b>- 192</b> | <b>717</b>   | -               | <b>-53,528</b>     |
|         |   | (9,441)          | (22,135)         | (-408)       | (-501)       | (-)             | (30,667)           |
|         |   | (-4,688)         | (21,316)         | (-199)       | (172)        | (-)             | (16,601)           |
|         |   | (-34,894)        | (-)              | (-)          | (-)          | (-)             | (-34,894)          |
| vii)    | Experience Gain / -Loss adjustments on plan Assets                    | <b>9,350</b>     | <b>3,531</b>     | -            | -            | -               | <b>12,881</b>      |
|         |   | (-11,776)        | (3,272)          | (-)          | (-)          | (-)             | (-8,504)           |
|         |   | (15,229)         | (3,567)          | (-)          | (-)          | (-)             | (18,796)           |
|         |   | (1,020)          | (3,343)          | (-)          | (-)          | (-)             | (4,363)            |
| viii)   | Actuarial Gain / -Loss due to Change on assumptions                   | <b>-52,867</b>   | <b>1,791</b>     | <b>63</b>    | <b>-289</b>  | -               | <b>- 51,302</b>    |
|         |   | (-8,273)         | (-577)           | (-618)       | (-1,783)     | (-)             | (-11,251)          |
|         |   | (-10,436)        | (-1,968)         | (-282)       | (-1,038)     | (-)             | (-13,724)          |
|         |   | (-10,352)        | (-)              | (-)          | (-)          | (-)             | (-10,352)          |

## Notes to the Balance Sheet as at 31st March, 2011 and Profit and Loss Account for the year ended as on that date.

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

|         |                                |                              |                             |                         |                        | Rs.'000                      |                                 |
|---------|--------------------------------|------------------------------|-----------------------------|-------------------------|------------------------|------------------------------|---------------------------------|
| Sr. No. | Particulars                    | Gratuity                     | Pension                     | Ex-gratia               | PRMB                   | PF                           | Total                           |
| i)      | Current Service Cost           | <b>32,259</b><br>(31,939)    | <b>7,374</b><br>(8,542)     | <b>346</b><br>(333)     | <b>223</b><br>(156)    | <b>37,534</b><br>(28,858)    | <b>77,736</b><br>(69,828)       |
| ii)     | Interest Cost                  | <b>32,780</b><br>(32,269)    | <b>14,598</b><br>(16,785)   | <b>572</b><br>(578)     | <b>431</b><br>(262)    | <b>66,037</b><br>(49,831)    | <b>114,418</b><br>(99,725)      |
| iii)    | Expected Return on Plan Assets | <b>- 30,386</b><br>(-31,448) | <b>-17,989</b><br>(-19,263) | <b>-</b><br>(-)         | <b>-</b><br>(-)        | <b>- 66,021</b><br>(-49,817) | <b>- 114,396</b><br>(- 100,528) |
| iv)     | Actuarial -Gains / Losses      | <b>95,160</b><br>(10,007)    | <b>-2,912</b><br>(-24,829)  | <b>129</b><br>(1,025)   | <b>-428</b><br>(2,285) | <b>400</b><br>(-14)          | <b>92,349</b><br>(- 11,526)     |
| v)      | Past Service Cost              | <b>-</b><br>(-2,118)         | <b>781</b><br>(17,535)      | <b>-</b><br>(-)         | <b>-</b><br>(-)        | <b>-</b><br>(-)              | <b>781</b><br>(15,417)          |
|         | <b>Total</b>                   | <b>129,813</b><br>(40,649)   | <b>1,852</b><br>(-1,230)    | <b>1,047</b><br>(1,936) | <b>226</b><br>(2,703)  | <b>37,950</b><br>(28,858)    | <b>170,888</b><br>(72,916)      |

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

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

|         |                                   |               |               |               |               |               | Rs.'000       |
|---------|-----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Sr. No. | Particulars                       | Gratuity      |               | Pension       |               | PF            |               |
|         |                                   | Current Year  | Previous Year | Current Year  | Previous Year | Current Year  | Previous Year |
| i)      | Government of India Securities    | 8.6%          | 8.4%          | 0.0%          | 0.0%          | 35.9%         | 48.5%         |
| ii)     | Corporate Bonds                   | 11.6%         | 8.5%          | 0.0%          | 0.0%          | 38.0%         | 7.9%          |
| iii)    | Special Deposit Scheme            | 17.7%         | 9.6%          | 0.0%          | 0.0%          | 20.8%         | 0.0%          |
| iv)     | Equity Shares of Listed Companies | 0.0%          | 0.0%          | 0.0%          | 0.0%          | 0.0%          | 0.0%          |
| v)      | Property                          | 0.0%          | 0.0%          | 0.0%          | 0.0%          | 0.0%          | 0.0%          |
| vi)     | Insurer Managed Funds             | 59.0%         | 54.8%         | 100.0%        | 100.0%        | 0.0%          | 0.0%          |
| vii)    | Others                            | 3.1%          | 18.7%         | 0.0%          | 0.0%          | 5.3%          | 43.6%         |
|         | <b>Total</b>                      | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> |

The overall expected rate of return on assets is based on the expectations of the average long term rate of return expected on investments of the fund during the estimated term of obligations.

**Notes to the Balance Sheet as at 31st March, 2011 and Profit and Loss Account for the year ended as on that date.**

f. The Actual Return on Plan Assets is as follows:

|         |                              |                           |                           |                           | Rs.'000                     |
|---------|------------------------------|---------------------------|---------------------------|---------------------------|-----------------------------|
| Sr. No. | Particulars                  | Gratuity                  | Pension                   | PF                        | Total                       |
| i)      | Actual return on plan assets | <b>42,285</b><br>(23,160) | <b>21,520</b><br>(21,404) | <b>65,322</b><br>(55,659) | <b>129,127</b><br>(100,223) |

g. Following are the Principal Actuarial Assumption used as at the balance sheet date:

|  |                       |                       |                       |                         |                       | Rs.'000               |
|--|-----------------------|-----------------------|-----------------------|-------------------------|-----------------------|-----------------------|
| Particulars  | Gratuity              | Pension               | Ex-gratia             | PRMB                    | PF                    |                       |
| Discount Rate  | <b>8.0%</b><br>(7.8%) | <b>8.0%</b><br>(7.8%) | <b>8.0%</b><br>(7.8%) | <b>8.0%</b><br>(7.8%)   | <b>8.0%</b><br>(7.8%) | <b>8.0%</b><br>(7.8%) |
| Expected Rate of Return on Plan Assets               | <b>8.0%</b><br>(8.0%) | <b>8.0%</b><br>(8.0%) | <b>NA</b><br>(NA)     | <b>NA</b><br>(NA)       | <b>NA</b><br>(NA)     | <b>NA</b><br>(NA)     |
| Expected return on assets for exempt PF fund         |                       |                       |                       |                         |                       |                       |
| 2010-11  | <b>NA</b><br>(NA)     | <b>NA</b><br>(NA)     | <b>NA</b><br>(NA)     | <b>NA</b><br>(NA)       | <b>NA</b><br>(NA)     | <b>8.0%</b><br>(NA)   |
| 2011-12  | <b>NA</b><br>(NA)     | <b>NA</b><br>(NA)     | <b>NA</b><br>(NA)     | <b>NA</b><br>(NA)       | <b>NA</b><br>(NA)     | <b>8.2%</b><br>(NA)   |
| 2012 and thereafter                                  | <b>NA</b><br>(NA)     | <b>NA</b><br>(NA)     | <b>NA</b><br>(NA)     | <b>NA</b><br>(NA)       | <b>NA</b><br>(NA)     | <b>8.5%</b><br>(NA)   |
| Salary Escalation Rate - Management Staff            | <b>9.0%</b><br>(7.0%) | <b>NA</b><br>(NA)     | <b>NA</b><br>(NA)     | <b>NA</b><br>(NA)       | <b>NA</b><br>(NA)     | <b>NA</b><br>(NA)     |
| Salary Escalation Rate - Non-Management Staff        | <b>7.0%</b><br>(5.5%) | <b>NA</b><br>(5.5%)   | <b>NA</b><br>(5.5%)   | <b>NA</b><br>(NA)       | <b>NA</b><br>(NA)     | <b>NA</b><br>(NA)     |
| Annual Increase in Healthcare Costs - First 10 years | <b>NA</b><br>(NA)     | <b>NA</b><br>(NA)     | <b>NA</b><br>(NA)     | <b>10.0%</b><br>(10.0%) | <b>NA</b><br>(NA)     | <b>NA</b><br>(NA)     |
| Annual Increase in Healthcare Costs - Next 5 years   | <b>NA</b><br>(NA)     | <b>NA</b><br>(NA)     | <b>NA</b><br>(NA)     | <b>8.0%</b><br>(8.0%)   | <b>NA</b><br>(NA)     | <b>NA</b><br>(NA)     |
| Annual Increase in Healthcare Costs - Thereafter     | <b>NA</b><br>(NA)     | <b>NA</b><br>(NA)     | <b>NA</b><br>(NA)     | <b>6.0%</b><br>(6.0%)   | <b>NA</b><br>(NA)     | <b>NA</b><br>(NA)     |
| Long term EPFO rate                                  |                       |                       |                       |                         |                       |                       |
| 2010-11  | <b>NA</b><br>(NA)     | <b>NA</b><br>(NA)     | <b>NA</b><br>(NA)     | <b>NA</b><br>(NA)       | <b>NA</b><br>(NA)     | <b>9.5%</b><br>(NA)   |
| 2011 and thereafter                                  | <b>NA</b><br>(NA)     | <b>NA</b><br>(NA)     | <b>NA</b><br>(NA)     | <b>NA</b><br>(NA)       | <b>NA</b><br>(NA)     | <b>8.5%</b><br>(NA)   |

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

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

| Particulars  | One percentage point increase | One percentage point decrease |
|--|-------------------------------|-------------------------------|
| The aggregate of the current service cost and interest cost          | <b>23</b>                     | <b>-20</b>                    |
| Components of net periodic post -employment medical costs; and       | (15)                          | (-13)                         |
| The accumulated post-employment benefit obligation for medical Costs | <b>280</b><br>(336)           | <b>- 397</b><br>(-300)        |

## Notes to the Balance Sheet as at 31st March, 2011 and Profit and Loss Account for the year ended as on that date.

- i. Para 132 of AS15 ( revised 2005) does not require any specific disclosures except where expense resulting from compensated absence is of such size, nature or incidence that its disclosure is relevant under Accounting Standard No. 5 or Accounting Standard No. 18. In the opinion of the management the expense resulting from compensated absence is not significant and hence no disclosures are prepared under various paragraphs of AS 15 (revised 2005).

Figures in brackets are in respect of the previous year.

### 22. Derivatives - Forward Contracts

#### a) Forward Contracts outstanding as at Balance Sheet date

##### Currency Amount US \$ Sell Cross Currency

| FY 2010-11 |                |          |                | FY 2009-10 |                |          |                |
|------------|----------------|----------|----------------|------------|----------------|----------|----------------|
| Currency   | Amount in '000 | Sell/Buy | Cross Currency | Currency   | Amount in '000 | Sell/Buy | Cross Currency |
| USD        | 24,832         | Sell     | Rupees         | USD        | 30,700         | Sell     | Rupees         |
| Euro       | 885            | Sell     | Rupees         | USD        | 2,000          | Buy      | Rupees         |

- b) The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

|                    | 2010-2011<br>( in '000) | 2009-2010<br>( in '000) |
|--------------------|-------------------------|-------------------------|
| <b>Receivables</b> |                         |                         |
| USD                | 18,832                  | 3,139                   |
| Euro               | 1,633                   | 1,049                   |
| GBP                | 7                       | 1                       |
| <b>Payables</b>    |                         |                         |
| USD                | 24,467                  | 8,386                   |
| Euro               | 350                     | -                       |
| GBP                | 674                     | 182                     |
| JPY                | 46,197                  | 1808                    |
| LKR                | 4,606                   | -                       |
| CHF                | 2                       | -                       |

### 23. Previous year's figures have been regrouped / reclassified, wherever necessary.

Signatures to the Schedules 1 to 12

For Price Waterhouse  
Firm Registration No. 301112E  
Chartered Accountants

Jeetendra Mirchandani  
Partner  
Membership Number 48125

Mumbai  
Date: May 30, 2011

For and on behalf of the Board

Anant J. Talaulicar  
Chairman &  
Managing Director

Dinesh Castellino  
Vice President Legal &  
Company Secretary

Mumbai  
Date: May 30, 2011

Nasser Munjee  
Director

## 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. 15<sup>th</sup> May 1995 :

### I. REGISTRATION DETAILS :

|                    |   |                  |
|--------------------|---|------------------|
| Registration no.   | : | 12276            |
| State Code         | : | 11               |
| Balance sheet date | : | 31st March, 2011 |

### II. CAPITAL RAISED DURING THE YEAR ENDED 31ST MARCH, 2011

|                   | Rs. '000 |
|-------------------|----------|
| Public issue      | -        |
| Right issue       | -        |
| Bonus issue       | -        |
| Private placement | -        |

### III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS AS AT 31<sup>st</sup> MARCH, 2011

|                                | Rs. '000   |
|--------------------------------|------------|
| Total Liabilities (See Note 1) | 18,245,343 |
| Total Assets                   | 18,245,343 |

#### Sources of Funds-

|                    |            |
|--------------------|------------|
| Paid – up capital  | 396,000    |
| Reserves & Surplus | 17,666,706 |
| Secured loans      | 182,629    |
| Unsecured loans    | 8          |
| Total :            | 18,245,343 |

#### Application of Funds -

|                    |            |
|--------------------|------------|
| Net fixed assets   | 4,410,637  |
| Investments        | 7,254,500  |
| Deferred tax asset | 187,420    |
| Net current assets | 6,392,786  |
| Total :            | 18,245,343 |

**IV. PERFORMANCE OF THE COMPANY FOR THE YEAR ENDED 31st MARCH, 2011:**

|  | <b>Rs. '000</b> |
|--|-----------------|
| i) Turnover<br>(net sales and other income as per the audited profit and loss account) | 41,228,734      |
| ii) Total Expenditure  | 33,205,067      |
| iii) Profit before tax   | 8,023,667       |
| iv) Profit after tax   | 5,909,903       |
| v) Earning per share (See Note 2)<br>(face value of Rs. 2)                             | 29.85           |
| vi) Dividend rate (%)  | 750 %           |

**V. PRODUCTS OF THE COMPANY**

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

Item code no.

| <u>(ITC Code)</u> | <u>Product description</u>  |
|-------------------|---|
| 8408.90           | Compression ignition internal combustion engines  |
| 8409.99           | Components parts of compression ignition internal combustion engines  |
| N.A.              | 1. Supply and maintenance of power generating equipment<br>2. Job Contracts- Repairs / Overhaul of diesel engines and its components. |

**Notes :**

- Total liabilities include share capital Rs. 396 million and reserves and surplus Rs. 17,667 million.
- Earning per share is arrived at by dividing the profit after tax for the current year by total number of shares issued and subscribed at the year end.

For and on behalf of the Board

Anant J. Talaulicar  
Chairman &  
Managing Director

Nasser Munjee  
Director

Dinesh Castellino  
Vice President Legal &  
Company Secretary

Mumbai  
Date: May 30, 2011

## Cash Flow Statement for the year ended 31st March, 2011

|  | Rupees '000        | Rupees '000        | Previous year<br>Rupees '000 |
|--|--------------------|--------------------|------------------------------|
| <b>I. Cash flows from operating activities :</b>                     |                    |                    |                              |
| Cash generated from operations                                       | 6,360,782          |                    | 7,308,884                    |
| Tax paid (net of refunds)  | <u>(2,180,907)</u> |                    | <u>(1,549,457)</u>           |
| Net cash provided by operating activities                            |                    | <b>4,179,875</b>   | 5,759,427                    |
| <b>II. Cash flows from investing activities :</b>                    |                    |                    |                              |
| Fixed assets   |                    |                    |                              |
| Purchase   | (1,485,835)        |                    | (664,548)                    |
| Sale   | 6,561              |                    | 46,431                       |
| Interest received  | 111,112            |                    | 22,856                       |
| Dividend received  | 504,712            |                    | 567,103                      |
| Investments  |                    |                    |                              |
| Purchase   | (23,466,493)       |                    | (17,146,459)                 |
| Sale/redemption  | <u>23,541,530</u>  |                    | <u>13,806,298</u>            |
| <b>Net cash used for investing activities</b>                        |                    | <b>(788,413)</b>   | (3,368,319)                  |
| <b>III. Cash flows from financing activities :</b>                   |                    |                    |                              |
| Bank Overdraft (Net)   | 96,391             |                    | (125,738)                    |
| Finance Lease Liability  | -                  |                    | (16,702)                     |
| Loans repaid   | (125)              |                    | (270)                        |
| Interest paid  | (18,983)           |                    | (20,507)                     |
| Dividend paid (including tax on dividend)                            | <u>(2,990,776)</u> |                    | <u>(1,991,836)</u>           |
| Net cash used for financing activities                               |                    | <b>(2,913,493)</b> | (2,155,053)                  |
| <b>IV. Net change in cash and cash equivalents<br/>(I+II+III)</b>    |                    | <b>477,969</b>     | 236,055                      |
| <b>V. Cash and cash equivalents at the<br/>beginning of the year</b> |                    | <b>559,282</b>     | 323,227                      |
| <b>Cash and cash equivalents at the end<br/>of the year (IV+V)</b>   |                    | <b>1,037,251</b>   | 559,282                      |

## Cash Flow Statement for the year ended 31st March, 2011 (Contd.)

|   | Rupees '000        | Rupees '000        | Previous year<br>Rupees '000 |
|---|--------------------|--------------------|------------------------------|
| Notes :   |                    |                    |                              |
| <b>1) Cash generated from operations has been arrived at as follows :</b> |                    |                    |                              |
| Net profit before tax   |                    | <b>8,023,667</b>   | 6,109,147                    |
| Adjustments for -   |                    |                    |                              |
| <b>a) Non cash item /items required to be disclosed separately :-</b>     |                    |                    |                              |
| Depreciation  | <b>366,380</b>     |                    | 360,801                      |
| Interest expense  | <b>18,983</b>      |                    | 20,507                       |
| Interest income (gross)   | <b>(111,182)</b>   |                    | (31,546)                     |
| Dividend earned (gross)   | <b>(504,712)</b>   |                    | (606,103)                    |
| Gain on assets sold, discarded etc;                                       | <b>2,375</b>       |                    | (8,370)                      |
| Gain on redemption /sale of investments                                   | <b>(313)</b>       |                    | 3,626                        |
| Provision for doubtful debts  | <b>17,837</b>      |                    | 24,405                       |
|   |                    | <b>(210,632)</b>   | (236,680)                    |
| <b>b) Changes in working capital and other provisions :-</b>              |                    |                    |                              |
| Sundry debtors  | <b>(1,970,391)</b> |                    | 1,567,613                    |
| Inventories   | <b>(1,092,920)</b> |                    | 583,062                      |
| Loans and advances  | <b>(552,600)</b>   |                    | (53,013)                     |
| Other current assets  | <b>(5,747)</b>     |                    | (772)                        |
| Current liabilities   | <b>1,925,363</b>   |                    | (780,017)                    |
| Provisions  | <b>244,042</b>     |                    | 119,544                      |
|   |                    | <b>(1,452,253)</b> | 1,436,417                    |
| <b>Total adjustments (a+b)</b>  |                    | <b>(1,662,885)</b> | 1,199,737                    |
| <b>Cash generated from operations</b>                                     |                    | <b>6,360,782</b>   | 7,308,884                    |

- 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, 2011 (Contd.)

| 3) Cash and cash equivalents comprise : | Rupees '000<br>2010-11  | Rupees '000<br>2009-10 | Rupees '000<br>2008-09 |
|---|-------------------------|------------------------|------------------------|
| Cash in hand                            | 452                     | 383                    | 679                    |
| Balances with bank on current account : |                         |                        |                        |
| Unclaimed dividend account (restricted) | 31,097                  | 20,364                 | 20,009                 |
| Other current accounts                  | 155,302                 | 238,535                | 301,434                |
| Balances with bank on deposit account   | 850,400                 | 300,000                | 1,105                  |
| Total                                   | <u><u>1,037,251</u></u> | <u><u>559,282</u></u>  | <u><u>323,227</u></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  
Firm Registration No. 301112E  
Chartered Accountants

Jeetendra Mirchandani  
Partner  
Membership Number 48125

Mumbai  
Date: May 30, 2011

For and on behalf of the Board

Anant J. Talaulicar  
Chairman &  
Managing Director

Nasser Munjee  
Director

Dinesh Castellino  
Vice President Legal &  
Company Secretary

Mumbai  
Date: May 30, 2011







*In going green, adopting practices, both large and small: From re-using excavated soil for back-filling, to minimizing usage of E-glass for reducing heat inflow into buildings, to the choice of paint and wood, every initiative at the Cummins Megastite reflects a consciousness to sustainability.*



**Cummins India Limited**  
**Registered Office: Kothrud, Pune 411 038**  
**Tel: +91-20-2538 5435, 2538 0240**  
**Fax: +91-20-2538 0125**

[www.cumminsindia.com](http://www.cumminsindia.com)