



# Financial Highlights Siemens Ltd.

	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
<ul> <li>Orders received</li> </ul>	12740	12071	10836	11547	16754	30142
• Sales	10506	11157	11572	12905	14245	17900
• Profit before tax	381	946	964	1304	1968	2299
As % of sales	4%	9%	8%	10%	14%	13%
• Profit after tax	351	840	687	865	1394	1514
As % of sales	3%	8%	6%	7%	10%	8%
* Net worth per share	68.50	79.89	95.46	114.58	148.18	182.92
* Earning per share	12.37	24.11	19.49	26.10	42.06	45.68
<ul> <li>Dividend</li> </ul>	-	224	133	182	249	298
Dividend %	_	65%	40%	55%	75%	90%
Debt/equity ratio	0.52:1	0.15:1	0.01:1	0.02:1	0.01:1	-
• Investment in fixed assets	317	86	119	117	243	314
No. of employees	4604	4342	4167	3896	3811	4094
No. of shareholders	46434	50796	49188	43791	39197	31842

- Rupees in millions
- \* Rupees







new ideas, new horizons, new opportunities >> >> infinite possibilities.

Our passion to excel fosters **Growth. Growth that** doesn't just touch lives, but enhances its essence. Our steadfast belief in **Customer Focus**, **Innovation and Global** Competitiveness, translates ideas into reality as a source of business sustainability. Every idea is nurtured, every new opportunity is harnessed, opening new horizons and spurring infinite opportunities for growth.

The true growth of any organization is seen in the growth of its employees, customers, business partners and shareholders. On the highway to success, we have always upheld our commitment to the society, environment and good governance.

The future excites us. We are fully geared to take on new challenges and continue to excel in all spheres.

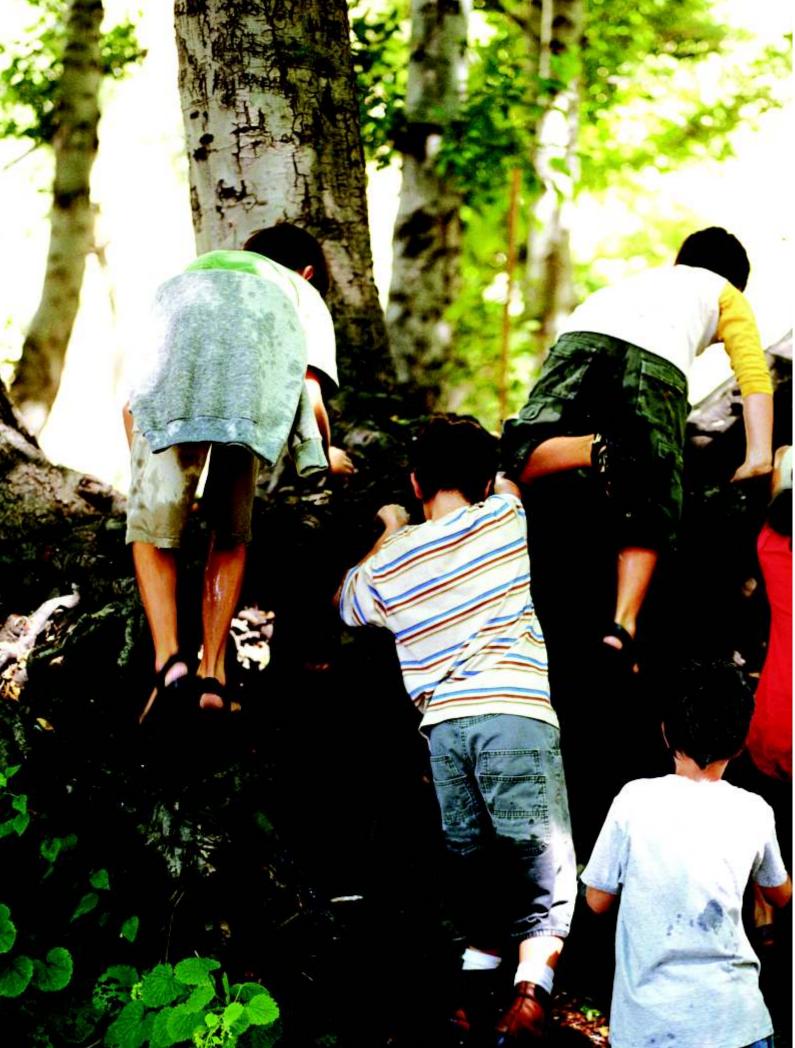






### new ideas >> >> innovation

Challenges inspire us. Challenges lead us to develop new ideas. New ideas result in pathbreaking technologies, products and services. For Siemens, innovation is a way of life. Innovation in products, innovations in solutions or innovation in processes, we believe in being one step ahead. Our employees' innovativeness and creativity turns novel ideas into successful pacesetting technologies that benefit of our Customers, wherever they are.







# new horizons >> >> competitiveness

Exploring new avenues, new markets thrills us. It spurs our curiosity and puts us on a trail to discover the undiscovered. It opens new vistas for garnering new businesses. It also provides Customers the most competitive products and solutions, no matter from where they are sourced. Our competitiveness in the global value chain has opened new horizons and provided access to new markets giving impetus to our growth.





# new opportunities>> >> customer focus

**Spotting opportunities and** harnessing them into business gains galvanizes us. We see every opportunity wholly from our Customers' perspective. Making our customers' business our business, we singularly focus on their localized requirements. Which is why our portfolio is ever emerging to meet their needs and surpass their expectations. We believe our success lies in our customer's success. Growth is the logical consequence.







# infinite possibilities >> >> profitable growth

Our passion for excellence ignites us. It gives rise to new ideas. It widens our horizon. It creates new partnerships, opens new opportunities. It also connects us to Society. In all this we see infinite possibilities for profitable growth.

### Chairman's Statement



Dear Shareholders,

New beginnings are built on past achievements and future potential. It is a great privilege for me to address you all as your Chairman for the very first time this year. At the same time, I am constantly reminded of the glorious tenure of my predecessor, Dr Fredie Mehta, who, for the last sixteen years, successfully steered Siemens Limited through one of the most challenging periods in corporate history. Under his able leadership and guidance, our Company has never been stronger, both financially and operationally.

This success is however, also a challenge. As our performance has shown a steady improvement over the last few years, the bar is raised every time and expectations will be greater as we move forward. At this point, I would like to reiterate Dr. Mehta's belief in the concept of 'alert dynamism', which he spoke about last year — while we tap opportunities to grow profitably, we will also continue to be alert to fast-changing economic scenarios. This philosophy has reaped rewards, and our company's performance stands testimony to this fact. We are on a path of high growth, supported by extremely encouraging future business prospects.

#### **Performance highlights**

The last fiscal year saw New Orders rise by 80% to Rs. 30,142 million with the major contributors and volume drivers being the power, transportation and industry businesses. In addition to a 26% increase in Sales Turnover to Rs.17,900 million, our company has turned in an impressive operational performance, with Profit Before Tax standing at Rs.2,299 million, a healthy rise of 17% as compared to the previous year. What is also particularly encouraging is the Unexecuted Order Value position, which is up 136% over the previous year's Rs.9,023 million. This augurs well for future topline growth. The operational profit is one of the best in the Siemens AG global network for the past two years. This year we improved it further by 13%

We have recommended a final dividend of 50%, inclusive of a special dividend of 20%, which along with the interim dividend of 40% takes the total dividend for the year to 90%. Last year we had announced a total dividend of 75% which included a special dividend of 10%.

The record high new orders and sales position, points to the success of the Company's focus on 'order acquisition with a view to improving customer loyalty and satisfaction'.

Our strong performance has also been driven by increased resource productivity especially at the factories, which have been running to optimum capacity. In fact, we plan to augment existing capacities in order to effectively handle the projected increase in demand in the future. Manufacturing activity has been a major growth driver in the last year, and future investment is also being directed largely in expanding this part of operations. Effective asset management and the aggressive investments-led growth plan, which entails growing organically and through strategic acquisitions, have also been instrumental in achieving the high level of performance in all parts of our business.

We have also succeeded in making our mark on the global front. Over the past two years, Siemens AG identified China and India as two focus markets for growth in Asia. During the last year, Siemens Limited has seen a large amount of activity specifically catering to global demand. Our factories have been recognized as 'Centers of Competence' by Siemens AG in specified areas of operations and a portion of their output was exported against global requirements. As India, continues to grow as a preferred global source for sourcing specified products, components and services, we too need to ensure that we harness the potential.

Siemens India's software development strengths have also been recognized and last year, we saw an extraordinary level of software development being undertaken in India. A substantial portion of this is in the area of high-end development, which confirms our argument that India is a preferred destination not only due the 'low-cost' factor, but also for the 'high-quality' services and value addition that we provide.

Siemens India also received the mandate to expand business in its neighborhood. Operations in Sri Lanka were launched during the year. We are also actively supporting Siemens AG in Bangladesh and Afghanistan.

As I look at the superior results we have achieved, I would not be far from the truth when I say that though our understanding of the domestic economy has been sound, our success has been driven by the efforts of our committed employees and the trust and integrity that our businesses have been built on. Productivity per employee has significantly increased in this period and the Company has introduced numerous programs under the *top*<sup>+</sup> banner. These process improvements have helped achieve substantial cost savings and thus propped up the bottomline.

#### An enabling environment

It is also true that our initiatives were supported by a very favorable external environment in the last fiscal. We were able to take advantage of the positive environment, as is reflected in the good performance of the infrastructure and industry segments of our business. There is reason for us to be optimistic in the current year also, with GDP growth forecasted to be around 6% to 6.5% for the year. This growth is expected

to be driven by industrial production and services. This seems to be evident with the Index for Industrial Production accelerating to 7.9% in the first half of the current fiscal (April-September 2004) as compared to 6.2% in the corresponding period last year.

On the whole, the confidence in the growth in the domestic economy is based on the improved trends in industrial activity and services, bullishness of the domestic capital markets, improved export performance, doubling of FDI inflows, surge in non-food credit and the sharp rise in the volume of FII inflows.

#### The focus on manufacturing

While the optimistic outlook is encouraging, it is also important to identify what areas are fueling growth today. Looking at the current figures, if India is to raise annual growth from 6 % to 8%, there can be no denying that it is the manufacturing sector that will be the driver of India's economic growth which needs to move up to double digits.

A recent Economic Times Intelligence Group project 'Doing it Right: The Makeover of Indian Manufacturing', which was completed after field visits to some 40-odd companies spanning the first half of 2004, found that the transformation in manufacturing in India gathered momentum by 2000, with the commencement of a large-scale focus on efforts to drive best practices in manufacturing operations, processes & managerial practices and increasing productivity.

According to professor Steven Warwick, a consultant with the Warwick Manufacturing Group of UK, Indian manufacturing is truly becoming world class. He cites two basic prospects of Indian manufacturing: one, their structured approach to instruction, quality improvement and continuous improvement programmes and two, Indian workers on the shop floor being open to new challenges.

The CII-Mckinsey study forecasts a second wave of manufacturing outsourcing, which could reach \$1.6

### Chairman's Statement (continued)

trillion, and will comprise technology-driven areas like automotives, engineering and chemicals. This is in comparison to the first wave, which was \$460 billion and consisted of low-tech items like toys and garments. Therefore, India could well increase its manufacturing exports from the \$40 billion in fiscal 2003 to \$250-300 billion by 2015.

Indian manufacturing is redefining itself after a phase of intense restructuring over the past two years. Indian companies - both large and small - have established some world-class facilities across several segments in the Indian manufacturing sector. This is very good news especially because manufacturing was seen to be losing out to services during the boom of late 1990s and the first part of this decade. Today, there is enough evidence that , now, globally-competitive manufacturing can be done in India both in terms of quality and scale of operations. In diverse sectors – pharma, chemicals, textiles, metals, refining, cement, auto, ancillaries and engineering – India is exporting significant chunks of output.

So is manufacturing in India at a strategic inflection point in its evolution? It appears so if we consider a few facts. Many large global companies have announced plans to set up greenfield projects in India in recent months. After nearly a decade of slow growth, manufacturing finally seems to be poised for a comeback. It is also a good sign for growth of employment in future as manufacturing is capable of absorbing large numbers.

Corporate India, particularly the manufacturing sector, is witnessing its best-ever investment climate. Indian companies have announced large expansion plans. Many Indian companies are also actively looking at opportunities to acquire companies abroad.

According to Jeffrey Sachs, a leading economist, if the government was supportive of manufacturing-led exports by building infrastructure and supporting legislation (export processing zones, labour law liberalisation, etc.), India could enjoy a large manufacturing export boom.

#### Global trends

In the changing face of today's manufacturing world, concepts like demand-driven manufacturing are gaining ground. As opposed to conventional manufacturing, which builds products first and then finds the customer, demand-driven manufacturing focuses on the customer. It brings together a set of management strategies, operational methodologies and technology solutions that continually drive manufacturing in direct response to demand. It thus tunes the entire supply chain, from sourcing to production to sales, responding to the pull of the marketplace.

The fundamental principles of demand-driven manufacturing is to know the customer, adapt to product demands that could literally change like the weather and connect between the customer and supplier expectations with a view to meet customer satisfaction. With changing times and trends, customer orders will not take ages to be met, nor will products wait for customers to be consumed. The entire production cycle would be aligned to respond to real-time conditions.

#### Infrastructure and the role of Siemens

According to the India Infrastructure Report (IIR), the total infrastructure investment requirements for the next five years stand at around \$115-130 billion. The task of finding such large amounts and thereafter deploying them productively calls for a close partnership between the public and private sectors, with a vital role reserved for foreign capital. In this area, recent announcements made by the government give us a reason to be confident:

- Massive investments of over Rs.200,000 crore for constructing over 65,000 km of highways;
- Privatization of existing airports and construction of new airport projects;
- Investments worth Rs.800,000 crore over a 10-year timeframe up to 2012 in the power sector;
- Individual state governments making plans to attract private and foreign investment in infrastructure.

Another ground-breaking initiative is the Planning Commission's plan to channelize part of India's burgeoning foreign exchange reserves into infrastructure, including building roads, railways and the power sector. The Commission plans to use about \$15 billion from the reserves over the next three years for the country's infrastructure development. The need can be judged from India's current expense on its road network, which stands at just \$2 billion a year against \$30 billion spent in neighboring China. The improved infrastructure will result in an environment that will attract more Foreign Direct Investment, which in turn will boost our forex reserves.

As an infrastructure solutions provider, what does all this mean to our Company Siemens? We know that we are well poised to take advantage of the improved investment climate.

#### Achieving sustainable growth

"Change has considerable psychological impact on the human mind. To the fearful, change is threatening because it means that things may get worse To the hopeful, change is encouraging because things may get better. To the confident, change is inspiring because the challenge exists to make things better." - King Whitney, Jr.

As a past Director on the Siemens Board in the early and mid 1990s and as an individual exposed to infrastructure development in our country, I have seen how the Company has emerged stronger after a painful but focused process of restructuring. Deft financial and managerial acumen as well as remarkable teamwork and leadership has helped the Company consolidate its position today.

The challenge is to ensure that we do not lose sight of our vision and I am rest assured that the five corporate principles of Siemens AG, encompassing company value, importance of innovation, corporate responsibility, customer satisfaction and empowerment of employees, will continue to steer us on our journey. As regards future growth, we will concentrate on

profitable and sustainable growth, which will be driven by the strategies under the 'Four-point program for profitable growth', which entails creating customer loyalty and satisfaction; optimizing processes with a thrust on quality; enhancing company value through profitable growth; and building a team of competent and motivated employees.

While the above principles will remain our foundation, we also need to pro-actively structure strategies that capitalize on the opportunities presented to us by an enabling external environment. The answer lies in employing strategies that help manage change efficiently providing the enterprise with a competitive edge in best-in-class customer service, product quality, and lowest operating cost.

One key ingredient in this plan is innovation. Siemens has a 150-year history of innovation, as reflected in its corporate principles. During the current year, Siemens also inaugurated its 9<sup>th</sup> global technology center for innovation in Bangalore. The new research centre, called Siemens Corporate Technology India, will serve as a network hub for the Asian region.

With such a combined focus, I am sure that we will achieve all that we plan in the months ahead.

Any discussion on sustainable growth, however, is incomplete without a look at investment planning. Perhaps the most significant aspect of the year gone by was the new cycle of investments that the Company has made, which is expected to propel growth in the foreseeable future. Two years ago, when Siemens AG Board visited India, it announced an investment of \$500 million. As a first step towards realizing this, our Company has planned investments of Rs.1 billion in several areas, mainly to upgrade factories and increase capacities for software development.

Strategic acquisitions are also poised to strengthen our portfolio further. During the current year, Siemens will add the business of Siemens VDO Automotive, thus marking an entry into the fast-growing automobile sector in India. We are also considering acquisitions in the power

### Chairman's Statement (continued)

generation sector, which is witnessing a flurry of private investments in the wake of the passing of the landmark Central Electricity Act, 2003.

All these developments and plans promise exciting times at Siemens and I am sure that we will build further on our past accomplishments and scale new heights in the months ahead. As Robert Townsend states "If you don't do it excellently, don't do it at all. Because if it's not excellent, it won't be profitable or fun, and if you're not in business for fun or profit, what the hell are you doing there?"

The entire top management team led ably by Mr. J Schubert and Mr. H Gelis, actively supported by their Division Heads and indeed all our employees have proven it time and again that they can achieve their goals. With

such a strong foundation, there is no doubt that our Company is entering a new phase of growth, one driven by optimism and the will to succeed. I wish them all the best and look forward to your continued support, which will enable us to build the Company that we have all envisaged in our thoughts.

Thank you.

Mumbai December 20, 2004 Deepak S. Parekh Chairman

# Siemens Group of Companies in India

The Siemens Group in India is a unique player in the electrical and electronics engineering sector. It offers its customers the complete pallet of products, systems, solutions and services ranging from power plants to in-the-canal hearing aids. With world-class solutions, Siemens plays a key role in India's quest for developing a modern infrastructure.

Siemens in India as a Group is constituted of 12 companies, 13 manufacturing plants and a wide network of Sales and Service offices across the country, providing direct employment to about 10,000 persons. The Group's businesses are represented by various companies as given below:

Company	Equity stake	Brief Description
Siemens Ltd.	Siemens AG 54.63% Others 45.37%	<ul> <li>Portfolio consists of products, systems, solutions and services in Power Generation, Power Transmission and Distribution, Automation &amp; Drives, Industrial Solutions and Services, Building Technologies, Transportation Systems, Enterprise Communications, Mobile Phones and Medical Solutions</li> <li>Seven factories – three at Kalwa, Thane; Two at Aurangabad; One each at Goa and Nashik.</li> <li>4,094 employees</li> <li>HQ at Mumbai</li> </ul>
Siemens Information Systems Ltd (SISL)	Siemens Ltd 100%	<ul> <li>Systems Integrator and Total Solutions Provider, having extensive domain expertise and technology specialisation. Provides solutions for clients primarily in the fields of Telecommunications, Healthcare, Manufacturing, Utilities, Public Sector and Government</li> <li>6 development centers</li> <li>2,368 employees</li> <li>HQ at Mumbai</li> </ul>
Siemens Public Communication Networks Pvt. Ltd. (SPCNL)	Siemens AG 100%	<ul> <li>Provider of network equipment including supply, design and installation; Portfolio comprises Wireline, Transmission, Access, Mobile and IP products etc.</li> <li>Factory at Saltlec, Kolkata</li> <li>Telecommunications software development center at Bangalore</li> <li>1,106 employees</li> <li>HQ at Gurgaon</li> </ul>
Siemens Hearing Instruments Pvt. Ltd. (SHIL)	Siemens Audiologische Technik GmbH 100%	<ul> <li>Offers Hearing aids from the In-The Canal (ITC) to In-The Ear (ITE) and Behind the Ear (BTE) hearing devices</li> <li>Headquartered at Bangalore</li> <li>38 employees</li> <li>HQ at Bangalore</li> </ul>
Siemens Power Engineering Pvt. Ltd.	Siemens AG 100%	<ul> <li>Undertakes total power plant engineering activities from concept to commissioning. Supports Siemens AG's Power Generation (PG) business process worldwide</li> <li>198 employees</li> <li>HQ at Gurgaon</li> </ul>
Siemens VDO Automotive Ltd.*	Siemens VDO Automotive AG 86.7% Others 13.3%	<ul> <li>Provides precision and control automotive information systems; competence to combine advanced electronics with precision mechanics</li> <li>A listed company</li> <li>HQ at Bangalore</li> <li>Factories at Bangalore, Gurgaon and Pune</li> <li>461 employees</li> </ul>
Siemens Shared Services Pvt. Ltd.	Siemens Shared Services, LLC, USA. 51%; SISL 49%	<ul> <li>Provides back office and customer contact services to Siemens operating companies in the US, with the necessary technology and process competence.</li> <li>762 employees</li> <li>HQ at Bangalore</li> </ul>
Osram India Pvt. Ltd.	Osram AG 100% (Osram AG is 100% Siemens AG company)	<ul> <li>Product portfolio includes incandescent, fluorescent and compact fluorescent lamps</li> <li>Manufacturing plant at Sonepat, Haryana</li> <li>699 employees</li> <li>HQ at Gurgaon</li> </ul>
Powerplant Performance Improvement Ltd. (PPIL)	Siemens AG 50%+1 share; BHEL: 50% - 1 share	<ul> <li>Offers engineering solutions for upgrading, renovating and refurbishment of power plants</li> <li>21 employees</li> <li>HQ at Gurgaon</li> </ul>
Demag Delaval Industrial Turbomachinery Ltd (DDIT)*	Demag Delaval Industrial Turbomachinery N.V., Netherlands 100% - 1 share	<ul> <li>Offers industrial turbines upto 150 MW</li> <li>110 employees</li> <li>HQ and factory at Baroda</li> </ul>

Note: Siemens Nixdorf Information Systems Pvt Ltd is a 100 percent subsidiary of SISL and Siemens Demag Deleval Turbomachinery Ltd is a subsidiary of Siemens AG

purchase of 100% equity stake in DDIT.

<sup>\*</sup> In its meeting on November 25, 2004, the Board of Directors of Siemens Ltd has approved the merger of Siemens VDO Automotive Ltd into itself and

# **Board of Directors**

#### **Non-Executive Directors**



Deepak S. Parekh Chairman since August, 2004 & Director since November, 2003.



Dr. F. A. Mehta Director since June, 1980.



D. C. Shroff Director since February, 1997.



Y. H. Malegam Director since April, 1998.



Director since November, 2000.

N. J. Jhaveri



Dr. K. Wucherer **Special Director** Nominee of Siemens AG since October, 2000.



Dr. O. Schmitt **Alternate Director** for Dr. K. Wucherer since December, 2000.

#### Organisation

#### **Business Segments**

Information and Communication Industry Power Transportation **Automation and Drives Power Generation Enterprise Networks &** (A&D) Devices (Com EN&D) 5 (PG) A. Herrmann 5 Harminder Singh P. Gartenberg R. Gala K. Prabhu 2 **Industrial Solutions** and Services (I&S) 5 A. H. Advani 5 S. Krishnan 2

Building Technologies		
(SBT)	1	
A. Chaturvedi	1	
B. M. Misra	2	

T. T. Joseph	2
Power Transmission and Distribution (PTD)	4
Harminder Singh A. V. Kamath	2

·	
Transportation Systems (TS)	1
V. B. Parulekar M. K. Vig	2

#### **Corporate Resources**

<b>Personnel Division</b> A. B. Nadkarni		ustrial Relations oʻSilva		Corporate Finance R. Rangarajan	2	Internal Audit Ms. S. Ray	2	Chief Information Officer N. Sharan	
<b>Organisation Planning</b> S. S. Jaswal	Оссі		3	Accounts & Taxation K. Wittmer	2	Corporate Security S. D. Tare	2	Employee Welfare Trusts M. Dutt / G. Subramani / Other Trustees	2
Human Resource Development A. B. Nadkarni (Acting)		O.IIII.CIIIC		Import / Export Admin P. Sant Corporate Legal F. N. Katgara	2	Corporate Organisation and Processes S. S. Jaswal		Corporate Commercial  I. Banerjee	2

Location	In-charge
11 1 046:-	_

<b>Head Office</b> S. D. Tare	3	<b>Vadodara</b> H. Gajab	3	<b>Chandigarh</b> V. K. Verma	4	<b>Chennai</b> G. Ghosh	2
<b>Kharghar</b> V. B. Parulekar	3	<b>Kolkata</b> S. Kar	1	<b>Lucknow</b> S. Bagchi	4	<b>Coimbatore</b> S. Divakar	2
<b>Pune</b> C. J. Kaul	3	<b>Delhi (Ring Road)</b> Munish Vasudeva	4	<b>Jaipur</b> A. K. Sinha	4	<b>Bangalore</b> Rajiv Sharma	2
Ahmedabad A. Mehta	3	<b>Delhi (Gurgaon)</b> R. Sachdeva	4	<b>Hyderabad</b> A. Jayarao	2	Cochin K. N. Umesh Kumar	2

Notes: 1. YOJ: Year of Joining Siemens 2. Numbers indicate reporting line to Whole-time Directors

#### **Whole-time Directors (Corporate Management)**



J. Schubert **Managing Director** since October, 1996.

YOJ: 1974



H. Gelis 2 **Executive Director** since January, 2001.

YOJ: 1976

1



A. B. Nadkarni 3 Whole-time Director since February, 1997. YOJ: 1973



Whole-time Director since April, 1998. YOJ: 1980



Harminder Singh 4 O. P. Narula Whole-time Director since January, 2000. YOJ: 1962

Ashok P. Jangid Corporate Secretary and Chief Compliance Officer since December, 1996

Medical Real Estate

Medical Solutions (MED)	1	Siemens Real Estate (SRE)	2
D. Ragavan	1	S. D. Tare	2
V. D. Kale	2	S. Srinivasan	2

Key Account Management (KAM)	5

O. P. Narula

Finance & Administration (F&A)

H. Gelis

YOJ: 1983

Corporate Planning R. Dalvi	1	Strategic Purchase A. S. Shikarwar	1
<i>top⁺</i> <b>Projects</b> R. Dalvi	1	Corporate Quality and Projects S. Ramaswamy	1
Corporate Communications Ms. K. Ghatge	1	Corporate Secretariat A. Jangid	1
Kalwa Works S. Venkataraman	!	5	
Nashik Works		5	

5

5

**Committees of Directors** under Corporate Governance Code

**Audit Commitee** 

Y. H. Malegam (Chairman)

Dr. F. A. Mehta

Dr. K. Wucherer / Dr. O. Schmitt

Deepak S. Parekh

Ashok P. Jangid (Corporate Secretary)

**Investors Grievance Committee** 

D. C. Shroff (Chairman)

Dr. F. A. Mehta

J. Schubert

Ashok P. Jangid (Corporate Secretary)

**Remuneration Committee** 

Deepak S. Parekh (Chairman)

D. C. Shroff

Y. H. Malegam

Ashok P. Jangid (Corporate Secretary)

#### **Committees of Management** (Constituted by the **Board of Directors**)

**Share Transfer Commitee** 

J. Schubert (Chairman)

H. Gelis

Ashok P. Jangid

**Finance Committee** 

H. Gelis (Chairman)

J. Schubert

Ashok P. Jangid

R. Rangarajan

**Delegation of Powers Committee** 

J. Schubert (Chairman)

H. Gelis

A. B. Nadkarni Ashok P. Jangid

The above information is as on 1st December, 2004.

**Aurangabad Works** 

M. M. Pendse

**Goa Works** 

S. Tellis

Siemens Ltd.

Forty-seventh Annual Report for the year ended 30 September 2004

# Directors' Report

The Directors have pleasure in presenting the 47<sup>th</sup> Annual Report of the Company and the Audited Accounts for the year ended on 30<sup>th</sup> September, 2004.

#### 1. Financial Performance

	Rs.	in millions
	2003-04	2002-03
Gross Profit before Interest, Depreciation and Restructuring		
write back	2527.94	2197.17
Less : Interest	0.64	1.89
Depreciation	228.34	230.05
Restructuring write back, net	_	(2.54)
Profit before Tax adjustment	2298.96	1967.77
Less : Tax adjustment	775.00	588.00
Deferred Tax adjustment	10.23	(14.05)
Net Profit after Tax adjustment	1513.73	1393.82
Add: Profit and Loss Account balances on account of amalgamation of Siemens Building Technologies		
Pvt. Ltd.	17.69	_
Amount available for appropriation	1531.42	-
Appropriations: General Reserve	1151.08	1113.44
Interim Dividend paid	132.56	115.98
Proposed Final Dividend	165.69	132.55
Dividend Distribution Tax	38.98	31.85
Net Deficit on account of amalgamation of Siemens Building Technologies Pvt. Ltd.	43.11	_
bullaring recrimologies i vi. Liu.	45.11	_

#### 2. Dividend

The Board of Directors, at its Meeting held on 22<sup>nd</sup> April, 2004, had declared an Interim Dividend of Rs.4.00 per Equity Share (40%). 10<sup>th</sup> May, 2004, was the `Record Date' for this purpose and the Interim Dividend was paid on 19<sup>th</sup> May, 2004.

Considering the excellent performance for the year and the financial position of the Company, the Board of Directors is pleased to recommend a Final Dividend of Rs.5 per Equity Share (50%) {including a Special Dividend of Rs.2 per Equity Share (20%)}, for your approval.

If the Final Dividend, as recommended above, is declared by the Members at the forthcoming 47<sup>th</sup> Annual General Meeting, the total Dividend for the year ended on 30<sup>th</sup> September, 2004, will amount to Rs.9 per Equity Share (90%) as compared to Rs.7.50 per Equity Share (75%) paid last year {which included a Special Dividend of Re.1 per Equity Share (10%)}. On the Paid-up Equity Share Capital of Rs.331,384,030, the total Dividend for the year will entail a cash outflow of Rs.298,245,627.

#### 3. Operations

During the year, the Company received New Orders amounting to Rs.30,142 million as compared to Rs.16,754 million in the previous year, registering a rise of 80%. The major contributors and volume drivers were the Power, Transportation and Automation & Drives businesses. Turnover increased by 26% to Rs.17,900 million from Rs.14,245 million in the previous year. The major contributors to Turnover were the Automation & Drives, Power and Medical businesses. The Company posted an impressive performance as Profit after Tax for the year under review stood at Rs.1,514 million as against Rs.1,394 million in the previous year registering an increase of 9%. The excellent results were achieved by a combination of three factors - a sustainable strategy, based on our good understanding of the Indian economy, our competent and committed employees who were charged with the spirit to win and the open and friendly atmosphere built on trust and integrity. The favourable external environment further supported our results.

# Amalgamation Siemens Building Technologies Pvt. Ltd. (SBT)

During the year under review, SBT, a 100% subsidiary company, was amalgamated with the Company. 1st October, 2003, was the `Appointed Date'. Thus, SBT is now a separate Division of the Company.

#### 4. Mergers & Acquisitions

Growing substantially faster than the market, the Company has announced aggressive investments-led growth plans for the future through organic growth and also through strategic acquisitions. As a part of the restructuring of the Siemens Group in India, the following Mergers & Acquisitions will be undertaken in the course of the current financial year 2004-05:

# a. Merger of Siemens VDO Automotive Ltd. (SVDO) with the Company

At the Meeting held on 25<sup>th</sup> November, 2004, the Board of Directors approved the proposal for the merger of SVDO with the Company. The `Appointed Date' has been fixed as 1<sup>st</sup> October 2004. The Board has recommended a share exchange ratio of 1:12 i.e. 1 (one) Equity Share of Rs.10 each fully paid-up of the Company for every 12 (twelve) Equity Shares of Rs.10 each fully paid-up of SVDO. The merger is subject to all the necessary statutory / regulatory approvals, including approvals of the Members of the respective companies and the relevant High Courts. This merger will provide the Company an opportunity to participate in the fast-growing automotive segment.

SVDO is based at Bangalore and is engaged in the manufacturing and marketing of dashboard instruments, automotive accessories, spare parts, etc. SVDO is listed on The Stock Exchange, Mumbai. 86.74% of its Paid-up Equity Share Capital is held by

### Directors' Report (continued)

Siemens VDO Automotive AG, Germany, (a 100% subsidiary of Siemens AG, Germany) and the balance 13.26% is held by Public / Other Investors.

#### Acquisition of stake in Demag Delaval Industrial Turbomachinery Pvt. Ltd. (DDIT)

It is proposed to acquire 100% Equity stake of Demag Delaval Industrial Turbomachinery NV, Netherlands, (a 100% subsidiary of Siemens AG, Germany) in DDIT making DDIT a wholly-owned subsidiary company. The total consideration will be Rs.350 million subject to adjustment depending upon the dividend declared by DDIT for the year ended on 30<sup>th</sup> September, 2004.

DDIT is engaged in the business of design, manufacture and marketing of Industrial Turbines. This business was acquired by Siemens AG, Germany, globally from Alstom recently. This acquisition will strengthen the Company's Power Generation Division's portfolio in the area of industrial power plants.

#### Acquisition of stake in Pimac Engineering and Services Pvt. Ltd. (Pimac)

It is proposed to acquire 51% Equity stake in PIMAC, from Pimac Engineers Pvt. Ltd., Bangalore for a total consideration of Rs.105 million. Balance 49% will be acquired later, based on agreed Call Option(s).

PIMAC is engaged in overhauling, maintenance and servicing of the Gas Turbines. The service business of the Company will stand strengthened by this acquisition.

#### 5. Management's Discussion and Analysis

A detailed review of the operations, performance and future outlook of the Company and its businesses is given in the Management's Discussion and Analysis attached as Annexure III.

#### 6. Subsidiary Companies

#### a. Siemens Information Systems Ltd. (SISL)

SISL is a 100% subsidiary of the Company. For the year ended on 30<sup>th</sup> September, 2004, SISL has posted an excellent performance. It recorded a total income of Rs.4,930 million (2002-03: Rs.3,129 million) and Net Profit of Rs.804 million (2002-03: Rs.752 million). Total dividend declared by SISL for the year 2003-04, was 750% as against 595% for the year 2002-03.

# Siemens Nixdorf Information Systems Pvt. Ltd. (SNIL)

SNIL is a 100% subsidiary of SISL and, being a subsidiary of a subsidiary, SNIL is treated as a subsidiary of the Company. SNIL has ceased its trading activities and has concluded agreements for termination and transfer of various third party contracts and other commitments. It is proposed to wind-up SNIL as soon as possible subject to all statutory and regulatory approvals.

Vide letter No.47/199/2004-CL-III dated 25th November, 2004, the Company has obtained an exemption from the Government of India, Ministry of Company Affairs, New Delhi under Section 212 of the Companies Act, 1956, from annexing to this Report, the Annual Reports of both the above subsidiary companies for the year ended on 30th September, 2004. Accordingly, the said Annual Reports of the above subsidiary comapnies are not annexed to this Report. However, if any Investor of the Company or subsidiary companies so desires, the Company will make available copies of full accounts of the above subsidiary companies free of cost. Copies are also available for inspection at the Registered Office of the Company between 10.00 a.m. and 12.00 noon on any working day of the Company up to the date of the forthcoming 47th Annual General Meeting.

#### 7. Foreign Exchange Earnings & Expenditure

Details concerning Foreign Exchange Earnings and Expenditure have been given under Note No. 24(iii) of the Notes to the Accounts.

#### 8. Conservation of Energy & Technology Absorption

Additional information in terms of Section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, is attached as Annexure II.

#### 9. Consolidation of Accounts

The audited Consolidated Accounts and Cash Flow Statement, comprising of Siemens Ltd. and its subsidiary companies - Siemens Information Systems Ltd. and Siemens Nixdorf Information Systems Pvt. Ltd. and an associate company - Siemens Shared Services Pvt. Ltd., appear in this Report in the section `Siemens Group'. The Auditors' Report on the Consolidated Accounts is also attached. The Consolidated Accounts have been prepared in accordance with the Accounting Standards prescribed by the Institute of Chartered Accountants of India in this regard.

#### 10. Fixed Deposits

The Company discontinued its Fixed Deposit Scheme in March, 1997. A sum of Rs.567,000 relating to 56 deposits remained unclaimed as on 30<sup>th</sup> September, 2004, and no further claims have been received for refund of deposits since then. No interest is payable on such unclaimed deposits after the maturity date.

#### 11. Transfer to Investor Education and Protection Fund (IEPF)

Pursuant to the provisions of Sections 205A and 205C of the Companies Act, 1956, the amount of dividend and matured fixed deposits lying with the Company as unpaid or unclaimed for a period of seven years from the date they became due for payment, is required to be transferred to the IEPF set up by the Central Government. Accordingly, during the year ended on 30<sup>th</sup> September, 2004, the following sums were transferred to the IEPF:

Rs.523,785.22 in respect of divided for the year 1995-96; Rs.125,000 in respect of fixed deposits.

#### 12. Voluntary Delisting from certain Stock Exchanges

After obtaining the approval of the Members at the 46<sup>th</sup> Annual General Meeting held on 21<sup>st</sup> January, 2004, and in accordance with the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003, the Company made applications for permission for voluntary delisting of its Shares to The Calcutta Stock Exchange Association Limited (CSE), Madras Stock Exchange Ltd. (MSE) and The Delhi Stock Exchange Association Limited (DSE). The Shares have been delisted from DSE with effect from 31<sup>st</sup> March, 2004 and MSE with effect from 5<sup>th</sup> May, 2004. The approval from CSE is awaited.

Therefore, presently, the Company's Shares are listed on the following Exchanges:

- 1. The Stock Exchange, Mumbai
- 2. National Stock Exchange of India Ltd.
- 3. The Calcutta Stock Exchange Association Limited.

#### 13. Employees

The Board of Directors takes this opportunity to sincerely acknowledge the dedicated services and contribution of all the employees to the Company's excellent performance. Our industrial relations continue to be cordial.

During the year under review, 6 employees opted for voluntary retirement. The total number of permanent employees of the Company as on 30<sup>th</sup> September, 2004, was 4,094. (On 30<sup>th</sup> September, 2003: 3,811).

Information in accordance with the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, is attached as Annexure I.

# 14. Corporate Governance Report and General Shareholder Information

As required by the existing Clause 49 of the Listing Agreements entered into with the Stock Exchanges, a detailed report on Corporate Governance is attached as Annexure IV. The Company is in full compliance with the requirements and disclosures that have to be made in this regard. The Auditors' Certificate on compliance with Corporate Governance requirements by the Company is attached to the Report on Corporate Governance.

The Company is also in compliance with most of the requirements of the revised Clause 49 introduced by the Securities and Exchange Board of India with effect from 29<sup>th</sup> October, 2004. The Company will be fully compliant with the revised Clause 49 before the deadline of 31<sup>st</sup> March, 2005.

General Shareholder Information is attached as Annexure  $\mathsf{V}.$ 

#### 15. Health & Safety

The Company accords high priority to health, safety and environment. The Company has in place a Health & Safety

Policy for its factories and establishments and also a System for the management and control of pollutants, which address regulatory requirements. The Policy also encompasses appropriate preventive measures as regards safety and health and environment. The Company endeavors to ensure continuous compliance and improvements in this regard.

#### 16. Directors' Responsibility Statement

Pursuant to the provisions of Section 217 (2AA) of the Companies Act, 1956, the Directors confirm that, to the best of their knowledge and belief;

- in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- appropriate accounting policies have been selected and applied consistently, and such judgments and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 30<sup>th</sup> September, 2004, and of the profit of the Company for the year ended on 30<sup>th</sup> September, 2004;
- proper and sufficient care has been taken 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
- the annual accounts have been prepared on a going concern basis.

#### 17. Directors

With effect from 1<sup>st</sup> August, 2004, Mr. Deepak S. Parekh has been appointed as the Chairman of the Board of Directors in place of Dr. F. A. Mehta. Dr. Mehta was the Chairman of the Board of Directors for 16 years from 1988 to 2004. The Board of Directors places on record its deep and sincere gratitude and appreciation for the guidance, support and valuable contribution by Dr. Mehta as Chairman of the Board of Directors. Dr. Mehta, however, continues as a Director on the Board.

Mr. J. Schubert has been re-appointed as the Managing Director by the Board of Directors for a further period of three years with effect from 1st October, 2004.

Mr. D. C. Shroff, Mr. Y. H. Malegam and Mr. A. B. Nadkarni retire by rotation and, being eligible, offer themselves for re-appointment.

These re-appointments form part of the Notice of the 47<sup>th</sup> Annual General Meeting and the Resolutions are recommended for your approval.

Profiles of these Directors, as required by the existing Clause 49 VI A of the Listing Agreements entered into with the Stock Exchanges, are given in the Notice of the 47<sup>th</sup> Annual General Meeting.

# Directors' Report (continued)

#### 18. Auditors

BSR & Co. (name changed from Bharat S Raut & Co. with effect from 1<sup>st</sup> October, 2004), Chartered Accountants, retire as Statutory Auditors at the conclusion of the 47<sup>th</sup> Annual General Meeting and offer themselves for reappointment. A Certificate from them has been received to the effect that their re-appointment as Statutory Auditors, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

#### 19. Cost Auditors

The Central Government's Cost Audit Order dated 17<sup>th</sup> March, 1993, requires audit of Cost Accounting records of the Company for the product "Electric Motors", for every financial year. M/s. R. Nanabhoy & Co, Cost Accountants, Mumbai, conducted this audit for the financial year 2003-04.

#### 20. Acknowledgments

The Board of Directors takes this opportunity to express its sincere appreciation for the excellent support and cooperation received from Siemens AG, Germany - the parent company, shareholders, customers, suppliers, bankers and other business associates.

On behalf of the Board of Directors

Deepak S. Parekh Chairman

Mumbai Thursday, 25<sup>th</sup> November, 2004

Engineer

# Annexure I to the Directors' Report Particulars of Employees u/s 217(2A)

Information as per Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, as amended, and forming part of the Directors' Report for the year ended on 30th September, 2004.

A. Names of employees employed throughout the financial year and who were in receipt of remuneration for the year which, in the aggregate, was not less than Rs.2,400,000 in terms of Section 217(2A)(a)(i):

Name		Designation / Nature of ) duties	Gross Remuner- ation received (Rs.	Qualifications	Date of commecement of employment	Experience Last employment held		
						(Years)	Name of the Company	Designation
Gelis H.	45	Executive Director	4,328,042	BS Elect., BS/BA	01/12/00	28	Siemens Information & Communication Networks Inc., USA	Vice President - Corporate Audit
Nadkarni A. B.	57	Whole-time Director	4,703,068	BE (M), Dip.in Oper. Mgt.	26/06/73	31	-	_
Narula O. P.	64	Whole-time Director	4,243,442	B.Sc. Engg. (E)	01/09/62	42	=	-
Parulekar V. B.	55	Executive Vice President - Transportation System	2,853,339	BE (Electrical)	12/10/71	32	-	_
Rangarajan R.	49	Executive Vice President - Corporate Finance	2,402,120	BE (Hons), PGDM	27/09/99	27	Standard Chartered Bank	Asstt. Dir. & Head Corp.Fin.
Schubert J.	57	Managing Director	4,320,975	Dip Ing.	01/08/96	30	Siemens AG	Head of Building Automation Group & Airports Division
Singh Harminder	56	Whole-time Director	4,429,960	B.Sc. Engg. (E)	01/10/80	34	NTPC Ltd.	Asst Chief Engineer
B. Names of employe terms of Section 2		oyed for part of the financial ( )(ii):	year and who	were in receipt of re	muneration at a rate	which, in t	he aggregate, was not less	than Rs.200,000 p.m.
Banerjee Sangeeta (Ms.)	32	Manager - Engineering & Comm	244,878	BE (Electrical)	12/08/94	10	_	_
D'Souza F *	59	Chief Manager - Personnel	1,415,810	BA,PGDIR	12/06/78	31	De Nobili School	Vice Principal
Kishore Sunil	54	General Manager - Strategic Purchasing	733,330	BE (Electrical)	25/10/71	34	Central Scientific Instr. Orgn.	Trainee
Mallick Sourav	35	Manager - Marketing	199,103	BE (Electrical)	01/12/95	11	Greaves Ltd.	Marketing Engineer
Raman Narayan *	55	General Manager	1,963,658	BE (E&C)	01/10/00	35	=	=
Rana S.S *	56	Senior Manager - Customer Service	1,842,718	BE (Electrical), DEE	02/02/76	34	Milton Cyc Ind	Assistant Electrical Engg
Sahu Sudhir Kumar	38	Manager - Process Planning	225,077	BSc-Eng (M)	19/09/95	14	Crompton Greaves Ltd.	Senior Officer
Salelkar Prasad *	38	Senior Manager - Marketing	1,882,049	BE (Instrument)	01/11/88	17	Hindustan Antibiotics Ltd.	Management Trained
Viswanath.N	51	General Manager - Marketing	605,692	BE (Electrical)	01/09/77	27	Tata Consulting Engineers	Plant Betterment

- Notes:

  1. \* Early retirement

  2. All appointments are contractual. Other terms and conditions are as per the Rules of the Company.

  3. None of the above employees is / was related to any of the Directors of the Company.

  4. Gross Remuneration includes Salary, Allowances, Retirement compensation, where applicable, and Perquisites (valued as per Income Tax Rules) and Company's contribution to Provident and Pension Funds but excludes Gratuity provision.

Deepak S. Parekh Chairman

Mumbai

Thursday, 25th November, 2004

### Annexure II to the Directors' Report

# Conservation of Energy, etc. u/s 217(1)(e)

Additional information in terms of Section 217(1)(e) of the Companies Act, 1956, dealing with Conservation of Energy, Research & Development and Technology Absorption & Innovation.

#### Conservation of Energy

- a. Measures undertaken (implemented):
  - Better monitoring and control of lighting in the premises and office buildings by installing LOGO PLC and low watt – loss (high efficiency) chokes.
  - Adoption of Fresh Air induction method for precooling.
  - DG set swapped for better fuel efficiency.
  - Introduction of 5.5 Kw pump with VFD for pumping water.
  - · Reduction in compressed air leakages.
  - Elimination of 40 TR cooling tower.
  - Optimum use of filter pumps on wire and spark erosion machines
  - Use of tube lights in place of HPMV lamps.
  - Auto switching of the pump motor of Injection Moulding machines
  - Automatic power off for toilets and workmen's locker room.
  - In powder coating plant, variator gear box is replaced by efficient low electric loss drive.
- b. Impact of measures undertaken:
  - Lighting is improved.
  - Continuous monitoring of power factor results in substantial saving of electricity consumption.
  - Reduction in water consumption from 980 m<sup>3</sup> to 420 m<sup>3</sup> per day.

#### B) Research and Development (R&D)

- 1. Specific areas in which R&D was carried out:
  - Development of software based highly reliable and efficient Turbine Control Systems.
  - Development and adaptation of the Static Excitation Systems for Synchronous Generators in Grid-linked Power Plants.
  - Integration of latest I/O module series from Siemens AG.
  - Technology from Siemens AG for 245kV Circuit Breakers, was adapted, localisation & product modification completed to suit local needs including type testing as per the latest standards.
  - Development of Medium Voltage Switchgear (Vacuum Circuit Breaker and Switchboards) upto 40.5kV for both indoor and outdoor applications.
  - Development of a 200 KVA loco converter for the Indian Railways.
  - Introduction of a new value engineered 10 KA MCB to address the growing MCB market.
  - Introduction of indigenously developed automatic transfer switch for synchronized switching of generators.
  - Redesigned products Multimobil 5C & Multimobil 10 for 60Hz,110vac/230vac and obtained CE marking.
  - Redesigned Multix Ease to meet the requirement of Med CO-ID of Siemens AG.

- 2. Benefits derived as a result of the above R&D:
  - Market oriented, cost-effective products
  - Potential for exports and increased market share in local markets due to suitability of applications.
  - Modular and flexible approach at competitive cost and increased acceptability for all types of Turbine Control and related automation requirements in power plants.
  - State-of-the-art intelligent Static Excitation Control system to ensure stable operation and, thus, high availability despite complex and demanding operating parameters in modern grid-linked power plants.
- 3. Further plan of action:
  - Evolve fail-safe structures for plants with high safety requirements.
  - Integrate high diagnostics & high voltage proof input/ output modules into the current distributed control systems.
  - Performance to Price competitive product range for International market with continual interaction with Siemens AG R& D for more export volumes.
- 4. Expenditure on R&D:

a) Capital : Rs.3,500,000 b) Revenue : Rs.46,073,000

#### C) Technology Absorption & Innovation

- 1. Efforts undertaken:
  - Joint R&D project works with R&D and Quality units of Siemens AG and its subsidiaries.
  - Training of Indian R&D and Quality Teams in Siemens AG.
  - Integration of the universal operating systems into the real time control system.
  - Integration of versatile Control Interface and Communication platforms with the power plant control systems for increased operator comfort and increased information depth.
- 2. Benefits derived from the above:
  - Richer and more competitive product palette.
  - Comprehensive single window interface to the customer for maximizing gains from the customer investments.
  - Exposure to latest emerging control techniques.
- B. Imported Technology:
  - a) Technology imported : New Oil

Impregnation Plant for manufacture of Polydoros HT Transformers.

- b) Year of Import
- c) Has the technology been fully absorbed
- : Not applicable.

: 2004.

On behalf of the Board of Directors

Deepak S. Parekh

Chairman

Thursday, 25th November, 2004

# Annexure III to Directors' Report Management's Discussion and Analysis

#### **General Performance Review**

The economy witnessed a good GDP growth in 2003-04 at 8.2 %. However, the estimates for the current year are more sedate around the 6 - 6.5 % mark. This is primarily due to the monsoon effect and its subsequent uneven distribution across the country. However, these estimates are to be seen in light of the fact that the GDP growth in 2003-04 was on a lower base of the previous year. The growth in 2004-05 is being driven mainly by manufacturing which grew by 8.2 % between April and September as against 6.7 % in the same period in 2003-04. The growth in non-food credit is also reflective of this trend. Inflation, however, remains an area of concern on account of the volatility in crude oil prices. With a new Government assuming power at the Centre during the year, there were some apprehensions on the future of secondgeneration reforms, especially divestment of PSUs. The Government, however, has taken some bold moves in deciding to open up certain critical sectors like insurance, telecom and aviation.

Infrastructure is clearly one area where the previous Government's policy thrust is expected to continue. There is also a proposal to use a part of the burgeoning foreign exchange reserves to fund infrastructure. In the Infrastructure business, the Power Generation sector got a dual boost on account of the effects of the passage of the Electricity Act 2003 as well as the Government's ambitious "Power for all by 2012" Program which has led to the finalisation of several power generation schemes, particularly in the thermal and hydro sectors. The Central sector is practically shouldering the entire responsibility of



Improving the infrastructure and safety of the railways remains a top priority of the Government. Siemens Transport Systems division have established themselves in this area bagging key orders.

capacity addition with the State Electricity Boards (SEBs) continuing to be burdened by huge losses. However, major Indian private sector players have evinced keen interest in developing large capacities, particularly after the discovery of large gas reserves in the country. Another important project in the sector - Accelerated Power Development and Reforms Program (APDRP), led to large allocations, yet most of these remained unutilised due to non-finalisation of the mechanism for disbursement for the year.

Railways is another critical area where the Government is providing investment especially with improving infrastructure and safety. Disbursement from the Special Railway Safety Fund (SRSF), which was formed to improve safety of Indian Railways, has gathered momentum and is expected to continue in near future. This will give a boost to the signaling segment. The recent economic upturn in the industry will also help Railways improve their income. The Railway Transportation market in India has been stable. However, the financial constraints with Railways continues to dampen the growth of the Rolling Stock sector, except Mumbai Suburban, which is being funded by the World Bank.

Siemens was able to take advantage of this positive environment and its infrastructure businesses performed well. The Power Generation Division (PG) group saw a modest growth during the year on account of the Automation and the Service business. The Power Transmission and Distribution (PTD) business saw a major jump largely on account of the export performance in the High Voltage segment and also the domestic market. The Transportation Systems business saw a major jump in business volume with two major breakthrough orders for traction equipment.

The Index for Industrial Production (IIP) accelerated to 7.9% in April-September 2004, from 6.2 % a year ago. This was primarily on account of the strong manufacturing performance, which represents nearly three-fourths of the weight of the IIP. India is banking heavily on the industrial sector to achieve a 6-6.5 % growth during the current fiscal. This was reflected in the performance of sectors like machinery, steel, cement, automobile, pharmaceutical and infrastructure. Other sectors such as buildings, multiplexes, hotels and shopping malls also grew appreciably on the back of various Government concessions.

The continued modernization of India's public telecommunication infrastructure had a positive influence on the enterprise communications market. More reliable and economical bandwidth was made available to Indian enterprises nationwide. The growth, like in the previous fiscal, was concentrated in the lower and mid- market segment of the enterprise market. While few new large green field projects were executed in the last year, Indian

# Management's Discussion and Analysis (continued)

enterprises continued to invest in upgradation of their existing telecom infrastructure to take advantage of new public network capabilities and lower cost bandwidth.

The Indian healthcare market continued to show positive growth. This growth is testimony to the success of the combined efforts of Government, industry bodies and healthcare service providers to promote India as a "global healthcare destination". Increased investment by private players and entrepreneurs, especially in rural and semi-urban centers in providing quality healthcare gave a fillip to the sector.

The Information Technology sector continued to grow at a strong pace with the IT services segment also showing strong growth. Despite a relatively tough market environment, primarily on account of the outsourcing backlash, the industry has witnessed growth due to its intrinsic strengths. India continues to retain its attractive proposition as a cost-competitive global procurement source, especially for software and technical skills.

Siemens is today on a growth path and in the last year has announced a Rs.1 billion expansion plan to fund future investment needs as a first step. The company grew much faster than the market. The company has also undertaken an exercise to optimize costs and processes across group companies with the Shared Services initiative.

Further reviews on each of Siemens' businesses are given separately in the following paragraphs:

#### **Energy Segment**

#### Power Generation (PG)

In the last fiscal 2003-04, the growth in the power generation sector marginally picked up with just 4% (March base) growth in capacity addition over the previous year. Correspondingly, electricity generation grew by 4.5%, much below the targeted level to bridge the yawning gap between the demand and supply situation. However, in what may be seen as the first signs of pick-up, the new power generation projects finalized during 03-04 were approximately 9000 MW, thrice the capacity finalized during the previous year. This increase was driven by projects in thermal & hydro segments.

After adjusting for one-time effects on the orders and sales, the Power Generation (PG) Division's Order Value for the year 2003-04 increased by 80% and on a comparable basis the Turnover grew by 32%. In the year 02-03, the Division received a one-time gain of Rs. 256 million as per contractual terms against a cancelled order. After adjusting this extraordinary gain, the Division's profits for the year 03-04 nearly doubled. The Division's emphasis on services with increased local value addition has largely led to the jump in profitability.



The Power Generation division's emphasis on services with increased local value addition has led to a jump in our profitability.

The power plant automation market grew at nearly 10% but market prices remained subdued due to fierce competition. However, Siemens with its focused approach grew faster and increased its market share to 18% in this segment, facilitated primarily by the success in securing a significant order volume through its new innovative products.

The Division received breakthrough orders from NTPC and GEB for the revamp of the generator excitation systems. Among the Division's significant achievements was completing the overhaul of the TATA's 500MW Trombay Unit-5 within a record time of 26 days. It also completed replacement of MSEB's existing control system within a tight schedule. PG's Automation group achieved its largest-ever export order volume of over Rs. 100 million.

During the year 2003-04, the compressor business of Siemens Demag Delaval Turbomachinery was integrated into Siemens Ltd. The unit's success includes bagging a Euro 20 million order for Siemens AG from Reliance's PTA project at Hazira. During the year 2003-04, PG's automation service business achieved several breakthroughs with the launch of new initiatives to provide comprehensive life-long service to customers.

**Outlook:** With the renewed interest among Indian and foreign promoters in new generation projects following the discovery of large gas finds in the country and the recovery in the utility segment, the PG Division expects growth in new projects during the current fiscal 2004-05. Growth is also expected in the R&M market segment due to fiscal support from the Power Finance Corporation (PFC). PG is gearing itself to take advantage of this growth momentum. The newly merged Compressor business sees opportunities in the projects whose finalisation was delayed in the year 2003-04.

#### Power Transmission and Distribution (PTD)

During the year 2003-04, the Transmission & Distribution (T&D) sector continued to receive the highest attention of the Government and a trend of joint ventures in Transmission has emerged. The National Grid capacity has been enhanced to facilitate transfer of more and more of power from surplus regions. The passage of Electricity Act, 2003 had a positive impact, though slow in terms of business growth. With Open Access permitted, many players entered the emerging Power trading segment. While investments through Accelerated Power Development and Reforms Program (APDRP) led to larger government allocation, most funds were not fully utilized. However, APDRP had a reasonable influence on the Medium Voltage and Energy Management segments.

During the year 2003-04, the Power Transmission & Distribution Division (PTD) of Siemens Ltd. witnessed a massive 155% rise in new orders and a 43% increase in sales. The profits of the division increased by 39% over the year 2002-03. This performance has primarily been on account of higher exports in the High Voltage segment, as well as successes in the domestic market.

Export orders from Qatar and Bangladesh, constituted a significant proportion of PTD's total order value. The Division secured a large order for high-voltage turnkey solutions from Qatar Water & Electricity Board and yet another major order for the expansion of the Qatar Airport. Another significant order was from Bangladesh Power Development Board for 33/11 kV substations. Its major orders in India include large orders from Powergrid for a thyrister-controlled series compensation (TCSC) technology-based system stability systems and for Transmission in Bihar, in addition to a huge order from Reliance Energy.

During the year 2003-04, PTD introduced several new products that supported it's offerings. In the High Voltage area, it launched the indigenously manufactured 245 kV



Our indigenously manufactured 245kV High Voltage circuit breaker has found wide acceptance in market.

high voltage circuit breakers produced at Aurangabad. In Power Automation, a new Substation Automation solution with a new communication standard was introduced. A new 11kV air-insulated switchgear, launched in Feb 2004, has already bagged numerous orders. In Medium Voltage, the "inert gas" version of Outdoor Vacuum Circuit Breaker was also introduced in the last year.

Among major achievements for the Division, its Gurgaon center has been recognized as a Competence Center for high-voltage turnkey solutions. The Aurangabad Works was identified as a major supply hub for global markets. In Energy Management, the Division has set up a Global 'Project Delivery Center' for Siemens AG in Mumbai, which is now fully operative.

Outlook: With the Government aiming to increase interregional capacity to 30,000 MW through National Grid by the year 2012, coupled with the permitted entry of the private sector in the Transmission segment, greater investments are expected both from the public & private sectors in the T&D sector. As the number of planned generation projects increase, they will in turn entail addition / enhancement in the transmission sector and corresponding expansion / improvement in the distribution sector. This offers greater opportunities for the High Voltage, Power Automation, Medium Voltage and Energy Management segments. Power Grid's announcements of new investments will boost demand for High voltage, Protection and Substation Automation businesses. Exports, specially to the Middle East, are expected to bring in additional volumes.

#### **Industry Segment**

#### Automation and Drives (A&D)

The Industry segment showed a robust growth of 15% during 2003-04 as against a marginal growth of 4.5% during the previous year. This was largely due to the favorable economic climate, which led to an overall improvement of the business situation primarily in the machinery, steel, cement, automobile, pharmaceutical and infrastructure sectors. The surge in demand, specially in the locally produced switchgear and motor products led to better price realisations, despite intense competition. However, there were pricing pressures primarily for imported products.

The Automation & Drives (A&D) business far outpaced the industry growth gaining market share in basically all its business segments. Its order value and turnover position improved by nearly 38% and 36% respectively compared to the previous fiscal. However, the appreciation of the Euro against the Rupee put pressure on margins and bottomline. Despite this, the Division substantially improved its bottom-line over the previous year.

# Management's Discussion and Analysis (continued)



Our wide range of drives have found acceptance in large industries including automotive sector.

This superior performance was a result of several factors. The factory output was enhanced through outsourcing and process and productivity improvements. The Division's initiatives to grow volumes through the dealer network and OEMs yielded business growth. Strong growth was particularly witnessed in the switchgear products, panels, industrial motors, automation and machine tool business segments, driven both by capacity expansions as also R&M drive in industry to meet demand increases.

During the last year, A&D introduced its new range of drives for a large variety of ratings and applications, as also motion control modules in automation business were launched. The Division's Nashik factory is currently developing a new range of traction inverters for EMUs, as well as auxiliary inverters for Locomotives, jointly with Siemens AG. In the area of service, the division has strengthened its organization to provide wider coverage through out India.

The Division received several breakthrough orders in the automobile sector during the year. It successfully executed orders worth Rs.465 million for windmill generators from Suzlon Energy Ltd. & Vestas RRB Ltd. Other significant order wins include from Alstom for Hindalco (Large drives), Birla Copper (asynchronous motor for fan application), Shalina Laboratories and Asian Paints (for Process Automation systems).

**Outlook**: The current positive industrial growth trends are likely to continue during the current fiscal. A&D plans to maintain its growth momentum through increased focus on its channel network and directly to OEMs and end-users in some key segments. In order to meet the increased demand for products, major investments are planned during the year primarily into setting up of a traction motors plant, replacement/upgrade of manufacturing equipment and new product developments.

#### Industrial Solutions & Services (I&S)

The robust GDP growth in 2003-04, combined with a positive investment climate, gave a kick-start to industrial investments. The cyclical upswing in the metals sector, which began towards the end of the previous fiscal driven by high global prices and continued demand from China continued in the last fiscal. The capital goods industry benefited from all these factors. Consequently, large players in the metals sector have announced major capacity expansion plans. The market in which Industrial Solutions & Services (I&S) Division operates has been growing at a CAGR of 15% over a period of three-four years.

The Industrial Solutions and Services (I&S) Division has been steadily increasing its market share over the last two years, and has maintained its leadership in the metals and mining segment. In the last year, the Division's order value witnessed a 43% growth while the turnover saw a big jump of 52% over the previous year. A substantial reduction in working capital could also be achieved, which helped profits increase substantially.

In the last year, the I&S Division booked some major orders including orders worth Rs.500 million for Balco in Korba, Chhattisgarh. These orders were in addition to the Rs.300 million one it received towards the end of the last fiscal. Other major orders included a Rs.170 million order for HT and LT Power Distribution at Hindustan Zinc, from Moser Baer India (Rs.150 million) and for turnkey power distribution package for ST Microelectronics (Rs.132 million).

The Division achieved some significant breakthroughs in export markets in the last year. It received a USD 1.6 million order from Leighton Engineers, Singapore for the supply, installation and commissioning of a 132kV Outdoor switchyard for a 103 MW Diesel Power Plant project of ACE, Sri Lanka. Other significant export orders bagged included supplying the entire electrical equipment for a cement



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plant from Dangote Group in Nigeria (valued at Rs.300 million) and from Shalina Laboratories for a mineral processing plant in Congo. I&S successfully commissioned and handed over a prestigious export project for Union Steel China, an order worth Rs.320 million received in FY03 from Flat Products Ltd.

Outlook: The positive investment climate and buoyant metals market as witnessed in the last fiscal is likely to continue in the current year. The Division's traditional segment of Mining is also expected to see significant investments. The government's thrust on developing infrastructure, particularly the highways development project provides avenues for business advancement for the division. Once the long-awaited financial closure of the international airport project at Bangalore takes place, this will boost the division's order position substantially. The proposed airport privatization projects should provide an additional thrust to the division's business during the year.

#### Siemens Building Technologies (SBT)

The building and construction market grew by 14% with major expansions in the Hotels, Pharma and commercial complexes and Shopping Mall segments. Satellite cities too have seen a growth, particularly in Hotels and Hospitals. Growth in IT enabled services and call centers created a demand for office spaces. The housing sector too grew well with the working class having higher disposable income, being invested toward property acquisitions. Several industries went in for modernization including fire and security systems. New international players also entered the market through distributors. These developments presented interesting opportunities for SBT, which was integrated into Siemens Ltd. during the last year.

The positive market trends supported SBT's performance, which witnessed a substantive jump in order value of 82% in 2003-04 over the previous fiscal and a 77% increase in turnover. This performance was achieved on account of



An artist's view of India's largest Exposition Mall at New Delhi which will be provided with Siemens' Integrated Builiding Management System.

better logistics, order execution and response time in the participated market. The Division was chosen as preferred supplier by a number of new companies over competition.

In the last year, the Division's business volume grew much faster than the market growth rate, which further consolidated its position. This increase was supported by above-average growth rates in the newer segments of Fire Safety (FS) and Heating, Ventilation & Air Conditioning (HVAC) products. The Division's renewed regional organization focused on products and solutions supported its acquisition efforts leading to growth. Drawing upon the synergies and working with the other business groups of Siemens, saw the Division make further inroads into new territories and customer segments.

Among the major order received during the last fiscal was a large order from India Exposition Mart Ltd for an Integrated Building Management System. The other major orders booked included an order for security systems from Coca Cola and from Wipro for a Fire Detection and Protection System. The Coca Cola project was successfully commissioned in August 2004.

Outlook: The growth momentum in the building segment is expected to sustain during the current fiscal, with greater investments in the commercial complexes, multiplexes, software parks, hospitals, hotels as well as amusement parks. The heightened awareness for better security systems and tightened regulations for fire safety provides opportunities for SBT. The Division is looking at broadbasing its offerings spectrum covering the low-end fire alarm market to high-end building automation system. Overall, the growth in the building and construction segments will give rise to wider growth opportunities for SBT.

#### **Communications Segment**

#### **Enterprise Networks and Mobile Phones**

The enterprise network market witnessed a healthy 16% growth, buoyed by continued modernization of India's public telecom infrastructure. The lower and mid-market segments grew faster, supported by strong growth in the replacement market, as well as opportunities offered in the non-metros. The availability of more reliable and economical bandwidth also contributed to the overall positive trends. Indian enterprises continued their investment in upgrading their telecom infrastructure in order to improve operational efficiencies and control costs. Some sectors like Defense invested in expansion of their IT and telecom infrastructure. The mobile phone market too has grown fast, with several newer players entering in the extremely highly competitive market.

Siemens Communications Enterprise Networks (Com EN) Division is the only direct provider of communication

# Management's Discussion and Analysis (continued)



Expansion in the hotel segment led to a higher opportunity and business growth for the Enterprise Networks Division.

solutions and services for the entire spectrum of the enterprise market today. It gained substantial market share and further augmented its leadership position with both top line and bottom line growth. The Division registered a substantial 50% growth in combined orders including direct imports. Similarly combined sales grew by 28% and profits grew by 23% over the previous year. Major contributors to this substantial growth were factors like expansion of existing market segments, tapping new markets and launch of new products and services. With continued focus on liquidation of old debts and streamlining inventories, the Division's asset position was greatly improved.

Among the Division's major order wins were from the Defense sector for ASCON Phase III project involving the supply and installation of 80 HiPath 4000s, from IBM for supply and multi-location installation of HiPath 4000s and from ONGC, Mumbai and Dehradun for network supply and installation of 21 HiPath 4000s.

In the last fiscal, the EN Division installed the first HiPath 4000 in Nepal and received new orders in Kabul, Afghanistan. The Division also introduced new products like ProCenter Agile Call Center Solution and Cellular Gateway products. It also formed an alliance with Aethra Telecomunicazioni of Italy to introduce affordable high performance range of video and audio conferencing solutions for home, SOHO and large enterprise segments in India.

**Outlook:** With advanced enterprise communication solutions, the Division will continue to serve customers who want to upgrade their existing infrastructure and improve operational efficiencies. It plans to enhance focus on further expanding its sales and service network into newer geographic regions. At the same time, the Division will continue to introduce a number of highly innovative products and solutions in the area of call centers, cordless mobility and convergent voice, data and video communications. Additionally, EN plans major drive in the SOHO and mid-market segment with its new highly

affordable HiPath 1100 family of digital PBX/KTS system. In mobile phones, we have always been a niche player. Our strategy is evolving and we are actively assessing the needs of this business as we move forward.

#### **Healthcare Segment**

#### **Medical Solutions**

The Indian healthcare market continued to be positive with annual growth rate of 10%. In an effort to promote India as a "global healthcare destination", the Government, industry bodies and healthcare providers combined efforts to give a fillip to this emerging market. There was an increase in investment by private players and entrepreneurs, especially in rural and semi-urban centers. While cardiology and oncology segments continue to be growth drivers, newer technologies like PET/CT, Cardiac CT are also fuelling the growth.

During the last year, the Medical Division's combined order value, including direct imports, registered an increase of nearly 20%, while the turnover decreased marginally compared to the previous fiscal due to delays in projects. Margins were under tremendous pressure mainly due to the highly competitive situation. However, the Division's sustained efforts and initiatives resulted in cost savings and working capital reduction, thereby contributing to the improvement in its results over the previous year.

The Division improved its leadership position in most highend products like Cathlabs, MRI, CT and PET/CT through the launch of new products. Among the Medical Division's major successes is the supply and installation of world's fastest and Asia's first Somatom Sensation 64 Cardiac CT Scanner at Dr. Jankharia's Imaging Center in Mumbai and country's first Biograph 16 PET/CT at the Apollo Gleneagles. These products have set new benchmarks in the areas of Preventive Cardiology and Oncology imaging. The Division won another USD 3 million order from Sahyadri Hospital,



SOMATOM Sensation 64 - the world's fastest cardiac CT Scanner recently installed in Mumbai.

# Annexure III to Directors' Report Management's Discussion and Analysis

#### **General Performance Review**

The economy witnessed a good GDP growth in 2003-04 at 8.2 %. However, the estimates for the current year are more sedate around the 6 - 6.5 % mark. This is primarily due to the monsoon effect and its subsequent uneven distribution across the country. However, these estimates are to be seen in light of the fact that the GDP growth in 2003-04 was on a lower base of the previous year. The growth in 2004-05 is being driven mainly by manufacturing which grew by 8.2 % between April and September as against 6.7 % in the same period in 2003-04. The growth in non-food credit is also reflective of this trend. Inflation, however, remains an area of concern on account of the volatility in crude oil prices. With a new Government assuming power at the Centre during the year, there were some apprehensions on the future of secondgeneration reforms, especially divestment of PSUs. The Government, however, has taken some bold moves in deciding to open up certain critical sectors like insurance, telecom and aviation.

Infrastructure is clearly one area where the previous Government's policy thrust is expected to continue. There is also a proposal to use a part of the burgeoning foreign exchange reserves to fund infrastructure. In the Infrastructure business, the Power Generation sector got a dual boost on account of the effects of the passage of the Electricity Act 2003 as well as the Government's ambitious "Power for all by 2012" Program which has led to the finalisation of several power generation schemes, particularly in the thermal and hydro sectors. The Central sector is practically shouldering the entire responsibility of



Improving the infrastructure and safety of the railways remains a top priority of the Government. Siemens Transport Systems division have established themselves in this area bagging key orders.

capacity addition with the State Electricity Boards (SEBs) continuing to be burdened by huge losses. However, major Indian private sector players have evinced keen interest in developing large capacities, particularly after the discovery of large gas reserves in the country. Another important project in the sector - Accelerated Power Development and Reforms Program (APDRP), led to large allocations, yet most of these remained unutilised due to non-finalisation of the mechanism for disbursement for the year.

Railways is another critical area where the Government is providing investment especially with improving infrastructure and safety. Disbursement from the Special Railway Safety Fund (SRSF), which was formed to improve safety of Indian Railways, has gathered momentum and is expected to continue in near future. This will give a boost to the signaling segment. The recent economic upturn in the industry will also help Railways improve their income. The Railway Transportation market in India has been stable. However, the financial constraints with Railways continues to dampen the growth of the Rolling Stock sector, except Mumbai Suburban, which is being funded by the World Bank.

Siemens was able to take advantage of this positive environment and its infrastructure businesses performed well. The Power Generation Division (PG) group saw a modest growth during the year on account of the Automation and the Service business. The Power Transmission and Distribution (PTD) business saw a major jump largely on account of the export performance in the High Voltage segment and also the domestic market. The Transportation Systems business saw a major jump in business volume with two major breakthrough orders for traction equipment.

The Index for Industrial Production (IIP) accelerated to 7.9% in April-September 2004, from 6.2 % a year ago. This was primarily on account of the strong manufacturing performance, which represents nearly three-fourths of the weight of the IIP. India is banking heavily on the industrial sector to achieve a 6-6.5 % growth during the current fiscal. This was reflected in the performance of sectors like machinery, steel, cement, automobile, pharmaceutical and infrastructure. Other sectors such as buildings, multiplexes, hotels and shopping malls also grew appreciably on the back of various Government concessions.

The continued modernization of India's public telecommunication infrastructure had a positive influence on the enterprise communications market. More reliable and economical bandwidth was made available to Indian enterprises nationwide. The growth, like in the previous fiscal, was concentrated in the lower and mid- market segment of the enterprise market. While few new large green field projects were executed in the last year, Indian

# Management's Discussion and Analysis (continued)

enterprises continued to invest in upgradation of their existing telecom infrastructure to take advantage of new public network capabilities and lower cost bandwidth.

The Indian healthcare market continued to show positive growth. This growth is testimony to the success of the combined efforts of Government, industry bodies and healthcare service providers to promote India as a "global healthcare destination". Increased investment by private players and entrepreneurs, especially in rural and semi-urban centers in providing quality healthcare gave a fillip to the sector.

The Information Technology sector continued to grow at a strong pace with the IT services segment also showing strong growth. Despite a relatively tough market environment, primarily on account of the outsourcing backlash, the industry has witnessed growth due to its intrinsic strengths. India continues to retain its attractive proposition as a cost-competitive global procurement source, especially for software and technical skills.

Siemens is today on a growth path and in the last year has announced a Rs.1 billion expansion plan to fund future investment needs as a first step. The company grew much faster than the market. The company has also undertaken an exercise to optimize costs and processes across group companies with the Shared Services initiative.

Further reviews on each of Siemens' businesses are given separately in the following paragraphs:

#### **Energy Segment**

#### Power Generation (PG)

In the last fiscal 2003-04, the growth in the power generation sector marginally picked up with just 4% (March base) growth in capacity addition over the previous year. Correspondingly, electricity generation grew by 4.5%, much below the targeted level to bridge the yawning gap between the demand and supply situation. However, in what may be seen as the first signs of pick-up, the new power generation projects finalized during 03-04 were approximately 9000 MW, thrice the capacity finalized during the previous year. This increase was driven by projects in thermal & hydro segments.

After adjusting for one-time effects on the orders and sales, the Power Generation (PG) Division's Order Value for the year 2003-04 increased by 80% and on a comparable basis the Turnover grew by 32%. In the year 02-03, the Division received a one-time gain of Rs. 256 million as per contractual terms against a cancelled order. After adjusting this extraordinary gain, the Division's profits for the year 03-04 nearly doubled. The Division's emphasis on services with increased local value addition has largely led to the jump in profitability.



The Power Generation division's emphasis on services with increased local value addition has led to a jump in our profitability.

The power plant automation market grew at nearly 10% but market prices remained subdued due to fierce competition. However, Siemens with its focused approach grew faster and increased its market share to 18% in this segment, facilitated primarily by the success in securing a significant order volume through its new innovative products.

The Division received breakthrough orders from NTPC and GEB for the revamp of the generator excitation systems. Among the Division's significant achievements was completing the overhaul of the TATA's 500MW Trombay Unit-5 within a record time of 26 days. It also completed replacement of MSEB's existing control system within a tight schedule. PG's Automation group achieved its largest-ever export order volume of over Rs. 100 million.

During the year 2003-04, the compressor business of Siemens Demag Delaval Turbomachinery was integrated into Siemens Ltd. The unit's success includes bagging a Euro 20 million order for Siemens AG from Reliance's PTA project at Hazira. During the year 2003-04, PG's automation service business achieved several breakthroughs with the launch of new initiatives to provide comprehensive life-long service to customers.

**Outlook:** With the renewed interest among Indian and foreign promoters in new generation projects following the discovery of large gas finds in the country and the recovery in the utility segment, the PG Division expects growth in new projects during the current fiscal 2004-05. Growth is also expected in the R&M market segment due to fiscal support from the Power Finance Corporation (PFC). PG is gearing itself to take advantage of this growth momentum. The newly merged Compressor business sees opportunities in the projects whose finalisation was delayed in the year 2003-04.

#### Power Transmission and Distribution (PTD)

During the year 2003-04, the Transmission & Distribution (T&D) sector continued to receive the highest attention of the Government and a trend of joint ventures in Transmission has emerged. The National Grid capacity has been enhanced to facilitate transfer of more and more of power from surplus regions. The passage of Electricity Act, 2003 had a positive impact, though slow in terms of business growth. With Open Access permitted, many players entered the emerging Power trading segment. While investments through Accelerated Power Development and Reforms Program (APDRP) led to larger government allocation, most funds were not fully utilized. However, APDRP had a reasonable influence on the Medium Voltage and Energy Management segments.

During the year 2003-04, the Power Transmission & Distribution Division (PTD) of Siemens Ltd. witnessed a massive 155% rise in new orders and a 43% increase in sales. The profits of the division increased by 39% over the year 2002-03. This performance has primarily been on account of higher exports in the High Voltage segment, as well as successes in the domestic market.

Export orders from Qatar and Bangladesh, constituted a significant proportion of PTD's total order value. The Division secured a large order for high-voltage turnkey solutions from Qatar Water & Electricity Board and yet another major order for the expansion of the Qatar Airport. Another significant order was from Bangladesh Power Development Board for 33/11 kV substations. Its major orders in India include large orders from Powergrid for a thyrister-controlled series compensation (TCSC) technology-based system stability systems and for Transmission in Bihar, in addition to a huge order from Reliance Energy.

During the year 2003-04, PTD introduced several new products that supported it's offerings. In the High Voltage area, it launched the indigenously manufactured 245 kV



Our indigenously manufactured 245kV High Voltage circuit breaker has found wide acceptance in market.

high voltage circuit breakers produced at Aurangabad. In Power Automation, a new Substation Automation solution with a new communication standard was introduced. A new 11kV air-insulated switchgear, launched in Feb 2004, has already bagged numerous orders. In Medium Voltage, the "inert gas" version of Outdoor Vacuum Circuit Breaker was also introduced in the last year.

Among major achievements for the Division, its Gurgaon center has been recognized as a Competence Center for high-voltage turnkey solutions. The Aurangabad Works was identified as a major supply hub for global markets. In Energy Management, the Division has set up a Global 'Project Delivery Center' for Siemens AG in Mumbai, which is now fully operative.

Outlook: With the Government aiming to increase interregional capacity to 30,000 MW through National Grid by the year 2012, coupled with the permitted entry of the private sector in the Transmission segment, greater investments are expected both from the public & private sectors in the T&D sector. As the number of planned generation projects increase, they will in turn entail addition / enhancement in the transmission sector and corresponding expansion / improvement in the distribution sector. This offers greater opportunities for the High Voltage, Power Automation, Medium Voltage and Energy Management segments. Power Grid's announcements of new investments will boost demand for High voltage, Protection and Substation Automation businesses. Exports, specially to the Middle East, are expected to bring in additional volumes.

#### **Industry Segment**

#### Automation and Drives (A&D)

The Industry segment showed a robust growth of 15% during 2003-04 as against a marginal growth of 4.5% during the previous year. This was largely due to the favorable economic climate, which led to an overall improvement of the business situation primarily in the machinery, steel, cement, automobile, pharmaceutical and infrastructure sectors. The surge in demand, specially in the locally produced switchgear and motor products led to better price realisations, despite intense competition. However, there were pricing pressures primarily for imported products.

The Automation & Drives (A&D) business far outpaced the industry growth gaining market share in basically all its business segments. Its order value and turnover position improved by nearly 38% and 36% respectively compared to the previous fiscal. However, the appreciation of the Euro against the Rupee put pressure on margins and bottomline. Despite this, the Division substantially improved its bottom-line over the previous year.

# Management's Discussion and Analysis (continued)



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Pune as a sole supplier for its complete requirements of imaging, PACS, IT infrastructure, etc.

Amongst the significant achievements of the Division was the recognition of Goa Works as the 'Global Competency Center' for mobile X-rays generators and as the 'Global Production Center' for the Polydoros range of X-ray generators. The Division also invested Rs.5.6 million in a new Oil Impregnation Plant at Goa Works to manufacture Polydoros IT Transformers. During the fiscal 2003-04, the exports at Goa Works rose to Rs.85 million.

**Outlook**: The growth prospects for the healthcare market continue to look positive. The Medical Division is confident of maintaining and gaining market share in all critical segments with a focused strategy of increasing direct and indirect market coverage, appointment of regional product specialists and introduction of new customer initiatives in sales, service and project management. Further, the Division will continue to launch innovative products in the Indian market, while exports from its Goa factory to Siemens AG is slated to increase.

# Transportation Segment

# **Transportation Systems**

Improving the overall safety of the railways infrastructure remained a top priority of the Government for which purpose the Special Railway Safety Fund (SRSF) was instituted for funding safety projects. With nearly 30% of India's population living in urban areas, transport is one of the key most important elements in urban infrastructure development. Delhi's mass transit system, as well as the World bank-financed Mumbai Rail Vikas Corporation (MRVC) project which has already commenced operation, will help to ease these cities rail traffic situation. Additionally, the introduction of three-phase technology on trains and locomotives provided a quantum growth to the railways market.

Taking advantage of this upturn, the Transportation Systems (TS) Division has established itself as the number one player in the market. The breakthroughs achieved in new business segments, namely traction systems, resulted in a quantum growth in orders received. The order value grew nearly three-fold over the previous fiscal, while turnover grew by 19%. The division posted a healthy bottom-line and has made investments to support the growth plans. This therefore led to marginal decline in profits as compared to the previous year.

The TS Division's major achievements include bagging of some large orders. This includes an order for supply of three-phase Traction Equipment for Mumbai Suburban railways (valued at Rs.5.2 billion) and for Diesel Electric Locomotives (Rs.2.3 billion). The Division also secured orders for supply of Auxiliary Power Supply equipment for



The relay cabin at Bandra Station in Mumbai where Siemens has recently commissioned the interlocking project.

Passenger Coaches (Rs.102 million order) and Electric Locomotives (Rs.66 million). TS's continuous quality improvement and faith demonstrated by customers in the reliability of its products contributed to these successes.

Other significant highlights included the successful commissioning of a large number of interlocking projects at Ludhiana, Vasai, Bandra, Secunderabad, Howrah, etc. The Division also introduced Digital Axle Counters; new Inverters for Electric Locomotives and microprocessor based control system for Diesel Locomotives. It also further strengthened its service network by adding new service locations and maintenance services for inverters and diesel locomotives.

Outlook: MRVC's continued emphasis on improving Mumbai's suburban rail infrastructure brings new prospects for the Division. While continued investment on safety projects through SRSF will benefit the Division's signaling systems, the financial constraints on rolling stock upgradation and new projects is a major area of concern. The Division plans to consolidate its breakthroughs in the traction segment with more emphasis on products and services. New investments are planned in manufacturing as well as for upgrading the engineering infrastructure. Additionally, as part of technology upgrade, the Division will introduce new products in the signaling and traction segment. Continued focus on quality, productivity improvement and asset management will provide a competitive advantage although margins are likely to remain under pressure due to competitive forces.

# Information Technology Segment

# Siemens Information Systems Limited

The Indian IT Industry achieved an overall growth of 22% over 2002-03, with the IT services segment registering 16%

# Management's Discussion and Analysis (continued)

growth. At the same time, some industry leaders like Wipro and Infosys grew at over 40%. Despite a relatively tough market environment, the industry has witnessed growth due to its intrinsic strengths. India continues to retain its attractive proposition as a cost-competitive global procurement source, especially for software and technical skills

During the year, Siemens Information Systems Ltd (SISL) witnessed all round growth above the industry average. While sales turnover increased by 59% and profits by 51%, the new order intake increased by a massive 86% compared to the previous year.

One of the important strategies adopted by SISL during the year was redefining its Business Model, which categorized its business acquisition into the three segments: "For Siemens", "With Siemens" and "Third Party", which is primarily domestic business. This was in line with its global status as the most preferred partner of Siemens AG (SAG) for software development. SISL fully capitalized on this opportunity, increased synergies with business units for clear definition of portfolio elements and won several orders from Siemens business divisions globally. The strategy made SISL's business development activities more focused. SISL also continued with its earlier stated strategy of having a substantial portion of its revenues (15%) from the domestic market.

SISL combines its domain expertise across various segments and creates its own solutions. During the year, it expanded its presence in segments like media, healthcare, telecom, biometrics and insurance in addition to consolidating its SAP implementation business. In the domestic market, SISL continued to be a market leader in the SAP ERP segment. It won an order from Bharat Sanchar Nigam Ltd (BSNL), Gujarat circle for the sale and implementation of SAP R/3,



SISL has an ongoing partnership with Siemens AG for developing software for major businesses like healthcare, telecom etc.

its single largest order ever in the domestic market. Another significant win in SAP implementation was John Keells Holdings in Sri Lanka - the first foray for the SAP Group in the neighboring Sri Lankan market. Among other major orders won by SISL was its largest telecom solution order - a project in the Middle East for implementation of Inter-Connect Billing and Mediation solutions.

While partnership on software development continued with various SAG divisions like MED, A&D, SV, PTD, TS and I&S, Offshore Development Centers (ODC) were set-up for PTD and A&D Divisions of Siemens AG. Platform Development projects for SBT and A&D Divisions were also embarked upon during the year. The year also saw, Siemens Medical Solutions, further consolidate its relationship with SISL for developing its Soarian family of products.

Outlook: In continuation with last year's trend, SISL foresees a higher than market growth rate in the current year. To achieve this, the Company intends to focus on its redefined business model wherein it will be selective in customer acquisition in the "Third Party" segment. In the "For Siemens" segment maximum potential seems to lie with the new COM Division of Siemens AG, while the way forward for limitless growth lies in the "With Siemens" category. The investment in a new center is being set up at Bangalore will add 700-800 new work places. SISL also plans to expand its operations in Chennai, Kolkata and Delhi. SISL will undertake more high-end research-oriented activities in collaboration with Siemens AG's Corporate Technology, at its new center at Bangalore.

# **Real Estate Segment**

# Siemens Real Estate (SRE)

The Siemens Real Estate (SRE) Division was formed in October 2000 to optimally utilize all Siemens property across the country and lease out vacant premises. It also handles the Facility Management Services for all locations across India and continually upgrades them at competitive prices.

During the last fiscal, it successfully implemented several projects across the country including building a 300-car circular Car Park, a new canteen and cafeteria and upgrading Telephone Infrastructure at Mumbai Head office, upgrading the software development facility at Worli, Mumbai and installing a diesel-generator set at Gurgaon. All these new projects accounted for new investment of Rs.237 million.

# Internal control systems and their adequacy

Siemens Ltd. has adequate internal control systems that foster reliable financial reporting, safeguard assets, encourage adherence to management policies as well as international agreements and conventions as far as they are applicable and promote ethical conduct.



The new canteen and conference hall building with the 7-storey parking lot behind it.

Siemens Ltd. has appointed an audit committee, which regularly reviews, with management, external and internal auditors, the adequacy of internal control systems. The company has an independent Internal Audit department reporting to the Executive Director. The Internal Audit is responsible for conducting internal audits of the company as well as its group & subsidiary companies in India. The audits are planned and covered systematically within the framework of an Audit Charter set by the parent company.

Besides the normal audits conducted to ensure adequate reliability of internal controls & financial reporting, Internal Audit conducts risk based process and operational audits and information security audits to ensure compliance with internal guidelines & procedures as well as international agreements & conventions as far as they are applicable to the company and identify areas of improvements and risk exposures.

All audit findings are reported in a structured manner with suggestions and recommendations agreed by the audited department with the implementation responsibilities & time plans. The reports are discussed with and monitored by the Corporate Management. The implementation is monitored through follow-up audit conducted after a reasonable period of time.

Integrity guides our conduct towards our business partners, colleagues, shareholders and the general public. The corporate philosophy constitutes the foundation of the Business Conduct Guidelines, which have been adopted for the employees from the current year.

# Quality

During the last fiscal year, all business divisions of the company successfully migrated to ISO 9000-2000 version. In November 2003, the Corporate Quality group introduced a significant initiative, named 'Kalpana Suggestion Scheme' as a forum for bringing people together and growing their

ideas through competition and collaboration. The scheme runs across the country in 17 constituencies and 13 Divisions & Corporate departments. This ensures a healthy competitive spirit at both, Divisional as well as Regional level. By the end of FY 03/04, Kalpana received 1194 suggestions, bringing benefits worth Rs.14 million to Siemens Ltd.

During the next fiscal, a Quality Management System based on the globally benchmarked best Quality Management principles of Siemens Management System (SMS) of Siemens AG will be rolled out by Siemens Ltd. The benefits expected are accelerated process and resource improvement by adopting globally tried and tested contemporary work practices.

# Safety and Environment

Siemens Ltd. has always endeavored to have world-class Safety, Health & Environment management systems through a three-pronged strategy viz, Education, Engineering and Enforcement. During the last year, Siemens Ltd. successfully carried out projects aimed at reducing water consumption, saving power and eliminating occupational hazards.

The significant achievement of the Occupational Safety and Environment (OSE) group was recurring savings of Rs.4 million per year by achieving over 50% reduction in water consumption at Kalwa Works. Other significant activities were improvement in ventilation at factories, installation of Alkali Scrubber to control air pollution in the Switchboard factory, installation of Fire Detection System at Kalwa Works and installation of Photoelectric Guard in Power Presses. The group also accomplished improvement in Personnel Protective Equipment by introducing light-weight and broad-toe safety shoes, as per European standards.

The OSE group also conducted 46 safety and awareness programmes covering over 900 employees during the last fiscal including Mock Emergency Evacuation Drill at several offices of Siemens. They also implemented Safety Management System at various project sites and Waste Management System for handling hazardous chemical waste and non-ferrous metal waste. During the year, Siemens Ltd. has won the Greentech Environment Silver Award from Greentech Foundation for the year 2003.

### **Outlook for Siemens Ltd**

Most forecast organizations have pegged the current year's GDP growth at around 6-6.5%. With the uneven distribution of monsoon during the current year, agricultural growth is expected to be subdued, nowhere near the phenomenal 16% growth it witnessed in the last fiscal. The GDP growth will be fuelled by industry, which grew by 7.9% during the April-September 2004 period.

# Management's Discussion and Analysis (continued)

In the Power sector, the outlook looks promising with a number of new projects in the pipeline. However, the success of the projects, particularly the combined cycle projects are linked to availability of natural gas as fuel at reasonable prices. Further, there are indications of fierce competition as all the international players are again active and the price levels are under pressure.

The recovery of the utility power plant segment should witness the financial closures of approx 10,000 MW in the current fiscal. The investment initiatives taken up by the industrial sector should also witness capacity addition of around 1200 MW per annum. Strong growth can also be expected in the R&M market segment due to fiscal support from the Power Finance Corporation (PFC). Power Generation (PG) Division will focus on these opportunities with the Automation and the Compressor businesses likely to grow further.

In view of formation of National Grid to increase the inter region capacity to 30,000MW by 2012, a concentrated investment in developing the Grid will continue which will boost further opportunities in the Power Transmission & Distribution sector. The Government has also allowed private participation in Transmission, which will provide a fillip to investment in the segment.

In the Transportation Division, the continued thrust of the Indian Railways on safety measures augurs well. The Division will consolidate its business in the traction segment with more emphasis on products and services. The two major orders received by the division in the last fiscal will act as a catalyst for further business growth in the segment. However, the profit margins are expected to remain under pressure due to investments planned for entry into new areas.

With the investment climate looking positive with new projects being announced, the Industry Group Divisions, i.e., Automation and Drives, Industrial Solutions and Services and Siemens Building Technologies are well positioned to take advantage of these opportunities. Strong demand especially in the steel, chemical textile and machinery sectors is foreseen.

The telecommunications market in India will primarily be an upgradation driven market as against a green field market. The Enterprise Network Division's (EN) advanced enterprise communications solutions will continue to cater to organizations wishing to upgrade their existing infrastructure and improve their operational efficiencies.

The Indian healthcare market will continue to witness a positive growth. The Medical Division is confident of maintaining and gaining market share in all critical segments with a focused strategy of increasing market coverage, appointment of regional product specialists and

introduction of new customer initiatives in sales, service and project management. Further, the Division will continue to launch more innovative products in the Indian market.

India continues to retain its attractive proposition in software as a cost-competitive global procurement source. SISL foresees a higher than market growth rate in the current year. To achieve this, it plans to build on its redefined business model. Towards this, it has invested in a new center in Bangalore, which will add a substantial number of jobs. SISL has recently set up a new center that will undertake high-end research in collaboration with Siemens AG's Corporate Technology. This is expected to bring it substantial revenues in future.

With several units being recognized as Global Centers of Competence, especially in the areas of manufacturing, project management and R&D, Siemens Ltd. expects a lot of global scale activities being undertaken from India. With higher levels of local value addition being done in India, Siemens Ltd will make investments in the area of manufacturing and product development, which in turn is expected to increase employment opportunities. Siemens Ltd. also has plans to grow inorganically through strategic mergers and acquisitions.

To sum up, Siemens is well poised to take advantage of the growth opportunities in its lines of businesses. The bedrock of this strategy remains the company's 4-point program for growth encompassing – customers, processes, finances and people. The businesses are also being made more customer-focused. To optimize business synergies across the various divisions, Siemens is planning to further pursue cross-selling through the One Siemens approach. The program aims to position Siemens as a one-stop solution to the customer resulting in enhanced market penetration. In order to retain its cutting-edge in technology, Siemens is undertaking new research and development work with regard to new products and processes, including in teams from Siemens AG, Germany.

### Note:

This report contains forward-looking statements based on beliefs of Siemens' management. The words 'anticipate,' 'believe,' 'estimate,' 'forecast,' 'expect,' ' intend,' 'plan,' 'should,' and 'project' are used to identify forward-looking statements, Such statements reflect the company's current views with respect to the future events and are subject to risks and uncertainties. Many factors could cause the actual result to be materially different, including amongst others changes in the general economic and business conditions, changes in the currency exchange rates and interest rates, introduction of competing products, lack of acceptance of new products or services, and changes in business strategy. Actual results may vary materially from those projected here. Siemens does not intend to assume any obligation to update these forward-looking statements.

# Annexure IV to the Directors' Report

# Corporate Governance Report

(As required by Annexure 2 to the existing Clause 49 of the Listing Agreements entered into with the Stock Exchanges)

# I. Company's philosophy, Corporate Principles and Business Conduct Guidelines

# **Philosophy**

The Company is fully committed to and continues to practice good Corporate Governance. In addition to the basic governance issues, the Company lays significant emphasis on the principles of trusteeship, transparency, empowerment, accountability and integrity.

# **Corporate Principles**

The Company has adopted the five Corporate Principles of its parent company, Siemens AG, Germany. They have been formally established to shape the Company's thinking and conduct. These Corporate Principles are described below:



We strengthen our CUSTOMERS - to keep them competitive.

Our success depends on the success of our customers. We provide our customers with our comprehensive experience and solutions so they can achieve their objectives fast and effectively.



We push INNOVATION - to shape the future.

Innovation is our lifeblood, around the globe and around the clock. We turn our people's imagination and best practices into successful technologies and products. Creativity and experience keep us at the cutting edge.



We enhance company VALUE - to open up new opportunities.

We generate profitable growth to ensure sustainable success. We leverage our balanced business portfolio, our business excellence and synergies across all segments and regions. This makes us a premium investment for our shareholders.



We empower our PEOPLE - to achieve world-class performance.

Our employees are the key to our success. We work together as a global network of knowledge and learning. Our corporate culture is defined by diversity, by open dialogue and mutual respect, and by clear goals and decisive leadership.



We embrace corporate RESPONSIBILITY - to advance society.

Our ideas, technologies and activities help create a better world. We are committed to universal values, good corporate citizenship and a healthy environment. Integrity guides our conduct toward our employees, business partners and shareholders.

# **Business Conduct Guidelines (BCG)**

Our strategic planning and day-to-day business practices are based on high ethical and legal standards. "Integrity guides our conduct toward our business partners, colleagues, shareholders and the general public." This basic statement of our Corporate Principles constitutes the foundation of our Business Conduct Guidelines (BCG).

The BCG are globally binding uniform rules of conduct that apply to every Siemens employee. The BCG require every employee to abide by laws, to show mutual respect and to act honestly and with integrity. Our Principles and BCG form part of the curricula in our training programs for employees. Every two years, all managerial employees sign a pledge renewing their commitment to uphold the BCG. Audits are conducted to ensure that the BCG are being implemented properly.

The Board of Directors, at the Meeting held on 31<sup>st</sup> July, 2004, nominated Mr. Ashok P. Jangid, Corporate Secretary, as the "Corporate Officer for Compliance" in this regard.

# II. Board of Directors (Board)

Composition of the Board

The Board is well structured with an adequate blend of Executive and Non Executive Directors. All the Directors are experts in their respective fields / professions. The Composition of the Board is in accordance with the requirements in this regard. The Board consists of a total of 11 Directors (excluding one Alternate Director) of which 5 are Executive Directors and 6 are Non Executive Directors. The Chairman of the Board is a Non Executive and Independent Director. The number of Independent Directors exceeds one-third of the total number of Directors.

Details, as on date, of the composition of the Board and changes therein since the last Report, category of the Directors and their attendance at Board Meetings and the last Annual General Meeting, number of their other Directorships and Committee Memberships are given below:

Sr. No.	Name of the Director	Category of Director- ship @	Number of Board Meetings attended out of 5	Attendance at last AGM held on 21.01.04	Number of other Director- ships #	Number of other Committee Memberships \$	
			held			Member	Chairman
1	Mr. Deepak S. Parekh (Chairman from 01.08.04)	NED (I)	4	Yes	17	2	5
2	Dr. F. A. Mehta (Chairman upto 31.07.04)	NED (I)	4	Yes	5	3	4
3	Mr. J. Schubert (Managing Director)	WTD	5	Yes	4	2	1
4	Mr. H. Gelis (Executive Director)	WTD	5	Yes	2	Nil	1
5	Mr. A. B. Nadkarni	WTD	5	Yes	Nil	Nil	Nil
6	Mr. Harminder Singh	WTD	4	Yes	2	Nil	Nil
7	Mr. O. P. Narula	WTD	5	Yes	1	Nil	Nil
8	Mr. D. C. Shroff	NED (I)	5	Yes	17	4	3
9	Mr. Y. H. Malegam	NED (I)	5	Yes	13	4	3
10	Dr. K. Wucherer *	NED	Nil	No	1	Nil	Nil
11	Mr. N. J. Jhaveri	NED (I)	4	Yes	11	6	3
12	Dr. O. Schmitt *						
	(Alternate for Dr. K. Wucherer)	NED	1	No	Nil	Nil	Nil

<sup>@</sup> Category of Directorship:

WTD - Whole-time Director, NED - Non Executive Director, NED (I) - Non Executive Director and Independent.

- # Includes Alternate Directorships and Directorships in Private Companies.
- \$ As required by the existing Clause 49 of the Listing Agreements entered into with the Stock Exchanges, only Memberships / Chairmanships of the Audit Committee, Remuneration Committee and Investors Grievance Committee of public companies have been considered.
- \* Nominee, and in the whole-time employment, of the parent company Siemens AG, Germany.

# · Number of Board Meetings

During the year 2003-04, five Board Meetings were held as follows:

Date of the Board Meeting	Total No. of Directors	No. of Directors who attended
7 <sup>th</sup> November, 2003	11	11
21st January, 2004	11	10
22 <sup>nd</sup> April, 2004	11	10
31st July, 2004	11	10
27 <sup>th</sup> August, 2004 (Special Board Meeting convened at short notice)	11	6

• To enable the Board to discharge its responsibilities effectively and take informed decisions, necessary information is made available to the Board. The information is provided as part of the agenda papers in advance of the Board Meetings and, in exceptional cases, the same is tabled at the Board Meeting.

The information as specified in Annexure I to the existing Clause 49 of the Listing Agreements entered into with the Stock Exchanges, is regularly made available to the Board whenever applicable.

# Annexure IV to the Directors' Report

# Corporate Governance Report (continued)

# III. Audit Committee of Directors (Audit Committee)

### Composition

The Board of Directors constituted an Audit Committee in December, 2000 as per the existing Clause 49 II (A) of the Listing Agreements entered into with the Stock Exchanges. The present composition of the Audit Committee is as follows:

Name	Designation	Category
Mr. Y. H. Malegam	Chairman	Non-Executive and Independent Director
Dr. F. A. Mehta	Member	Non-Executive and Independent Director
Dr. K. Wucherer/ Dr. O. Schmitt (Alternate Director for Dr. K. Wucherer)	Member	Non-Executive Director
Mr. Deepak S. Parekh (w.e.f. 22.11. 2004)	Member	Non-Executive and Independent Director
Mr. Ashok P. Jangid	Secretary	Corporate Secretary

The Executive Director and Heads of Accounts and Internal Audit Departments are permanent invitees to the Audit Committee Meetings. The Statutory Auditor and Cost Auditor are also invited to attend the Audit Committee Meetings, as and when required.

The powers and terms of reference of the Audit Committee are as mentioned in the existing Clause 49 II (D) of the Listing Agreements entered into with the Stock Exchanges and Section 292A of the Companies Act, 1956.

# Terms of reference

The terms of reference are briefly described below:

- a. Oversight of the Company's financial reporting process and disclosure of financial information.
- b. Recommend the appointment and removal of external auditor, fixation of audit and other fees.
- c. Review with management the annual financial statements before submission to the Board.
- d. Review with management, external and internal auditors, the adequacy of internal control systems.
- e. Review the adequacy of internal audit function.
- f. Discussions with internal auditors of any significant findings and follow-ups thereon.
- g. Review the findings of any internal investigations by the internal auditors.
- h. Discussion with external auditors before the audit commences, of the nature and scope of audit as well as have post-audit discussion to ascertain any areas of concern.
- i. Reviewing the Company's financial and risk management policies.
- j. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.

The Audit Committee is vested with the necessary powers, as defined in its Charter, to achieve its objectives.

# Meetings and attendance during the year

During the financial year 2003-04, four Meetings of the Audit Committee were held. The details of attendance of the Members at these Audit Committee Meetings are as follows:

	Attendance at Meetings held on						
Members	6 <sup>th</sup> November, 2003	20 <sup>th</sup> January, 2004	21st April, 2004	30 <sup>th</sup> July, 2004			
Mr. Y. H. Malegam	Yes	Yes	Yes	Yes			
Dr. F. A. Mehta	Yes	Yes	Yes	Yes			
Dr. O. Schmitt (Alternate Director for Dr. K. Wucherer)	Yes	No	No	No			

The Corporate Secretary was present at all the above Meetings.

The Minutes of Audit Committee Meetings are noted by the Board of Directors at the Board Meetings.

The Chairman of the Audit Committee was present at the 46th Annual General Meeting held on 21st January, 2004.

# IV. Investors Grievance Committee of Directors (Investors Grievance Committee)

### Composition

The Board of Directors constituted an Investors Grievance Committee in December, 2000, to attend to and redress the shareholders' and investors' grievances. The present composition of the Investors Grievance Committee is as follows:

Name	Designation	Category
Mr. D. C. Shroff	Chairman	Non-Executive and Independent Director
Dr. F. A. Mehta	Member	Non-Executive and Independent Director
Mr. J. Schubert	Member	Managing Director
Mr. Ashok P. Jangid	Secretary and Compliance Officer	Corporate Secretary

### Terms of reference

- a. Review the existing "Investor Redressal System" and suggest measures for improvement.
- b. Receive the report of the Registrar and Share Transfer Agent about investors' grievances and follow up for necessary action taken for redressal thereof.
- c. Suggest improvements in investor relations.
- d. Consider and take on record the certificate from a practicing Company Secretary under Clause 47 of the Listing Agreement.
- e. Propose to the Board of Directors, the appointment / re-appointment of the Registrar and Share Transfer Agent, including the terms and conditions, remuneration, service charges / fees.
- f. Decide the frequency of audit of the Registrar and Share Transfer Agent and consider the Auditors' Report thereon.

The Minutes of Investors Grievance Committee Meetings are noted by the Board of Directors at the Board Meetings.

# Meetings and attendance during the year

During the financial year 2003-04, two Meetings of the Investors Grievance Committee were held i.e. on 21st January, 2004 and 31st July, 2004.

The details of attendance of the Members at these Meetings are as follows:

Members	Attendance at Meetings held on			
	21st January, 2004	31 <sup>st</sup> July, 2004		
Mr. D. C. Shroff	Yes	Yes		
Dr. F. A. Mehta	Yes	Yes		
Mr. J. Schubert	Yes	Yes		

The Corporate Secretary was present at both the above Meetings.

Mr. Ashok P. Jangid, Corporate Secretary, has been nominated as the "Compliance Officer" as required under the Securities and Exchange Board of India (SEBI) Regulations and Listing Agreements entered into with the Stock Exchanges. The Corporate Secretariat Department of the Company and the Registrar and Share Transfer Agent, MCS Ltd., attend to all grievances of the shareholders and investors received directly or through SEBI, Stock Exchanges, Department of Company Affairs, Registrar of Companies, etc.

Barring certain cases pending in Courts / Consumer Forums, relating to disputes over the title to Shares, in which either the Company has been made a party or necessary intimation thereof has been received by the Company, all the investor grievances / correspondences have been attended to within a period of 10-15 days from the date of their receipt.

Continuous efforts are made to ensure that grievances are more expeditiously redressed to the complete satisfaction of the investors.

# Annexure IV to the Directors' Report

# Corporate Governance Report (continued)

Details of the complaints received and redressed during the last two years is given below:

Nature of Complaints	2003-04		2002-03	
	Received	Cleared	Received	Cleared
Non-receipt of Share Certificates duly transferred	07	07	39	39
Non-receipt of dividend warrants	12	12	50	50
Letters from SEBI	03	03	01	01
Letters from Stock Exchanges	01	01	02	02
Total	23	23	92	92

Number of complaints received during the year as a percentage of total number of Shareholders is 0.07% (2002-03 : 0.23%) No application for share transfers was pending as on 30<sup>th</sup> September, 2004.

Shareholders are requested to inform their telephone numbers and e-mail addresses to facilitate prompt action.

### V. Remuneration Committee of Directors (Remuneration Committee)

### Composition

The Board of Directors constituted a Remuneration Committee in December, 2000. The present composition of the Remuneration Committee is as follows:

Name	Designation	Category
Mr. Deepak S. Parekh (w.e.f. 01.10.2004) (w.e.f. 22.11.2004)	Member Chairman	Non-Executive and Independent Director
Mr. N. J. Jhaveri (up to 21.11.2004)	Chairman	Non-Executive and Independent Director
Mr. D. C. Shroff	Member	Non-Executive and Independent Director
Dr. F. A. Mehta (up to 21.11.2004)	Member	Non-Executive and Independent Director
Mr. Y. H. Malegam (w.e.f. 22.11.2004)	Member	Non-Executive and Independent Director
Mr. Ashok P. Jangid	Secretary	Corporate Secretary

# Terms of reference

- a. Determine the Company's policy on specific remuneration packages for Whole-time Directors / Executive Directors including pension rights and any compensation payment.
- b. Decide the actual Salary, Salary Grades, Overseas Allowance, Perquisites, Retirals and Increment of Whole-time Directors.
- c. Define and implement the performance linked incentive scheme (including ESOP of the Company and / or Siemens AG) and evaluate the performance and determine the amount of incentive of the Whole-time Directors for that purpose.
- d. Decide the amount of Commission payable to the Whole-time Directors.
- e. Periodically review and suggest revision of the total remuneration package of the Whole-time Directors keeping in view the performance of the Company, standards prevailing in the industry, statutory guidelines, etc.

The Minutes of Remuneration Committee Meetings are noted by the Board of Directors at the Board Meetings.

# Meetings and attendance during the year

	Attendance at Meetings held on			
Members	7 <sup>th</sup> November, 2003	21 <sup>st</sup> January, 2004		
Mr. N. J. Jhaveri	Yes	Yes		
Mr. D. C. Shroff	Yes	Yes		
Dr. F. A. Mehta	Yes	Yes		

The Corporate Secretary was present at both the above Meetings.

The Chairman of the Remuneration Committee was present at the 46th Annual General Meeting held on 21st January, 2004.

# **Remuneration Policy**

### a. For Whole-time Directors

The Board of Directors / the Remuneration Committee of Directors is authorised to decide the remuneration of the Whole-time Directors, subject to the approval of the Shareholders and Central Government, if required. The remuneration structure comprises of Salary, Perguisites, Retirals, Performance Linked Incentive and Commission.

Expatriate Directors are not entitled to the Company's retirement benefits. In addition to the above remuneration, Expatriate Directors are paid Overseas Allowance and certain other Perquisites as per the Rules of the Company.

Salary is paid to the Whole-time Directors within the salary grade approved by the Members. Performance Linked Incentive and Commission constitute the variable component of remuneration. Increasing importance is being attached to the variable pay which is linked to the actual performance of the Directors vis-a-vis their individual specific targets which are in turn linked to the Company Targets. Commission is determined on the basis of the Net Profits of the Company in a particular financial year, subject to the overall ceiling as stipulated in Sections 198 and 309 of the Companies Act, 1956.

The details of the remuneration paid / payable to the Whole-time Directors for the year 2003-04 are as under:

Name	Salary	Perqui- sites*	Performance Linked	Comm- ission**	Total	Period of contract
	(Rs.)	(Rs.)	Incentive (Rs.)	(Rs.)	(Rs.)	Since - Upto
Mr. J. Schubert #	1,680,000	852,975	1,600,000	1,200,000	5,240,975	01.10.96-30.09.07
Mr. H. Gelis #	1,380,000	1,160,042	1,600,000	1,200,000	5,248,042	01.01.01-31.12.05
Mr. A. B. Nadkarni	1,380,000	1,443,068	1,600,000	1,200,000	5,623,068	20.02.97-19.02.07
Mr. Harminder Singh	1,320,000	1,229,960	1,600,000	1,200,000	5,349,960	01.04.98-31.03.08
Mr. O. P. Narula	1,140,000	1,223,442	1,600,000	1,200,000	5,163,442	01.01.00-30.09.05

- # Expatriate Directors.
- \* Includes Company's contribution to Provident and Superannuation Funds for Indian Directors and Overseas Allowance for Expatriate Directors.
- \*\* Subject to approval of Annual Accounts by Shareholders at the forthcoming 47<sup>th</sup> Annual General Meeting.

No severance fees is payable to the Directors on termination of employment. The Company does not have a scheme for stock options either for the Directors or the employees.

# Annexure IV to the Directors' Report

# Corporate Governance Report (continued)

### b. For Non Executive Directors

The Non Executive Directors are paid remuneration by way of Commission and Sitting Fees. In terms of the Members' approval given at the 43<sup>rd</sup> Annual General Meeting held on 15<sup>th</sup> December, 2000, Commission is payable at a rate not exceeding 1% per annum of the Net Profits of the Company computed in the manner referred to in Section 309 of the Companies Act, 1956. The actual amount of Commission payable to each Non Executive Director is decided by the Board, with the Non Executive Directors not participating in the decision. The Commission payable to the Chairman is decided by the other Members of the Board. The decision is broadly based on the following:

- 1. Number of Board Meetings and various Committee Meetings attended.
- 2. Role and responsibility as Chairman / Member of the Board / Committee.
- 3. Overall contribution and role outside the Meetings.

With effect from 1st April, 2004, as permitted by Article 113 of the Company's Articles of Association read with Notification No. GSR.580(E) dated 24th July, 2003, issued by the Department of Company Affairs, the Non Executive Directors are paid sitting fees for each Meeting attended by them as follows:

- Rs. 10,000 per Board Meeting.
- Rs. 7,500 per Audit Commitee Meeting.
- Rs. 5,000 per Remuneration Committee, Investor's Grievance Committee and Special Committee Meeting.

Prior to the revision, each Director was paid Sitting Fees of Rs.5,000 per Board and Committee Meeting attended by him.

The details of the remuneration paid / payable to the Non Executive Directors for the year 2003-04, are as under:

Name	Sitting Fees for Board and various Committee Meetings attended	Commission*	One-time Commission for Extra-ordinary Performance of the Company*	Total	No. of Shares held as on 30.09.04
	(Rs.)	(Rs.)	(Rs.)	(Rs.)	
Mr. Deepak S. Parekh	30,000	300,000	150,000	480,000	900
Dr. F. A. Mehta	75,000	400,000	200,000	675,000	3,065
Mr. Y. H. Malegam	65,000	300,000	150,000	515,000	625
Mr. D. C. Shroff	60,000	260,000	150,000	470,000	1,300**
Mr. N. J. Jhaveri	40,000	250,000	150,000	440,000	500
Dr. K. Wucherer	Nil	Nil	Nil	Nil	Nil
Dr. O. Schmitt (Alternate Director for Dr. K. Wucherer)	10,000	100,000	150,000	260,000	Nil

<sup>\*</sup> Subject to approval of Annual Accounts by the Members at the forthcoming 47<sup>th</sup> Annual General Meeting.

Mr. D. C. Shroff is a senior partner of Crawford Bayley & Co., Solicitors & Advocates, who have a professional relationship with the Company. The professional fees of Rs.2,089,610 paid to Crawford Bayley & Co. during the year, is not considered material enough to impinge on the independence of Mr. Shroff.

None of the other Non Executive Directors has any other pecuniary interest in the Company.

<sup>\*\*</sup> Including 400 shares as a Trustee of Mother's will.

# VI. Other Committees of Management (Constituted by the Board of Directors)

### a) Share Transfer Committee (STC)

# Composition:

Name	Designation for STC	Position
Mr. J. Schubert	Chairman	Managing Director
Mr. H. Gelis	Member	Executive Director
Mr. Ashok P. Jangid	Member and Secretary	Corporate Secretary

The STC has been set up for approving the transfer / transmission / transposition of shares and consolidation / splitting of folios, issue of share certificates in exchange for sub-divided, consolidated, defaced, etc. for ensuring compliance with legal requirements of share transfers and co-ordination with the Registrar and Share Transfer Agent, Depositories, etc. The STC Meetings are held as and when required, usually fortnightly. Twenty-one Meetings of the STC were held during the year 2003-04.

# b) Finance Committee (FC)

# Composition:

Name	Designation for FC	Position
Mr. H. Gelis	Chairman	Executive Director
Mr. J. Schubert	Member	Managing Director
Mr. Ashok P. Jangid	Member and Secretary	Corporate Secretary
Mr. Mr. R. Rangarajan	Member	Executive Vice President - Corporate Finance

The FC has been set up for authorising opening / closing / operations of bank accounts, availing of credit facilities, giving of loans, intercorporate deposits, guarantees, investment in mutual funds, etc. The FC Meetings are held as and when required, usually monthly. Seven Meetings of the FC were held during the year 2003-04.

# c) Delegation of Powers Committee (DPC)

# Composition:

Name	Designation for DPC	Position
Mr. J. Schubert	Chairman	Managing Director
Mr. H. Gelis Member		Executive Director
Mr. A. B. Nadkarni	Member	Whole-time Director
Mr. Ashok P. Jangid	Member and Secretary	Corporate Secretary

The DPC has been set up to issue *I* revoke Powers of Attorney, fix the procedures for signing authority, grant authority for various purposes to the employees, etc. The DPC Meetings are held as and when required, usually monthly. Twelve Meetings of the DPC were held during the year 2003-04.

The Minutes of the Meetings of the aforesaid Committees are noted by the Board of Directors at the Board Meetings.

# Annexure IV to the Directors' Report

# Corporate Governance Report (continued)

### VII. General Body Meetings

a. Details of venue, date and time of the last three Annual General Meetings held:

Financial Year	AGM No.	Venue	Day and Date	Time
2002-03	46 <sup>th</sup>	Y. B. Chavan Auditorium Gen. J. Bhosale Marg Nariman Point, Mumbai 400 021	Wednesday 21 <sup>st</sup> January, 2004	3.30 p.m.
2001-02	45 <sup>th</sup>	Y. B. Chavan Auditorium Gen. J. Bhosale Marg Nariman Point, Mumbai 400 021	Tuesday 21 <sup>st</sup> January, 2003	4 p.m.
2000 - 01	44 <sup>th</sup>	Y. B. Chavan Auditorium Gen. J. Bhosale Marg Nariman Point, Mumbai 400 021	Thursday 17 <sup>th</sup> January, 2002	3 p.m

b. Special Resolutions passed at last three Annual General Meetings:

Special Resolution approving voluntary delisting of Shares from Delhi, Calcutta and Madras Stock Exchanges was passed at the 46<sup>th</sup> Annual General Meeting held on 21<sup>st</sup> January, 2004.

c. Passing of Resolutions by Postal Ballot:

No Resolutions were passed by postal ballot during the year ended on 30<sup>th</sup> September, 2004. Resolutions, if required, shall be passed by postal ballot during the year ending on 30<sup>th</sup> September, 2005.

# VIII. Disclosures

- a. Transactions with related parties, as per requirements of Accounting Standard 18, are disclosed elsewhere in this Annual Report.
- b. Disclosures have also been received from the senior managerial personnel relating to the financial and commercial transactions in which they or their relatives may have a personal interest. However, none of these transactions have potential conflict with the interests of the Company at large.
- c. The Company has not entered into any other transaction of a material nature with the Promoters, Directors or the Management, their subsidiaries or relatives, etc. that may have a potential conflict with the interests of the Company at large.
- d. With regard to matters related to capital markets, the Company has complied with all requirements of the Listing Agreements entered into with the Stock Exchanges as well as SEBI regulations and guidelines. No penalties were imposed or strictures passed against the Company by the Stock Exchanges, SEBI or any other statutory authority during the last three years in this regard.

# IX. Means of communication

- a. Half-yearly / quarterly results are not being sent to each household of the Shareholders.
- b. The Quarterly Financial Results of the Company are published in the following leading national English newspapers: Indian Express / Financial Express / Times of India (Mumbai) / Economic Times (Mumbai)
  - In addition, the same are published in the following local language (Marathi) newspapers:
  - Maharashtra Times / Loksatta
- c. The following are also immediately displayed on the Company's website www.siemens.co.in:
  - Financial Results and the Presentations, as and when made, to the media and analysts in the `Investor Relations' section
  - Official press releases in the `Press' section.
- d. Information about the Financial Results, Shareholding Pattern, full Annual Report and other specified details are electronically filed on the EDIFAR website <a href="www.sebiedifar.nic.in">www.sebiedifar.nic.in</a> as required under the Listing Agreements entered into with the Stock Exchanges.
- e. The Management's Discussion and Analysis is appearing as Annexure III to the Directors' Report.

# X. General Shareholder information

Detailed information in this regard is provided in the section `General Shareholder Information'.

# XI. Status of compliance with non-mandatory requirements

- 1. The Company has constituted a Remuneration Committee of Directors.
- 2. Since the Financial Results are published in leading newspapers as well as displayed on the Company's website and EDIFAR website, the same are not sent to each household of the Shareholders.

On behalf of the Board of Directors

Deepak S. Parekh

Chairman

Mumbai

Thursday, 25th November, 2004

# Certificate of Compliance with the Corporate Governance requirements under Clause 49 of the Listing agreement

# To the Members of Siemens Ltd

We have examined the compliance of conditions of corporate governance by Siemens Ltd ('the Company') for the year ended on 30 September 2004 as stipulated in clause 49 of the Listing Agreement of the Company with The Stock Exchange, Mumbai, National Stock Exchange of India Ltd. And The Calcutta Stock Exchange Association Limited.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance referred to above. 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 no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Share Transfer/Investors Grievances Committees.

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

### For BSR & Co.

(Formerly Bharat S Raut & Co.) Chartered Accountants

### Akeel Master

Partner

Membership No: 46768

Mumbai

25 November 2004

# Annexure V to the Directors' Report

# General Shareholder Information

(As required by the existing Clause 49 of the Listing Agreements entered into with the Stock Exchanges)

# 1. Annual General Meeting

The 47<sup>th</sup> Annual General Meeting of the Members of the Company will be held as per the following details:

Day and Date	Time	Venue
Thursday, 27 <sup>th</sup> January, 2005	3.00 p.m.	Yashwantrao Chavan Pratishthan Auditorium, Y. B. Chavan Centre, General Jagannath Bhosale Marg, Nariman Point, Mumbai - 400 021

Agenda of the Annual General Meeting is as follows:

# **Ordinary Business:**

- 1. Adoption of audited Accounts for the year ended on 30<sup>th</sup> September, 2004 and the Reports of the Directors and Auditors thereon.
- 2. Confirmation of the interim dividend.
- 3. Declaration of a final dividend.
- 4. Re-appointment of Directors retiring by rotation (Mr. D. C. Shroff, Mr. Y. H. Malegam and Mr. A. B. Nadkarni).
- 5. Re-appointment of Statutory Auditors.

# Special Business:

As Ordinary Resolutions:

- 1. Re-appointment and remuneration of Mr. J. Schubert as Managing Director for three years with effect from 1st October, 2004.
- 2. Re-imbursement of Children's Education Expenses to Mr. H. Gelis, Executive Director.

As Special Resolutions:

- 3. Payment of commission to Non Executive Directors.
- 4. Change in place of keeping the Register & Index of Members, etc.

# 2. Financial Calendar for 2004 - 05 (October to September)

Adoption of Results

<u>for Quarter ending on:</u> <u>In the month of (tentative):</u>

31<sup>st</sup> December, 2004 : January, 2005 31<sup>st</sup> March, 2005 : April, 2005 30<sup>th</sup> June, 2005 : July, 2005

30<sup>th</sup> September, 2005 and

Annual Accounts : November, 2005 48<sup>th</sup> Annual General Meeting : January, 2006

# Annexure V to the Directors' Report

# General Shareholder Information (continued)

### 3. Book Closure

The Company's Register of Members and Share Transfer Books will remain closed from Tuesday, 11<sup>th</sup> January, 2005, to Thursday, 27<sup>th</sup> January, 2005 (both days inclusive) for the payment of final dividend, if declared at the ensuing Annual General Meeting.

### 4. Dividend

The final dividend of Rs.5 per Equity Share of Rs.10 each (50%) {including a Special Dividend of Rs.2 per Equity Share (20%)}, as recommended by the Board of Directors, if declared at the ensuing Annual General Meeting, will be paid at par on or after Tuesday, 15<sup>th</sup> February, 2005, to those Members whose names appear on the Company's Register of Members as holders of Equity Shares in physical form on Thursday, 27<sup>th</sup> January, 2005. In respect of Shares held in dematerialised form, the dividend will be paid on the basis of beneficial ownership details to be furnished by National Securities Depository Limited and Central Depository Services (India) Limited as on the close of business hours on Monday, 10<sup>th</sup> January, 2005.

# 5. Listing on Stock Exchanges

The Company's Equity Shares are listed on the following Stock Exchanges:

The Stock Exchange, Mumbai

Phiroze Jeejebhoy Towers, Dalal Street, Mumbai - 400 001.

National Stock Exchange of India Ltd.

Exchange Plaza, Plot No. C/1, G Block, Bandra - Kurla Complex, Bandra (E), Mumbai - 400 051.

The Calcutta Stock Exchange Association Limited 7, Lyons Range, Kolkata - 700 001.

The Company's Shares are actively traded on The Stock Exchange, Mumbai and National Stock Exchange of India Ltd. The Stock Exchange, Mumbai has permitted trading of the Company's shares in the `A' Group.The Company has paid the listing fees for the year 2004-05 to the Stock Exchanges where the Company's Shares are listed.Pursuant to the approval of the Members at the 46<sup>th</sup> Annual General Meeting held on 21<sup>st</sup> January, 2004, and in accordance with the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003, the Company's Equity Shares have been voluntarily delisted from The Delhi Stock Exchange Association Limited with effect from 31<sup>st</sup> March, 2004, and Madras Stock Exchange Ltd. with effect from 5<sup>th</sup> May, 2004. The approval from The Calcutta Stock Exchange Association Limited is still awaited.

# 6. Stock Code

The Stock Codes for the Company's Shares are as follows:

Stock Exchange	Stock Code
The Stock Exchange, Mumbai	500550
National Stock Exchange of India Ltd.	SIEMENS EQ
The Calcutta Stock Exchange Association Limited	29911
International Securities Identification Number (ISIN) for the Company's Shares in dematerialised form	INE 003 A01016

# 7. Market Price Data

(1) The market price and volume of the Company's Shares traded on The Stock Exchange, Mumbai (BSE) and the National Stock Exchange of India Ltd. (NSE) during each month of the last financial year i.e.1st October, 2003, to 30th September, 2004, were as follows:

		On BSE On NSE				
	High	Low	Volume	High	Low	Volume
Month	(Rs.)	(Rs.)	Nos.	(Rs.)	(Rs.)	Nos.
October 2003	570.00	446.25	373,451	570.00	447.50	778,607
November 2003	715.00	555.00	464,190	715.00	561.00	587,006
December 2003	1099.00	702.25	482,644	1084.00	705.00	1,108,250
January 2004	1096.90	875.00	416,346	1090.00	865.00	743,549
February 2004	1010.00	875.00	120,696	1012.00	875.00	215,579
March 2004	1099.95	945.20	233,454	1099.00	939.00	474,628
April 2004	1133.00	975.00	153,028	1130.00	973.00	333,003
May 2004	1065.00	755.00	183,443	1115.00	750.00	341,217
June 2004	920.00	761.00	388,280	930.00	758.00	161,327
July 2004	959.90	800.00	41,999	950.05	801.00	87,146
August 2004	1035.00	886.40	49,639	1025.00	920.00	143,549
September 2004	1190.00	996.25	312,808	1195.00	997.00	263,738

(2) Shares traded during 1st October, 2003, to 30th September, 2004:

	On BSE	On NSE
No. of Shares traded	3,219,978	5,237,599
Highest Share Price	Rs.1190.00 (on 23.09.2004)	Rs.1195.00 (on 27.09.2004)
Lowest Share Price	Rs.446.25 (on 01.10.2003)	Rs.447.50 (on 03.10.2003)
Average Share Price	Rs.896.99	Rs.898.17
Closing Share Price as on 30 <sup>th</sup> September, 2004	Rs.1121.25	Rs.1123.30
Market Capitalisation as on 30 <sup>th</sup> September, 2004 (As on 30 <sup>th</sup> September, 2003)	Rs.37,156 million (Rs.14,957 million)	Rs.37,224 million (Rs.14,894 million)

# Annexure V to the Directors' Report

# General Shareholder Information (continued)

(3) Company's Share price movement during 2003-04 on BSE and NSE vis-à-vis respective indices:



# 8. Distribution of Shareholding

	As on 30th September, 2004 As on 30th Se				ptember, 200	ptember, 2003		
Number of	Shareh	olders	Shares		Shareholders		Shares	
Shares held (Face Value Rs.10 each)	Number	% of total	Number	% of total	Number	% of total holders	Number	% of total
1-500	29,882	93.84	3,270,156	9.87	36,870	94.06	4,075,752	12.30
501-1000	1197	3.76	849,887	2.56	1,469	3.75	1,036,198	3.13
1001-2000	441	1.38	608,247	1.84	544	1.39	750,267	2.26
2001-3000	109	0.34	263,691	0.80	112	0.29	274,493	0.83
3001-4000	49	0.15	173,125	0.52	51	0.13	177,980	0.54
4001-5000	14	0.04	64,099	0.19	27	0.07	126,539	0.38
5001-10000	46	0.14	306,168	0.92	55	0.14	366,620	1.11
10001 & above	104	0.35	27,603,030	83.30	69	0.17	26,330,554	79.45
Total	31,842	100.00	33,138,403	100.00	39,197	100.00	33,138,403	100.00

# 9. Shareholders' Profile

As on 30<sup>th</sup> September, 2004, the Company had 31,842 Shareholders. The Company's Shares are held by diverse entities as per the following break-up:

Type of Shareholder	As on 30th Septem	ber, 2004	As on 30th Septem	nber, 2003
	No. of Shares held	% of total	No. of Shares held	% of total
Promoter (Siemens AG)	18,103,087	54.63	18,103,087	54.63
Public	5,219,953	15.75	6,496,302	19.60
Indian Financial Institutions	3,786,374	11.43	4,575,738	13.80
Mutual Funds	3,104,813	9.37	1,892,773	5.71
Foreign Institutional Investors	1,714,240	5.17	847,520	2.56
Bodies Corporate	1,077,204	3.25	1,088,635	3.29
Non-Resident Indians	1,08,418	0.33	1,08,057	0.33
Banks	16,318	0.05	18,995	0.06
Directors & their Relatives	7,996	0.02	7,296	0.02
Total	33,138,403	100.00	33,138,403	100.00

# 10. Registrar and Share Transfer Agent

MCS Ltd. is the Registrar and Share Transfer Agent up to 31<sup>st</sup> January, 2005. Share transfers, dividend payment and all other investor related activities are attended to and processed by MCS Ltd. at the following address:

Sri Venkatesh Bhavan

Plot No. 27 Road No. 11 MIDC Area

Andheri (E), Mumbai - 400 093

Time: 10 a.m. to 1 p.m. and 1.30 p.m. to 4.30 p.m. (Monday to Saturday)

Phone: 0091 22 28215235 (6 lines) Fax: 0091 22 28350456

The Board of Directors has appointed Tata Share Registry Ltd. as the Registrar and Share Transfer Agent with effect from 1st February, 2005.

Contact details of Tata Share Registry are as follows:

Address: Army and Navy Building

148, Mahatma Gandhi Road

Fort

Mumbai - 400 001

Time: 10 a.m. to 3.30 p.m. (Monday to Friday)
Phone: 0091 22 56568484 Fax: 0091 22 56568494
Members are requested to note the above change.

# Annexure V to the Directors' Report

# General Shareholder Information (continued)

### 11. Share Transfer System

Transfers of Shares in physical form are processed by MCS Ltd. and approved by the Share Transfer Committee, which usually meets fortnightly. Transfers of Shares are effected and Share Certificates are dispatched within a period of 25-30 days from the date of receipt of request, provided the relevant documents are complete in all respects.

The total number of Shares transferred in physical form during the last two financial years were as follows:

	2003-2004	2002-2003
Number of transfers	904	599
Number of Shares transferred	75,173	63,198

# 12. Dematerialisation of Shares and liquidity

As directed by SEBI, trading in the Shares of the Company has compulsorily to be in dematerialised form for all the investors with effect from 29<sup>th</sup> November, 1999. The International Securities Identification Number (ISIN) for the Company's Shares in dematerialised form is INE 003 A01016.

As on 30th September, 2004, 95.45% of total Shares of the Company have been dematerialised.

We request Shareholders, who still continue to hold Shares in physical form, to dematerialise their Shares at the earliest and avail of the various benefits of dealing in securities in electronic / dematerialised form. If you need any further information / clarification / assistance in this regard, please contact the Investor Relations Section of the Company.

# 13. Plant Locations

Maharashtra:

- Waluj, Aurangabad
- Ambad, Nashik
- Kalwa, Thane

Goa: Verna

# 14. Registered and Corporate Office address

Siemens Ltd. 130, Pandurang Budhkar Marg Worli, Mumbai - 400 018, India

Phone: 0091 22 24987000 - 02 Fax: 0091 22 24987500.

# 15. Website

Company's website can be accessed at <u>www.siemens.co.in</u> for information about the Company's Products, Services and Solutions, Investor Information, Press, etc.

# 16. Corporate Secretariat Department

The Corporate Secretariat Department is headed by Mr. Ashok P. Jangid, Corporate Secretary.

Address: 130, Pandurang Budhkar Marg, Worli, Mumbai - 400 018.

Phone: 0091 22 24987000 Fax: 0091 22 24987043

The Corporate Secretariat Department and its quality systems have been assessed in accordance with the Standard ISO 9001:2000 by KPMG Quality Registrar with effect from October, 2001. The Scope covers design, development and provision of services in the area of Company Secretarial functions for Siemens Ltd. and its group companies. We are pleased to inform that effective 1<sup>st</sup> November, 2004, the Corporate Secretariat Department has been re-certified by KPMG Quality Registrar in accordance with the Standard ISO 9001:2000 for a further period of three years.

# 17. Investor Relations Section

The Investor Relations Section of Corporate Secretariat Department is located at the Registered Office. For the convenience of our investors, transfer requests, etc. are accepted at the Registered Office also.

Contact Person: Mr. Bharat Thakkar - Senior Manager (Investor Relations Officer)

Time: 10 a.m. to 12 noon and 2 p.m. to 4 p.m. on all working days of the Company. (Saturday and Sunday closed).

Phone: 0091 22 24987547 / 24987173 Fax: 0091 22 24987043.

E-mail: bharat.thakkar@siemens.com

### 18. Additional Information

### i) Bankers

American Express Bank Ltd.
Bank of America N. A.
Citibank N. A.
Deutsche Bank AG
HDFC Bank Ltd.
The Hongkong and Shanghai Banking Corporation Ltd.
Standard Chartered Bank
State Bank of India
Syndicate Bank

# ii) Auditors

BSR & Co. (name changed from Bharat S Raut & Co. with effect from 1st October, 2004).

# iii) Cost Auditors

R Nanabhoy & Co.

# iv) Solicitors

Crawford Bayley & Co. Mulla & Mulla & Craigie, Blunt & Caroe Negandhi Shah & Himayatullah

# v) Audited Annual Financial Results

For the benefit of the Members, the Statement of Audited Financial Results along with the Statement of Segmentwise Revenue, Results and Capital Employed for the year ended on 30<sup>th</sup> September, 2004, prepared pursuant to Clause 41 of the Listing Agreements entered into with the Stock Exchanges is attached herewith. This Statement was approved by the Board of Directors at its Meeting held on 25<sup>th</sup> November, 2004.

# vi) Code of Conduct for Prevention of Insider Trading

Pursuant to the requirements of SEBI (Prohibition of Insider Trading) Regulations, 1992, as amended, the Company has adopted a Code of Conduct for Prevention of Insider Trading with effect from 1<sup>st</sup> August, 2002. Mr. Ashok P. Jangid, Corporate Secretary, has been appointed as the Compliance Officer. This Code of Conduct is applicable to all Directors and such identified employees of the Company who are expected to have access to unpublished price sensitive information relating to the Company.

# vii) Disclosure Practices for Prevention of Insider Trading

As required by the SEBI (Prohibition of Insider Trading) Regulations, 1992, the Company has adopted a Policy for Corporate Disclosure Practices for Prevention of Insider Trading with effect from 1st August, 2002.

# Annexure V to the Directors' Report

# General Shareholder Information (continued)

Mr. Ashok P. Jangid, Corporate Secretary, has been appointed as the Compliance Officer. This Policy is applicable to all Directors and employees of the Company.

# viii) Secretarial Audit for reconciliation of Capital

As stipulated by SEBI, a qualified practicing Company Secretary carries out the Secretarial Audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. This audit is carried out every quarter and the report thereon is submitted to the Stock Exchanges as well as placed before the Board of Directors. The audit confirms that the total Listed and Paid-up Capital is in agreement with the aggregate of the total number of Shares in dematerialised form (held with NSDL and CDSL) and total number of Shares in physical form.

On behalf of the Board of Directors

Deepak S. Parekh Chairman

Mumbai

Thursday, 25th November, 2004

### **Audited Annual Financial Results**

For the benefit of the Members, we are reproducing below, the Statement of Audited Financial Results along with the Statement of Segmentwise Revenue, Results and Capital Employed for the year ended on 30<sup>th</sup> September, 2004, prepared pursuant to Clause 41 of the Listing Agreements entered into with the Stock Exchanges. This Statement was approved by the Board of Directors at its Meeting held on 25<sup>th</sup> November, 2004.

1 2a 2b 3	Particulars  Net Sales & Services (excluding Excise Duty) Other Operating income [ see note 3] Other income [see note 3] Total Expenditure	Unaudited Nine months ended On 30 June  2004  12264.15  320.03 312.72	2004 5636.07		Audited (Stand for year On 30 Se 2004 17900.22	r ended eptember 2003	On 30 2004	Septembe
2a 2b	(excluding Excise Duty) Other Operating income [ see note 3] Other income [see note 3]	12264.15 320.03	5636.07					2003
2a 2b	(excluding Excise Duty) Other Operating income [ see note 3] Other income [see note 3]	320.03		4368.64	17900.22	14245 20		
2b	Other income [see note 3]					14245.38	22456.32	17190.98
	Other income [see note 3]	21272	124.69	170.55	444.72	700.65	474.07	734.60
3	Total Expenditure	312./2	213.27	278.71	525.99	416.52	17.95	82.97
		11347.04	5128.21	4056.90	16475.25	13277.13	20033.38	15561.54
	- (Increase)/decrease in stock in trade	-142.82	-23.49	89.01	-166.31	-225.76	-142.78	-240.69
	- (Increase)/decrease in project related work in progress	-191.81	-105.77	-9.16	-297.58	-116.98	-233.43	-91.13
	- Consumption of raw material	8788.39	3831.59	2799.84	12619.98	9924.22	14026.21	10747.62
	(including bought outs for project business & traded goods)							
	- Personnel costs [ see note 4]	1120.86	531.01	410.51	1651.87	1417.85	3150.18	2488.60
	- Other costs	1772.42	894.87	767.32	2667.29	2280.34	3233.20	2659.68
	- Restructuring charge/(write back), net	0.00	0.00	-0.62	0.00	-2.54	0.00	-2.54
4	Share of profit in associate companies	-	-	-	-	-	15.59	1.13
5	Profit before Interest & Depreciation	1549.86	845.82	761.00	2395.68	2085.42	2930.55	2448.14
6	Interest income, net	93.26	38.36	24.70	131.62	112.40	176.35	141.84
7	Gross Profit after Interest but before Depreciation	1643.12	884.18	785.70	2527.30	2197.82	3106.90	2589.98
8	Depreciation	-167.43	-60.91	-60.97	-228.34	-230.05	-476.45	-353.02
9	Profit before tax	1475.69	823.27	724.73	2298.96	1967.77	2630.45	2236.96
10a	Tax [ see note 1]	-560.73	-214.27	-217.00	-775.00	-588.00	-881.00	-617.17
10b	Deferred Tax	26.39	-36.62	26.94	-10.23	14.05	-55.47	161.09
11	Net Profit after tax	941.35	572.38	534.67	1513.73	1393.82	1693.98	1780.88
12	Minority interest	-	-	-	-	-	-	-122.81
13	Net profit after tax for the year	941.35	572.38	534.67	1513.73	1393.82	1693.98	1658.07
14	Paid up Equity Share Capital	331.38	331.38	331.38	331.38	331.38	331.38	331.38
	(Face value of equity shares : Rs. 10/-)							
15	Reserves excluding revaluation reserves	NA	NA	NA	5730.17	4579.09	6671.11	5380.37
16	Basic and diluted earning per share	28.41	17.27	16.13	45.68	42.06	51.12	50.04
17	Aggregate of Non-Promoter Shareholding							
	- Number of Shares	15,035,316	15,035,316	15,035,316	15,035,316	15,035,316		
	- Percentage of shareholding	45.37%	45.37%	45.37%	45.37%	45.37%		

# Notes:

- 1 Tax for the year ended 30 September, 2004 includes a provision of Rs. 126 million for earlier years.
- 2 Operating income (after adjustment for non-recurring items) rose by 51% to reach Rs 1661 million for the year ended 30 September, 2004 as compared to Rs 1103 million for the year ended 30 September, 2003.
- 3 (a) For the year ended 30 September, 2003, other operating income includes non- recurring items amounting to Rs 336 million and Other income includes non-recurring items amounting to Rs 26.37 million.
  - (b) For the year ended 30 September, 2004, other operating income includes non-recurring income of Rs.66 million from the sale of the Life Support Systems business of the Healthcare segment effective 1 April, 2004.
- 4 For the quarter and year ended 30 September, 2004, Personnel Costs include a net charge of Rs 85 million towards additional leave encashment payable pursuant to a change in the leave policy of the Company for certain categories of employees during the year.
- 5 Information on investor complaints pursuant to clause 41 of listing agreement for the quarter ended 30 September, 2004

Received during the quarter Disposed off during the quarter Unresolved at the end of the quarter 7 Nil

- 6 Siemens Building Technologies Pvt. Ltd. (SBT) was amalgamated with the Company effective 1 October, 2003 vide the order of the Mumbai High Court dated 23 February, 2004. Consequently the figures for the quarter and year ended 30 September, 2004 include the financial results of SBT. Therefore, the figures for the corresponding previous periods are not strictly comparable. The Profit before tax and Profit after tax of SBT for the year ended 30 September, 2003 were Rs. 2.1 million and Rs. 1.3 million respectively.
- Principles of consolidation: The financial statements are prepared in accordance with the principles and procedures for the preparation and presentation of consolidated financial statements as set out in the Accounting Standard on Consolidated Financial Statements prescribed by the Institute of Chartered Accountants of India. The financial statements of the parent company, Siemens Limited and its subsidiary companies viz. Siemens Information Systems Limited (SISL) and Siemens Building Technologies Pvt. Limited (for the year ended 30 September 2003 only) have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating intra-group balances and resulting unrealised gains / losses. The consolidated financial statements are prepared applying uniform accounting policies used in Siemens Limited and Siemens Information Systems Limited. Consequently, eliminations include dividend income received from SISL of Rs. 511 million (2003 Rs. 370 million). Further there is a charge for goodwill amortisation of Rs. 128 million (2003 Rs. 23 million).
- 8 Figures for the previous period have been regrouped wherever necessary to make them comparable
- 9 The directors have recommended a final dividend of 50% for the year ended 30 September 2004, amounting to Rs 165,692,015 (inclusive of a special dividend of 20%), which, together with the interim dividend of 40%, makes a total dividend for the year of 90%.
- 10 The above financial results were reviewed and approved by the Audit Committee , and the Board of Directors approved the same at their meeting held on 25 November, 2004

# Annexure V to the Directors' Report General Shareholder Information (continued)

# Audited Annual Financial Results (continued) Segmentwise Revenue, Results and Capital Employed for the year ended on 30 September 2004

(Rs. In millions)

						1.77
		Unaudited	Unaudited	,		d Year
		Nine months ended	end		end On 30 G	
		On 30 June	On 30 September			eptember
		2004	2004	2003	2004	2003
1.	Segment Revenue					
	a) Information & Communication	593.21	286.14	256.72	879.35	817.79
	b) Automation & Drives	4474.58	1859.85	1323.36	6334.43	4639.55
	c) Industrial Solutions & Services	1753.48	562.26	522.83	2315.74	1563.08
	d) Power	2850.59	1856.49	935.70	4707.08	3462.50
	e) Transport	1183.64	350.84	327.36	1534.48	1285.04
	f) Healthcare & Other Services	1838.46	932.92	1090.50	2771.38	3086.30
	g) Building Technologies	198.05	109.64	0.00	307.69	0.00
	h) Real Estate	270.77	102.32	104.94	373.09	344.85
	Total	13162.78	6060.46	4561.41	19223.24	15199.11
	Less : Inter segment revenue	898.63	424.39	192.77	1323.02	953.73
	Net sales/income from operations	12264.15	5636.07	4368.64	17900.22	14245.38
2.	Segment Results					
	a) Information & Communication	71.34	37.09	42.79	108.43	82.16
	b) Automation & Drives	212.98	163.52	84.18	376.50	243.75
	c) Industrial Solutions & Services	153.32	53.13	59.02	206.45	144.12
	d) Power	246.69	114.91	109.72	361.60	484.44
	e) Transport	145.12	48.62	41.95	193.74	198.32
	f) Healthcare & Other Services	50.71	99.02	30.35	149.73	16.67
	g) Building Technologies	8.35	3.98	0.00	12.33	0.00
	h) Real Estate	174.75	62.33	66.98	237.08	286.60
	Total Add :	1063.26	582.60	434.99	1645.86	1456.06
	<ul><li>a) Interest income net off expense</li><li>b) Other un-allocable income</li></ul>	93.26	38.36	24.70	131.62	112.40
	net off un-allocable expenditure	319.17	202.31	265.04	521.48	399.31
	Total profit before tax	1475.69	823.27	724.73	2298.96	1967.77
3.	Capital employed					
	a) Information & Communication	143.15	128.17	160.88	128.17	160.88
	b) Automation & Drives	666.40	496.88	434.27	496.88	434.27
	c) Industrial Solutions & Services	-239.57	-203.95	-78.57	-203.95	-78.57
	d) Power	212.95	27.73	-15.46	27.73	-15.46
	e) Transport	-364.56	-300.12	-243.97	-300.12	-243.97
	f) Healthcare & Other Services	411.03	312.84	633.42	312.84	633.42
	g) Building Technologies	52.91	64.25	0.00	64.25	0.00
	h) Real Estate	980.08	971.57	990.21	971.57	990.21
	Total	1862.39	1497.37	1880.78	1497.37	1880.78

Note A: Segmental Income of Power for the year ended 30 September, 2003 includes income from forfeiture of an advance towards a power project of Rs. 256 million

For Siemens Limited

Place : Mumbai J. Schubert Date: 25 November, 2004 Managing Director

Siemens Ltd.- Registered Office: 130, Pandurang Budhkar Marg, Worli, Mumbai - 400 018.

On behalf of the Board of Directors

Deepak S. Parekh Chairman

Thursday, 25th November, 2004

Siemens Ltd.

# Auditors' Report to the Members of Siemens Ltd.

We have audited the attached balance sheet of Siemens Limited ('the Company') as at 30 September 2004, and also the profit and loss account and the cash flow statement for the year ended on that date annexed thereto. 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.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are 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.

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

- (a) We have obtained all 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 accounts as required by law have been kept by the Company, so far as it 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 Companies Act, 1956;
- (e) On the basis of the written representations received from directors of the Company as at 30 September 2004, and taken on record by the Board of Directors, we report that no director is disqualified as on 30 September 2004 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956; and
- (f) In our opinion, and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - in the case of the balance sheet, of the state of affairs of the Company as at 30 September 2004;
  - (ii) in the case of the profit and loss account, of the profit for the year ended on that date; and
  - (iii) in the case of the cash flow statement, of the cash flows for the year ended on that date.

# For BSR & Co.

(Formerly Bharat S Raut & Co.)
Chartered Accountants

# **Akeel Master**

Partner

Membership No: 46768

Mumbai

25 November 2004

# Annexure to the Auditors' Report

With reference to the Annexure referred to in paragraph 3 of the report of the Auditors' to the Members of Siemens Ltd on the accounts for the year ended 30 September 2004, we report that:

- (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - (b) The Company has a programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of three years. No material discrepancies were noticed on such verification.
  - (c) Fixed assets disposed off during the year were not substantial and therefore do not affect the going concern assumption.
- 2. (a) The inventory has been physically verified by management during the current year. In our opinion, the frequency of such verification is reasonable.
  - (b) The procedures for the 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) The Company is maintaining proper records of inventory. No material discrepancies were noticed on physical verification of inventory as compared to book records.
- 3. (a) The Company has placed inter-corporate deposits with a company covered in the register presented by the Company under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs 240 million and the year-end balance of the inter-corporate deposits granted to the said company was Rs 240 million.
  - (b) In our opinion, the rate of interest and other terms and conditions on which inter-corporate deposits have been granted to the company listed in the register maintained under section 301of the Companies Act, 1956, are not prima facie, prejudicial to the interest of the Company.
  - (c) The company listed in the register maintained under section 301of the Companies Act, 1956, has repaid the principal amounts as stipulated and has been regular in the payment of interest.
  - (d) There is no overdue amount of inter-corporate deposits granted to the company listed in the register maintained under section 301of the Companies Act, 1956
  - (e) 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 Companies Act, 1956. Accordingly, subclauses (e), (f) and (g) of clause 4 (iii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company during the year under audit.
- 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 nature of its business with regard to

- purchases of inventory and fixed assets and with regard to the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- (a) In our opinion, and according to the information and explanations given to us, the particulars of contracts or arrangements that need to be entered into a register maintained in pursuance of section 301 of the Companies Act, 1956 have been so
  - (b) In our opinion and according to the information and explanations given to us and having regard to the fact that the certain goods and services purchased / sold are of a special nature and suitable alternative sources do not exist for obtaining comparative quotations, the transactions of purchases and sales, made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956, and exceeding the value of Rs 500,000 in respect of each party, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- 6. In our opinion, and according to the information and explanations given to us, the Company has complied with the directives issued by the Reserve Bank of India and the provisions of Section 58A, Section 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to deposits accepted from the public. 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.
- In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
- 8. We have broadly reviewed the books of account maintained by the Company pursuant to the rules prescribed by the Central Government for maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 in respect of electrical motors and are of the opinion that prima facie the prescribed accounts and records have been made and maintained.
- (a) According to the information and explanations given to us and on the basis of our examination of the books of account, the Company has been generally regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, cess and any other material statutory dues applicable to it during the year. A few minor delays have been noted. However, at 30 September 2004, there are no arrears of undisputed statutory dues for a period of more than six months from the date they became payable.
  - (b) According to the information and explanations given to us, there are no dues of Income-tax, Sales tax, Wealth Tax, Service Tax, Custom duty, Excise Duty and cess which have not been deposited with the appropriate authorities on account of any dispute other than those mentioned in the Appendix to this report.

- 10. The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year covered by our audit and the immediately preceding financial year.
- 11. The Company did not have any outstanding debentures or any outstanding loans from any financial institution or bank during the year.
- 12. According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- 13. The Company is not a chit fund/nidhi/mutual benefit fund/ society. Accordingly, clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 is not applicable to the Company during the year under audit.
- 14. According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, clause 4 (xiv) of the Companies (Auditor's Report) Order, 2003 is not applicable to the Company during the year under audit.
- 15. In our opinion, the terms and conditions on which the Company has given guarantees for loans taken by others from bank and financial institutions are not prejudicial to the interest of the Company.
- 16. The Company did not have any term loans outstanding during the year. Accordingly, clause 4 (xvi) of the Companies (Auditor's Report) Order, 2003 is not applicable to the Company during the year under audit.
- 17. According to the information and explanations given to us and on an overall examination of the balance sheet

- of the Company, we are of the opinion that the Company has not raised any funds on short-term basis.
- 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 Companies Act 1956. Accordingly, clause 4 (xviii) of the Companies (Auditor's Report) Order, 2003 is not applicable to the Company during the year under audit.
- 19. The Company did not have outstanding debentures during the year. Accordingly, no security or charge has been created and clause 4 (xix) of the Companies (Auditors' Report) Order, 2003 is not applicable to the Company during the year under audit.
- 20. The Company has not raised any money by public issues during the year. Accordingly, clause 4 (xx) of the Companies (Auditors' Report) Order, 2003 is not applicable to the Company.
- 21. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

# For BSR & Co.

(Formerly Bharat S Raut & Co.)
Chartered Accountants

# **Akeel Master**

Partner

Membership No: 46768

Mumbai

25 November 2004

Appendix to Auditors' Report					
Name of the Statute	Nature of the Dues	Amount (Rs 000)	Period to which the amount relates	Forum where Dispute is pending	
Central Excise Act, 1944	Duty and penalty	6,500	1993/94, 1994/95, 1995/96, 1996/97, 2000/01 and 2002/03	Commissioner (Appeals)	
		18,399	1980/81, 1994/95, 1995/96, 1996/97, 1997/98	Customs, Excise, Service Tax Appellate Tribunal	
State and Central Sales Tax Acts, Works Contract Tax Acts, Entry Tax	Tax, interest and penalty	64,755	1967/68, 1968/69, 1970/71, 1973/74, 1979/80, 1980/81, 1982/83, 1983/84, 1984/85, 1986/87, 1987/88, 1988/89, 1990/91, 1992/93, 1993/94, 1994/95, 1995/96, 1996/97, 1997/98, 1998/99, 1999/00, 2000/01, 2001/02, 2003/04	Assistant Commissioner	
		113,370	1974/75, 1975/76, 1976/77, 1977/78, 1986/87, 1987/88, 1989/90, 1991/92, 1992/93, 1993/94, 1995/96, 1996/97, 1997/98, 1998/99, 1999/00, 2000/01, 2001/02, 2003/04	Deputy Commisioner	
		9,849	1995/96	Joint Commissioner	
		720	1994/95	Revision Board	
		22,427	1985/86, 1989/90, 1990/91, 1994/95, 1995/96, 1996/97, 1997/98, 1998/99	Sales Tax Tribunal	
		30,157	2002/03	Writ in High Court	
		10,543	1993/94, 1994/95, 1995/96, 1996/97, 2000/01	High Court	
Customs Act, 1962	Duty	120,000	1998/99	High Court	

# Balance Sheet at 30 September 2004 (Currency: Indian rupees thousands)

	Schedule	2004	2003
SOURCES OF FUNDS Shareholders' funds			
Share capital	3	331,384	331,384
Reserves and surplus	4	5,730,174	4,579,091
		6,061,558	4,910,475
Loan funds Unsecured loans	5	28,872	31,002
		6,090,430	4,941,477
APPLICATION OF FUNDS			
Fixed assets	6		
Gross block		5,461,354	5,503,956
Accumulated depreciation		(3,594,641)	(3,704,613)
Net block		1,866,713	1,799,343
Capital work-in-progress		61,868	20,881
		1,928,581	1,820,224
Investments	7	1,215,215	898,907
Deferred tax asset	8	329,433	315,083
Deferred tax liability	9	(181,251)	(161,365)
		148,182	153,718
Current assets, loans and advances Inventories	10	1,698,235	1 215 002
Sundry debtors	11	4,172,586	1,215,892 3,559,062
Cash and bank balances	12	4,309,852	2,584,729
Loans and advances	13	1,802,032	1,753,370
		11,982,705	9,113,053
Current liabilities and provisions			
Current liabilities	14	(8,552,122)	(6,532,933)
Provisions	15	(632,131)	(511,492)
		(9,184,253)	(7,044,425)
Net current assets		2,798,452	2,068,628
		6,090,430	4,941,477
Significant accounting policies	1-2		
Notes to the financial statements	23-30		

As per our report attached For BSR & Co. (formerly Bharat S Raut & Co.) Chartered Accountants

Ashok P. Jangid Corporate Secretary Deepak S. Parekh
J. Schubert
H. Gelis
D. C. Shroff
Y. H. Malegam
Dr. O. Schmitt
A. B. Nadkarni
Harminder Singh
O. P. Narula

Mumbai, 25 November 2004

For Siemens Ltd.

Chairman Managing Director Executive Director

Directors

**Akeel Master** Partner

Membership No: 46768

Mumbai, 25 November 2004

# Profit and Loss Account for the year ended 30 September 2004 (Currency: Indian rupees thousands)

Partner

Membership No: 46768

Mumbai, 25 November 2004

		Schedule	2004	2	2003
Income		_			
Sales and services (gross)			18,725,297	14,802	,191
Excise duty			(1,112,747)	(763,9	931)
Sales and services (net) Commission income		_	17,612,550 287,667	14,038 207	,260 ,115
Interest income, net		_ 16	17,900,217 131,623	14,245 112	,375 ,398
Other operating income, net Other income		17 18	444,718 525,986	700	,645 ,519
			19,002,544	15,474	
Expenditure Cost of sales and services		19	12,720,643	9,839	
Personnel costs, net		20	1,651,873	1,417	-
Depreciation (other than on leased assets) Other costs, net		6 21	228,336 2,102,730	2,022 <sub>,</sub>	,047 .564
Restructuring write back, net			-,:,:		543)
		_	16,703,582	13,507	,168
Profit before tax		_	2,298,962	1,967	,769
Provision for current tax		22	(775,000)	(588,0	
Deferred tax (expense)/benefit		_	(10,230)		,047
Net profit after tax (A)  Profit and loss account balances on accour	at of	_	1,513,732	1,393	,816
amalgamation of Siemens Building Techno			17,686		-
Amount available for appropriation		_	1,531,418	1,393	,816
Ammanuintinus					
Appropriations: Interim dividend paid			132,554	115	,984
Proposed dividend			165,692	132	,554
Dividend tax  Net deficit on account of amalgamation of	Ciomons		38,977	31,	,844
Building Technologies Pvt. Ltd. (Refer Sche			43,112		-
Transfer to general reserve		_	1,151,083	1,113	,434
		_	1,531,418	1,393	,816
Weighted average number of equity sha Basic and diluted earnings per share of			33,138,403 45.68	33,138, 4.	,403 2.06
Significant accounting policies		1-2			
Notes to the financial statements		23-30			
As per our report attached					
For BSR & Co.		For Siemens Ltd.			
(formerly Bharat S Raut & Co.) Chartered Accountants	Ashok P. Jangid	Deepak S. Parek	h	Chairman	
Chartered Accountants	Corporate Secretary	J. Schubert H. Gelis D. C. Shroff		Managing Directive Directive	
		Y. H. Malegam			
Akeel Master Partner		Dr. O. Schmitt A. B. Nadkarni		Directors	

A. B. Nadkarni

Harminder Singh
O. P. Narula

Mumbai, 25 November 2004

# Cash flow statement for the year ended 30 September 2004 (Currency: Indian rupees thousands)

	2004	2003
Cash flow from operating activities Profit before tax	2,298,962	1,967,769
Adjustments for: Interest expense Restructuring write back, net Bad debts Provision for doubtful debts/advances, net Depreciation	637 — 13,568 4,985 241,815	1,888 (2,543) 26,801 90,897 245,037
Profit on sale of fixed assets, net Profit on sale of investments, net Profit on sale of Life Support Systems business Unrealised exchange (gain)/loss, net Interest and dividend accrued Lease equalisation charge	(13,996) — (65,593) (163,670) (645,844) 6,400	(82,562) (26,376) — 15,589 (488,596) 4,478
Operating profit before working capital changes	1,677,264	1,752,382
(Increase)/ decrease in working capital Inventories Trade payables Trade and other receivables Provisions	(463,905) 2,058,702 (665,148) (69,029)	(456,821) 32,052 (241,188) 30,499
Net change in working capital	860,620	(635,458)
Cash generated from operations Payments for restructuring costs Direct taxes paid, net	2,537,884 — (518,420)	1,116,924 (4,978) (516,312)
Net cash provided by operating activities	2,019,464	595,634
Cash flow from investing activities Purchase of fixed assets Proceeds from sale of fixed assets Purchase of investments Consideration from sale of Life Support Systems business	(355,195) 20,412 (364,210) 97,600	(218,541) 177,316 (847,902)
Sale of investments Dividend received from a subsidiary company Interest received Inter corporate deposits (given)/received	511,225 132,818 (90,000)	271,500 370,335 118,965 290,000
Net cash (used in)/inflow from investing activities	(47,350)	161,673
Cash flow from financing activities Interest paid Decrease in short term borrowings Dividend paid (including tax thereon)	(637) — (297,915)	(1,888) (32,060) (213,392)
Decrease in long term borrowings	(2,130)	(917)
Net cash used in financing activities	(300,682)	(248,257)
Net increase in cash and cash equivalents Cash and cash equivalents at beginning of the year Cash and cash equivalents acquired on amalgamation	1,671,432 2,584,729 20,583	509,050 2,026,772 —
Effect of exchange gain/(loss) on cash and cash equivalents	33,108	48,907
Cash and cash equivalents at the end of the period (Schedule 12)	4,309,852	2,584,729

For BSR & Co. (formerly Bharat S Raut & Co.) Chartered Accountants

Ashok P. Jangid Corporate Secretary

Deepak S. Parekh J. Schubert

For Siemens Ltd.

H. Gelis D. C. Shroff Y. H. Malegam Dr. O. Schmitt A. B. Nadkarni Harminder Singh O. P. Narula

Directors

Chairman

Managing Director Executive Director

**Akeel Master** 

Membership No: 46768

Mumbai, 25 November 2004

Mumbai, 25 November 2004

Siemens Ltd.

# Schedules to the financial statements for the year ended 30 September 2004 (Currency: Indian rupees thousands)

# 1 Significant accounting policies

# 1.1 Basis of preparation of financial statements

The financial statements are prepared under the historical cost convention, on the accrual basis of accounting in accordance with the Companies Act, 1956 and in accordance with the accounting principles generally accepted in India ('Indian GAAP') and comply with the Accounting Standards issued by the Institute of Chartered Accountants of India ('ICAI') to the extent applicable.

The financial statements are presented in thousands of Indian Rupees unless otherwise stated.

### 1.2 Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities on the date of the financial statements. Actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

### 1.3 Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. The cost of fixed assets includes taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Depreciation is provided on the straight-line method ('SLM') at the rates prescribed in the Company's group accounting guidelines. Depreciation on additions is provided prorata from the date the assets are put to use. The SLM rates prescribed in the Company's group accounting guidelines are greater than or equal to the corresponding minimum rates prescribed in Schedule XIV to the Companies Act, 1956. The key fixed asset blocks and related annual depreciation rates, which in management opinion reflect the estimated useful economic lives of the fixed assets, are:

Asset	Rate
Freehold land	<del>_</del>
Factory buildings	3.34%
Other buildings	2.5%
Leasehold land and buildings	Over the lease period
Plant and machinery	20%
Furniture and fittings	20%
Office equipment	33 1/3%
Assets at project sites	Over the life of the project
Special machine tools	10%
Vehicles	25%

Equipment given on lease prior to 1 April 2001 is stated at acquisition cost and is depreciated on the SLM basis over the primary lease period. Assets costing less than Rs 5,000 are fully charged to the profit and loss account in the year of acquisition.

Items of fixed assets that have been retired from active use and are held for disposal are stated at the lower of their net book value and net realisable value and are disclosed separately in the financial statements. Any expected loss is recognised in the profit and loss account through an accelerated depreciation charge.

### 1.4 Investments

Long term investments are stated at cost. Provision is made when diminution in value, other than temporary has arisen, in the opinion of the management. Current investments are stated at lower of cost or market value.

# 1.5 Inventories

Cost of inventories comprises all costs of purchase, conversion and other costs incurred in bringing the inventories to their present location and condition.

Raw materials are valued at the lower of cost and net realisable value. Cost is determined on the basis of the weighted average method.

Work-in-progress and finished goods are valued at the lower of cost and net realisable value.

Excise duty is included in the value of finished goods inventory.

Custom duty on goods where title has passed to the Company is included in the value of inventory.

Stores and spares are charged to the profit and loss account in the year of purchase.

# Schedules to the financial statements (continued) for the year ended 30 September 2004 (Currency: Indian rupees thousands)

### 1.6 Revenue recognition

Sales of products and services are recognised when the risk and rewards of ownership of the products are passed on to the customers, which is generally on despatch of goods or when the service has been provided. Sales are stated exclusive of sales tax.

Income from long term contracts is recognised by reference to the estimated overall profitability of the contract under the percentage of completion method. Full provision is made for any loss in the year in which it is first foreseen.

Commission income is recognised when proof of shipment is received from the supplier.

Dividend income is recognised when the right to receive the dividend is unconditional at the balance sheet date.

Interest income is recognised on the time proportion basis.

### 1.7 Leases

In respect of assets given on lease prior to 1 April 2001, lease rentals comprising the principal recovery of the net investment in the fixed asset and interest are credited to the profit and loss account with a corresponding depreciation charge for the related asset. The difference between the principal recovery and the depreciation charge is debited/ credited to the profit and loss account through a lease equalisation charge/credit such that only the interest component, arrived at by applying an implicit internal rate of return ('IRR'), is recognised as income.

Lease rentals on assets taken on lease prior to 1 April 2001 are charged to the profit and loss account.

Lease payments under an operating lease, on or after 1 April 2001 are recognised as an expense in the statement of profit and loss on a straight line basis over the lease term.

# 1.8 Retirement benefits

The Company's liabilities towards gratuity, leave wages, pension, and medical benefits are evaluated based on an actuarial valuation at the balance sheet date carried out by an independent actuary. The resulting contribution to approved gratuity fund is charged to profit and loss account. The resulting liability for leave wages, pension fund and medical benefits are accrued in the balance sheet with an appropriate charge to the profit and loss account.

Contributions payable to the recognised provident fund and approved superannuation scheme, which are defined contribution schemes, are charged to the profit and loss account monthly.

# 1.9 Foreign currency transactions

Foreign currency transactions are recorded at exchange rates prevailing on the date of the respective transactions.

Current assets and current liabilities in foreign currencies existing at balance sheet date are translated at year-end rates. Foreign currency translation differences related to acquisition of fixed assets are adjusted in the carrying amount of the related fixed assets. All other foreign currency gains and losses are recognised in the profit and loss account.

The cost of forward exchange contracts is amortised over the period of the contract.

# 1.10 Research and development

Expenditure on Research phase is recognised as an expence when it is incurred. Expenditure on development phase is recognised as an asset if it is likely to generate probable future economic benefits.

# 1.11 Technical know-how fees

Technical know-how fees are charged to the profit and loss account in the year in which the expense is incurred.

### 1.12 Taxation

Income-tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the income-tax law) and deferred tax charge or credit (reflecting the tax effect of timing differences between accounting income and taxable income for the period). The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the asset can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of the assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonable/virtually certain (as the case may be) to be realised.

# 1.13 Restructuring costs

Restructuring costs are accrued for when management commits the Company to a restructuring programme and when there is reasonable certainty that the Company will be able to effect the programme within a time frame of typically less than one year. Further, costs related to Voluntary Retirement Scheme are provided for when employees accept the scheme.

# 1.14 Contingencies

Loss contingencies arising from claims, litigation, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

# 2 Amalgamation of Siemens Building Technologies Pvt. Ltd with the Company

- 2.1 Pursuant to the Scheme of amalgamation of the erstwhile Siemens Building Technologies Private Limited (SBT) with the Company as approved in the Board Meeting held on 21 July 2003 and subsequently sanctioned by the Hon'ble High Court of Mumbai on February 23, 2004, the assets and liabilities of the erstwhile SBT were transferred to and vested in the Company with effect from October 1, 2003. Accordingly, the scheme has been given effect to in these accounts.
- 2.2 The operations of SBT include executing projects for providing Integrated Building Management Systems including Building Automation Systems, Fire Alarm/Access Control/Security Systems.
- 2.3 The Amalgamation has been accounted for under the "pooling of interests" method as prescribed by Accounting Standard 14 on Accounting for Amalgamations issued by the Institute of Chartered Accountants of India. Accordingly, the assets, liabilities and other reserves of the erstwhile SBT as at 1 October 2003 have been taken over at their book values.
- 2.4 As provided in the Scheme of Amalgamation, 479,020 equity shares held by the Company in SBT stand cancelled.
- 2.5 Net deficit of Rs. 43,111,800 being the difference between the equity shares of SBT and the value of investment in SBT by the company, has been debited to the profit and loss account.
- 2.6 In view of the aforesaid amalgamation with effect from October 1, 2003 the figures for the current year are not strictly comparable to those of the prior year.

		2004	2003
3	Share capital		
	Authorised 50,000,000 equity shares of Rs 10 each	500,000	500,000
	150,000,000 10.5% cumulative redeemable preference		
	shares of Rs 10 each	1,500,000	1,500,000
		2,000,000	2,000,000
	Issued		
	33,311,256 (2003: 33,311,256) equity shares of Rs 10 each	333,113	333,113
	Subscribed and fully paid-up		
	33,138,403 (2003: 33,138,403) equity shares of Rs 10 each		
	fully paid-up	331,384	331,384

# Of the above:

18,103,187 (2003: 18,103,187 ) equity shares of Rs 10 each fully paid-up are held by the holding company, Siemens AG, Germany.

11,100,000 (2003: 11,100,000 ) equity shares of Rs 10 each fully paid-up have been allotted as fully paid-up bonus shares by capitalisation of the general reserve; and

150,000 (2003: 150,000 ) equity shares of Rs 10 each have been allotted as fully paid-up for consideration received other than in cash.

		2004	2003
4	Reserves and surplus		
	Capital reserve - Balance brought forward	688	688
	Securities premium account	000	000
	- Balance brought forward	1,827,331	1,827,331
	General reserve	, , , , ,	, , , , ,
	- Balance brought forward	2,751,072	1,637,638
	- Transfer from profit and loss account	1,151,083	1,113,434
		3,902,155	2,751,072
		5,730,174	4,579,091
5	Unsecured loans		
	Long term		
	- sales tax deferral	28,872	31,002
		28,872	31,002
	The loan under the sales tax deferral scheme is payable till 2011		
	- Amounts payable within one year	3,215	2,130

#### 6 Fixed assets

	Land	Buildings	Plant and Machinery	Furniture, Fittings & Office Equipment	Vehicles	Equipment given on lease	Total	Previous year
Gross block	112.017	1 477 201	2 246 220		17 /17	755,000	E E03 0E6	F 420 261
At 1 October 2003 Additions on amalgamation of	112,817	1,477,381	2,246,320	894,932	17,417	755,089	5,503,956	5,430,261
SBT (refer Schedule 2)	_	_	_	5,296	724	_	6,020	_
Additions Disposals	_	62,781 (6,690)	182,530 (13,718)	59,059 (7,223)	6,838 (2,998)	3,000 (332,201)	314,208 (362,830)	243,317 (169,622)
'				<del></del> _		<del></del> _	<del></del>	_ <del></del>
At 30 September 2004	112,817	1,533,472	2,415,132	952,064	21,981	425,888	5,461,354	5,503,956
Accumulated depreciation	24764	206.402	4 706 464	007.000	46756	740.640	2 724 442	2 524 444
At 1 October 2003 Additions on amalgamation of	24,761	306,183	1,786,464	827,839	16,756	742,610	3,704,613	3,534,444
SBT (refer Schedule 2)	_	_	_	4,085	542	_	4,627	_
Charge for the year	2,655	34,046	153,021	37,319	1,295	13,479	241,815	245,037
Disposals		(1,469)	(13,227)	(6,580)	(2,937)	(332,201)	(356,414)	(74,868)
At 30 September 2004	27,416	338,760	1,926,258	862,663	15,656	423,888	3,594,641	3,704,613
Net block								
At 30 September 2004	85,401	1,194,712	488,874	89,401	6,325	2,000	1,866,713	1,799,343
At 30 September 2003	88,056	1,171,198	459,856	67,093	661	12,479	1,799,343	

Included in the gross block of land at 30 September 2004 is freehold land of Rs 6,607,804 (2003: Rs 6,607,804) and buildings includes Rs 192,534,986 (2003: Rs 220,150,321) representing 1,237 (2003: 1,272) shares of Rs 50/— each in various co—operative housing societies.

Buildings with a net book value of Rs 25,242,000 are held for sale at 30 September 2004.

Future lease payments receivable under operating leases not later than one year aggregate Rs 1,800,000 (2003 : 1,800,000) and later than one year and not later than five years aggregate Rs 1,800,000 (2003 : 3,600,000). Future lease payments receivable under finance leases not later than one year aggregate Rs Nil (2003 : 21,684,000).

Depreciation has been disclosed as follows:

- Depreciation of Rs 13,478,665 (2003: Rs 14,990,000) on equipment given on lease is reduced from lease income at note 17 to the financial statements.
- The balance depreciation of Rs 228,336,297 (2003: Rs 230,046,770) has been separately disclosed in the profit and loss account.

		2004	2003
7	Investments		
	Non-Trade, long term		
	In government securities (unquoted)		
	National Savings Certificates	5	5
	Rural Electrification Corporation Limited 54EC Bonds (7,000 bonds of Rs 10,000 each)	70,000	_
	Shares in subsidiary companies 6,815,000 (2003: 6,815,000) equity shares of Rs 10 each fully paid-up in Siemens Information Systems Ltd (100% holding; 2003: 100% holding)	851,000	851,000
	Nil (2003: 479,020) equity shares of Rs 100 each fully paid-up in Siemens Building Technologies Pvt Ltd (Nil holding; 2003: 100% holding) (extinguished on amalgamation)	_	47,902
	Trade		
	Debentures		
	740,040 (2003: 740,040) 18% non-convertible debentures of		
	Rs 100 each in Mid-East Integrated Steel Ltd.	74,004	74,004
	Provision for diminution in value	(74,004)	(74,004)
	Current Investments	_	_
	In Mutual Funds (quoted)		
	9,545,393 (2003: Nil) units of HSBC Cash Fund-Institutional-Daily		
	Dividend	99,655	_
	8,933,441(2003: Nil) units of HDFC Cash Management Fund-Daily Dividend	95,020	_
	9,934,165 (2003: Nil) units of Deutsche Insta Cash Plus Fund-Daily		
	Dividend	99,535	
		294,210	
		1,215,215	898,907
	The aggregate book value and market value of quoted investments, and book value of unquoted investments, are as follows :		
	- Aggregate book value and market value of quoted investment	294,210	_
	- Aggregate book value of unquoted investment	921,005	898,907
8	Deferred tax asset		
	Arising on account of timing differences in : - Provision for doubtful debts - Other provisions (including provisions for doubtful advances,	139,087	132,501
	provisions and other amounts allowable on a payment basis under	100 246	102 502
	the Income Tax Act, 1961)	190,346	182,582
		329,433	315,083
	Deferred tax asset includes Rs 4,694,000 (2003: Nil) on account of amalgama	ation of SBT.	
9	Deferred tax liability		
	Arising on account of timing differences in :		
	Depreciation	181,251	161,365

		2004	2003
10	Inventories		
	Raw materials	373,788	355,337
	Work-in-progress		
	- factory related	247,189	148,933
	- project related	598,553	300,969
	Finished goods	478,705	410,653
		1,698,235	1,215,892
11	Sundry debtors		
	Debts outstanding		
	- Over six months	905,264	1,109,130
	- Other debts	3,632,041	2,823,159
		4,537,305	3,932,289
	Of which		
	- Considered good	4,172,586	3,559,062
	- Considered doubtful	364,719	373,227
		4,537,305	3,932,289
	Provision for doubtful debts	(364,719)	(373,227)
		4,172,586	3,559,062
	Sundry debtors are unsecured and include:		
	- Amounts receivable in installments beyond one year	29,663	68,087
	- Retentions on project related work-in-progress	693,187	564,483
	Included in debtors are debts due from companies under the same management as defined under section 370(1B) of Companies Act,1956:		
	- Siemens Public Communication Networks Pvt. Ltd.	1,101	2,180
	- Siemens Information Systems Ltd.	22,801	31,252
	- Siemens Shared Services Pvt. Ltd.	7,428	2,592
	- Siemens VDO Automotive Ltd.	176	100
	- Siemens Building Technologies Pvt. Ltd.	_	6,438
	- Siemens Power Engineering Pvt. Ltd.	6,921	5,421
	- Powerplant Performance Improvement Ltd.	24,108	44,238
	- Osram India Pvt Ltd	23	_
	- Siemens Hearing Instruments Pvt. Ltd.	418	385
12	Cash and bank balances		
	Cash in hand	24,632	14,809
	Cheques in hand	217,990	269,369
	Balances with scheduled banks		
	- on current account	1,290,143	1,630,829
	- on deposit account	2,683,485	661,348
	Balances with other banks	93,602	8,374
		4,309,852	2,584,729

		2004	2003
	Bank balances with others in current account comprise :		
	- Citibank, Colombo	4,166	6,857
	- Myanmar Economic Bank, Burma	56	56
	- State Bank of India, Dhaka	32	32
	- Standard Chartered Bank, Dhaka	2,118	857
	- Deutsche Bank, Colombo - Citibank, Dhaka	104 373	572
	- The Hongkong & Shanghai Banking Corporation Ltd.,Dhaka	7,072	_
	- Standard Chartered Bank, Qatar	78,398	_
	- Standard Chartered Bank, Nepal	283	_
	- Standard Chartered Bank, Colombo	1,000	_
		93,602	8,374
	Maximum amount outstanding at any time during the year :		
	- Citibank, Colombo	6,857	6,857
	- Myanmar Economic Bank, Burma	56	56
	- State Bank of India, Dhaka	32	32
	- Standard Chartered Bank, Dhaka	2,118	3,375
	- Deutsche Bank, Colombo	1,201	572
	- Citibank, Dhaka	8,454	_
	- The Hongkong & Shanghai Banking Corporation Ltd.,Dhaka	7,499	_
	- Standard Chartered Bank, Qatar	249,078	_
	- Standard Chartered Bank, Nepal	600	_
42	- Standard Chartered Bank, Colombo	1,000	_
13	Loans and advances (Unsecured)  Advances recoverable in cash or in kind or for value to be received		
	- considered good	879,133	823,422
	- considered doubtful	135,078	114,008
		<del></del>	
	Provision for doubtful advances	1,014,211 (135,078)	937,430 (114,008)
	Trovision for doubtful advances		
	Lanca and Baratan and an	879,133	823,422
	Lease equalisation account	_	6,400
	Advance payments of income tax (net of provision for current taxes 2003: Rs 3,348,651,733)	_	113,346
	Balances with customs, port trusts and excise authorities on current account	53,073	32,177
	Inter corporate deposits	865,000	775,000
	Interest accrued on inter corporate deposits	4,826	3,025
		1,802,032	1,753,370
	Loans and advances includes :		
	(a) Amounts due from directors of the Company for housing loans		
	given prior to their becoming directors (Maximum amount outstanding		
	during the year Rs 352,981; 2003: Rs 1,194,596)	305	353
	(b) Amounts due from an officer of the Company (Maximum amount		
	outstanding during the year Rs 24,297; 2003: Rs 44,311)	_	24
	(c) Inter-corporate deposits given to companies under the same		
	management as defined under section 370(1B) of Companies Act, 1956 :	400.000	FE0.000
	<ul> <li>Osram India Pvt Ltd</li> <li>Siemens VDO Automotive Ltd</li> </ul>	490,000 240,000	550,000 225,000
	- Demag Delaval Industrial Turbomachinery Pvt. Ltd.	135,000	223,000
	20ag 20.avar maasanar tarsoniacimiery 1 vii Etai.	<del></del>	775.000
		865,000	775,000

		2004	2003
14	Current liabilities		
	Sundry creditors	6,667,626	5,396,754
	- payable to small scale industrial undertakings	140,985	133,400
	- payable to subsidiary company	8,735	6,028
	- other sundry creditors	6,460,374	5,272,894
	Advances from customers	1,936,277	1,116,359
	Unclaimed dividends*	5,751	4,252
		8,552,122	6,532,933

<sup>\*</sup>Investor Protection and Education Fund is being credited by the amount of unclaimed dividend after seven years from the due date. Advances from customers include progress payment and advances received for project related work

The names of the small scale industrial undertakings to whom the Company is indebted for a period of more than 30 days as at 30 September 2004:

A-1 Polymers

I Max

Yesbee Valves Pvt. Ltd. Aanchalia Industries. Accurate Forge Pvt Ltd Ameet Industries

Amico Engineers Private Ltd Anilux Coated Products Pvt Ltd

**Associated Engineers** 

Bemcee

Bharat Wire Ropes Ltd.
Bijou Enterprises

Chem Fine

Classic Rubber Industry Cmc Manufacturing Co. Pvt. Ltd Commercial & Industrial Enterprises

Control Devices
Copper Track Industries
Coral Rewinding Industries
Dhananjay Metal Ind.Pvt.Ltd.
Dolphin Die Cast (P) Ltd.
Electrofabric Engineers
Elektromag Methods

Eltech Electronics & Telecommunication

Emco Lenze Pvt Ltd

**Engineering Construction Corporation** 

Enkay Traders Esdee Paints Ltd.

Fabcon

Fibertech Industries Fts Engineering Private Ltd. Futura Automation Pvt Ltd

Gadson India

Grand Polycoats Company Pvt. Ltd.

Highpack Pvt.Ltd. Hind Tools D.C.Metal Corporation
Avdel India Pvt. Ltd.
Caldyne Automatics Ltd.
Steel Tech Engineers
Liberty Moulding Works

1,625,465

839,632

Resitech Electricals Private Ltd.

Mini Machine Tools Electronic Laboratories Rajdeep Engineering Ajay Industries

Ashida Electronics Pvt Ltd Panchal Electro Controls Pvt Ltd.

**R.N.Plastics** 

Houghton Hardcastle (India) Ltd. Preston Engg.Co.(Delhi) Pvt Ltd.

Danish Limited
Indusree
Dav Industries
Duro Shox Pvt.Ltd.
Vidya Wires Pvt. Ltd.
Cords Cable Industries Ltd.
Gyro Laboratories Private Ltd.
Prime Switchgear Pvt. Ltd.

Solar Biotronic Laboratories Pvt Ltd.

Bonafide Packers Adept Fluidyne

Satish Engineering Works Vinayak Transmission Products

Comet Brass Product Reliable Moulders Packsale Industries Shiv Shakti Industries Marine Electricals

Dharia Switchgear & Controls Pvt. Ltd.

Dol Electric Co.Pvt.Ltd

Maharashtra Electronic Industries

lac Electricals Pvt Ltd

Image Indfab

Industrial Perforation (India) Industrial Springs Mfg.Co. Intek Tapes Pvt. Ltd. Kaiser E Hind Pvt.Ltd.

Kun Chem Pretreatments Pvt.Ltd Kunnath Engineering Industries

**Kwality Steel Industries** 

Leadex

Liberty Plywoods & Pack M.R.Engineering Works

Mec Shot Blasting Equipment Pvt Ltd.

Megatech Control Ltd. Model Fasteners Pvt Ltd

Nana Udyog Nikhil Engineering Nivo Controls Private Ltd Om Heat Treatment Pvt. Ltd. Opto Audio Electronic Products

Plascap Industries Pooja Packaging Prahlad Engineers

Preci Metcut Toolings Pvt Ltd

**Precious Industries** 

Precision Power Products (I) Pvt Ltd.

Press Metal Company

Print Point Rama Industries Raviraj Process Controls Sahyadree Engg Works

Sai Industries

Saras Precision Tools (Pvt) Ltd. Senzo Engg & Plastic. Servel Electronics Pvt.Ltd. Shakti Springs Inc Sonawala Industries Space Application Cables

Spectrum Paints & Allied Production

Spring Fastners

Suheg Rubber Industries Pvt.Ltd.
Super Alloys & Metals Pvt Ltd.
Technico(India) Pvt. Ltd.
Techno Fab Manufacturing Ltd.

Tejas Products Udey Cables

Ujwal Engg & Mfg Co Pvt Ltd Utsav Electro Mech Pvt Ltd Versatek Switchgears Pvt. Ltd.

Voltamp Transformers Pvt Ltd.

Polyrub Extrusions India Dynamech Cranes Private Ltd.

Ikon Moulders Pvt Ltd
Rasesh Industries.
Brooks Cable Works
Jvs Electronics Pvt Ltd
Insulex Industries
Canopus Instruments
Deepak Hardware Mart

Spm Engineers

Shree Engineering Works Meco Instruments Pvt Ltd Excel Electric Industries Dalal Plastics Corporation

Refair Industries Shilpa Industries

Manjunatha Enggineering Industries Precision Forging & Stamping Finishvel Engineering Toolex Engineers Private Ltd.

**Boost Electronics** 

Rescon Mfg Company P Ltd

Mascasts

Baroda Bushings & Insulators

Sophisticated Tool Aids & Machineries

Kana Electromechs

Symatic Engineering Pvt. Ltd. R.H.Founders & Engineers Precision Spring Works Sangir Plastics Private Ltd.

Indo Industries Amar Fasteners

Nova Glavanofin Pvt Ltd Kiyosh Electronic Brisk Instrumentation Patsons Industries Crown Paper Products Ideal Engineering Works M.B.Control & Systems Pvt. Ltd

J K Tube Co.

Glassfibre & Allied Industries Connectwell Industries Pvt Ltd.

Electrotech

Agarwal Fastners Pvt.Ltd. Imp Power Limited V Max Engineers Prakash Timbers V B M Enterprises Buntsons Rubber Pvt.Ltd

Skantech Laser Machines Pvt. Ltd.

**Spring Steel Products** 

The above information regarding small scale industrial undertakings has been determined to the extent such parties have been identified on the basis of the information available with the Company.

		2004	2003
15	Provisions Pension Taxation (net of advance tax Rs 3,996,947,334 )	159,100 143,775	207,466
	Restructuring	—	3,804
	Proposed dividend	165,692	132,554
	Tax on proposed dividend	21,654	16,983
	Leave wages	40,735	52,456
	Medical benefits	37,653	30,521
	Others	63,522	67,708
		632,131	511,492
16	Interest income, net Interest income (includes tax deducted at source Rs 21,094,170;		
	2003: Rs 43,821,791)	132,260	114,286
	Interest expense	(637)	(1,888)
		131,623	112,398
17	Other operating income, net Lease rentals	23,484	24,257
	Lease equalisation charge	(6,400)	(4,478)
	Depreciation	(13,479)	(14,990)
	Lease income, net	3,605	4,789
	Export incentives	15,550	17,893
	Profit on sale of fixed assets, net	13,996	82,562
	Recoveries from subsidiary companies, associates and third parties	123,081	127,473
	Compensation on vacation of property	· —	30,441
	Exchange gain, net	95,964	99,051
	Forfeiture of customer advance	_	255,642
	Profit on sale of Life Support Systems business	65,593	
	Sales tax set off	126,929	82,794
		444,718	700,645
18	Other income		
	Dividend from a subsidiary company Profit on sale of investments	511,125	370,335
	Dividend on mutual fund investment	 2,359	26,376
	Income from non-trade investments	2,339	3,975
	Sundries	12,502	15,833
		525,986	416,519
19	Cost of sales and services		
	Raw materials consumed	3,671,484	2,556,043
	Traded goods consumed	5,816,986	4,646,062
	Project bought outs Change in inventories	3,131,513 (463,892)	2,722,111
	Other costs	(463,892) 564,552	(342,739) 257,775
		12,720,643	9,839,252
		12,/20,043	3,033,232

		2004	2003
20	Personnel costs, net		
	Salaries, wages and bonus, net	1,356,706	1,137,824
	Contribution to provident and other funds	119,749	118,748
	Workmen and staff welfare	175,418	161,276
		1,651,873	1,417,848

Salaries, wages and bonus include a charge of Rs 85,200,000 (2003: Nil) towards additional leave encashment payable pursuant to a change in the leave policy of the Company for certain categories of employees during the year.

### 21 Other costs, net

other costs, net		
Travel and conveyance	457,106	369,537
External software services and data processing	326,282	356,975
Communications	172,661	170,636
Power and fuel	142,404	138,186
Rates and taxes	137,090	119,630
Repairs and maintenance		
- on building	73,964	78,365
- on machinery	30,414	26,454
- others	52,214	44,824
Rent	77,724	72,859
Research and development expenditure	46,073	25,392
Advertising and publicity	51,980	63,838
Packing and forwarding	77,146	54,887
Legal and professional	52,177	49,904
Office supplies, printing and stationery	43,066	33,917
Lease rentals	45,795	51,006
Insurance	37,866	36,521
Bank guarantee commission/ bank charges	15,143	12,917
Spares and stores	29,150	23,734
Donation	2,653	1,990
Commission to directors	8,560	2,900
Directors' fees	280	195
Bad debts	13,568	26,801
Provision for doubtful debts and advances, net	4,985	90,897
Miscellaneous	204,429	170,199
	2,102,730	2,022,564

### 22 Provision for current tax

Provision for current tax of Rs 775,000,000 (2003: 588,000,000) includes a provision of Rs 126,000,000 (2003: Nil) for earlier years.

		2004	
Note	s to the financial statements		
23	Commitments and contingent liabilities		
	a Commitments		
	Estimated amount of contracts remaining to be executed on		
	capital account and not provided for (net of advances)	56,574	29,762
	Future lease commitments in respect of operating leases	•	·
	- within one year	36,396	25,998
	- later than one year and not later than five years	36,206	25,400
	Unamortised premium in respect of forward exchange contracts	3,143	1,122
	Export commitments	855,944	1,592,458
	b Contingent liabilities		
	Bills discounted	219,386	229,734
	Taxation matters (excluding interest)		
	- In respect of certain completed assessments where matters are	245 676	245 676
	under appeal by the Company	315,676	315,676
	- In respect of appeals decided in favour of the Company, but	100 100	106.166
	disputed further by income tax authorities	106,166	106,166
	Excise/sales tax liabilities (net of tax), under dispute	192,543	167,442
	Corporate and other guarantees	24,395	36,163
	Claims against the Company not acknowledged as debts	174,315	174,231
24	Supplementary statutory information		
	(i) Managerial remuneration		
	Personnel and other costs include managerial remuneration for		
	directors as set out below:		
	Salary	6,900	5,940
	Perquisites	4,689	4,406
	Commission	8,560	2,900
	Performance linked incentive	8,000	8,000
	Contribution to provident fund	461	389
	Contribution to superannuation fund	576	486
		29,186	22,121
	Certain whole time directors are covered under the Company's gratuity schem		
	Company. The gratuity liability is determined for all the employees on a indeamount of gratuity for such whole time directors cannot be ascertained sepa		
	been included in the above note.	rately and accordingly	the same has not
	Computation of commission to the Managing Director and other directors:		
	Profit as per the Profit and Loss Account	1,513,732	1,393,816
	Add:	1,515,752	1,333,010
		20.106	22 121
	Managing and other director's remuneration and commission  Depreciation charged in the accounts	29,186 241,815	22,121 245,037
	Profit on sale of fixed assets, net (as per Section 349)	1,201	1,053
	Provision for doubtful debts and advances, net	4,985	90,897
	Provision for current and deferred tax	785,230	573,953
	Provision for wealth tax	4,738	22,715
	Restructuring write-back, net	_	(2,543)
	Profit on sale of investment	_	(26,376)
	Profit on sale of Life Support Systems business	65,593	_
	Less: Profit on sale of fixed assets, net as per Profit and Loss Account	(13,996)	(82,562)
	From on sale of fixed assets, flet as pel From and Loss Account	(13,350)	(02,302)

		2004	2003
	ementary statutory information (continued) ciation as computed under Section 350 of the Companies		
	956 (see note below)	(241,815)	(245,037)
Net pr	ofit as per Section 349 of the Companies Act, 1956	2,390,669	1,993,074
ceiling	ission to managing and whole-time directors subject to of 10% of the net profits as calculated above, provided at ission to other directors subject to ceiling of 1% of the	6,000	1,400
			4 500
net pro	ofits as calculated above, provided at	2,560	1,500
·		8,560	2,900
The Coestima books consider	ompany depreciates its fixed assets based on estimated useful lives wated useful lives prescribed by Schedule XIV of the Companies Act, 195 is higher than that prescribed as the minimum by the Companies Act, ered as a deduction for the computation of managerial remuneration at	8,560 which are lower or ed 6. Thus, the depreciat 1956. Hence, this high	tion charged in the
The Coestima books consider	ompany depreciates its fixed assets based on estimated useful lives wated useful lives prescribed by Schedule XIV of the Companies Act, 195 is higher than that prescribed as the minimum by the Companies Act,	8,560 which are lower or ed 6. Thus, the depreciat 1956. Hence, this high	2,900 qual to the implicit tion charged in the
The Coestima books consider	ompany depreciates its fixed assets based on estimated useful lives wated useful lives prescribed by Schedule XIV of the Companies Act, 195 is higher than that prescribed as the minimum by the Companies Act, lered as a deduction for the computation of managerial remuneration abuditors' remuneration  Audit fee  Tax audit fee	which are lower or ed. Thus, the depreciat 1956. Hence, this highwork.  5,000 1,600	2,900 qual to the implicit tion charged in the her value has been 4,700 1,600
The Coestima books consider	ompany depreciates its fixed assets based on estimated useful lives wated useful lives prescribed by Schedule XIV of the Companies Act, 195 is higher than that prescribed as the minimum by the Companies Act, ered as a deduction for the computation of managerial remuneration abuditors' remuneration  Audit fee  Tax audit fee  Other services	8,560 which are lower or ec 6. Thus, the depreciat 1956. Hence, this high cove.  5,000 1,600 509	2,900 qual to the implicit tion charged in the her value has been 4,700 1,600 380
The Consideration of the Consideration (ii) Au	ompany depreciates its fixed assets based on estimated useful lives wated useful lives prescribed by Schedule XIV of the Companies Act, 195 is higher than that prescribed as the minimum by the Companies Act, lered as a deduction for the computation of managerial remuneration abuditors' remuneration  Audit fee  Tax audit fee	which are lower or ed. Thus, the depreciat 1956. Hence, this highwork.  5,000 1,600	2,900 qual to the implicit tion charged in the her value has been 4,700 1,600

- Tax audit fee	1,600	1,600
- Other services	509	380
- Reimbursement of expenses	372	352
	7,481	7,032
(iii) Earnings and expenditure in foreign exchange		
(a) Earnings in foreign currency		
- Exports of goods/software		
Direct on FOB basis	847,073	517,281
Under IDA/IBRD/ADB credits - Commission	166,488	100.010
<ul><li>Commission</li><li>Service charges and others</li></ul>	262,262 261,773	190,819 184,438
(b) Expenditure in foreign currency	201,773	104,430
- Travelling	50,142	30,751
- Installation charges		213
- Expenditure on contracts at foreign sites	64,622	29,757
- Commission	31,888	1,318
- Service charges	168,700	101,689
- Others	108,327	50,752
(c) Value of imports calculated on CIF basis		
- Raw material	1,061,510	805,708
- Components, spare parts and traded goods	4,525,384	3,434,861
- Capital goods	27,786	6,440
(iv) Net dividend remitted in foreign exchange Final:		
Period to which the dividend relates	1.10.2002 to	1.10.2001 to
	30.09.2003	30.09.2002
Number of non-resident shareholders	One	One
Number of equity shares held on which dividend was due	18,103,087	18,103,087
Amount remitted	72,412	45,258
Net of tax deducted at source Interim:	_	_
Period to which the dividend relates	1.10.2003 to	1.10.2002 to
remote to which the dividend relates	30.09.2004	30.09.2003
Number of non-resident shareholders	One	One
Number of equity shares held on which dividend was due	18,103,087	18,103,087
Amount remitted	72,412	63,361
Net of tax deducted at source	_	_

### Additional information pusuant to the provisions of paragraphs 3, 4C, and 4D of Part II of Schedule VI to the Companies Act, 1956:

Sales and Services				
Class of goods	20	004	200	)3
Refer notes (a) and (d) below	Quantity	Value	Quantity	Value
Switchgear items	· ·	2,986,806	· ,	2,352,731
Electric motors/ generators	45,265	1,230,505	32,127	797,097
Switchboards, control boards and				
miscellaneous accessories		1,389,617		743,034
X-ray equipment		209,255		341,737
Measuring and Control Instruments		192,842		<del></del>
Railway signalling equipment		1,533,911		1,283,862
Variable speed AC/DC drive systems, motor				
control, modules and programmable control		1 (51 (61		1 272 205
systems  Protection systems		1,651,661		1,272,285
Protection systems  Data acquisition, logging and control systems		299,738 222,726		231,427 188,354
EPABX / EPAX / Intercom and key telephone		222,720		100,554
systems		790,220		785,046
Medical electronic diagnostic equipment		2,091,869		2,026,803
Other engineering project goods		3,362,353		2,283,458
Maintenance, repairs and other services		987,142		1,387,577
Integrated building management systems		290,816		· · · —
Rent recovery		373,089		344,849
	_	17,612,550	-	14,038,260
Commission income		287,667		207,115
Commission meetic	_		_	<u> </u>
	_	17,900,217	_	14,245,375

### (ii) Raw materials, bought out components and spares parts consumed during the year Refer note (e) below 2004 2003 Unit Quantity Value Quantity Value Copper flats, strips and profiles MT 255 50,406 207 35,459

copper hats, strips and profiles	IVI I	255	50,406	207	33,439
Enameled copper wire	MT	402	87,201	284	42,565
Brass sheets and strips	MT	738	6,527	38	9,906
Aluminium ingots, profiles and castings	MT	481	15,762	140	13,373
Iron and steel castings and shafts	MT	2,954	111,202	2,098	76,204
Dynamo steel sheets, strips and					
laminations	MT	3,048	161,361	2,592	118,647
Hot rolled and cold rolled steel sheets,		•	•	•	·
strips, housings etc.	MT	1,240	29,233	1,046	33,009
Cables and wires	Kms	11,300	20,279	2,157	10,271
Silver components	Kgs	3,101	46,750	2,525	30,498
Ball and roller bearings	Nos	570,443	38,154	323,981	24,912
Thyristors, diodes and transistors	Nos	485,856	31,795	476,536	26,985
X-ray tubes	Nos	701	32,781	882	38,876
Amphenol terminals	Nos	285,113	6,804	358,505	5,919
Vacuum tubes	Nos	15,003	159,392	9,555	126,278
Integrated circuits	Nos	136,547	7,045	125,013	9,555
Capacitors and condensers	Nos	402,508	22,715	436,715	25,653
Printed circuit boards	Nos	25,612	13,012	26,346	22,590
Aluminium components		•	80,382	,	74,793
Steel components			407,248		224,806
Copper and copper alloy components			113,675		67,587
Insulation materials			208,264		192,268
Packing wood and cartons			8,000		6,039
Equipment			628,393		413,507
Others			1,385,103		926,343
			3,671,484		2,556,043

March   Marc	(iii)	Imported and indigenous raw materials, componen	ts and spares	parts consumed		
Imported   1,018,884   28   75,518   30   1018   1018,884   100   2,556,043   100   1018				2004	20	003
Indigenous   2,652,600   72   1,800,857   70   70   70   70   70   70   70			Value		Value	
(iv) Inventories         3,671,484         100         2,555,043         100           Finished goods         Refer note (a) below         2004         Value         2003         Value		Imported	1,018,884	28	755,186	30
(iv) Inventories         Finished goods           Refer note (a) below         2004         2003         2003         Value		Indigenous	2,652,600	72	1,800,857	70
Finished goods   Refer note (a) below   Class of goods   Quantity   Value   Switchboards   S2,975			3,671,484	100	2,556,043	100
Refer note (a) below         2004 Quantity         2003 Value Quantity         2003 Quantity         Value Quantity <t< th=""><th>(iv)</th><th>Inventories</th><th></th><th></th><th></th><th></th></t<>	(iv)	Inventories				
Class of goods         2004 Quantity         Value Value Quantity         Va		Finished goods				
Switchgear items         Quantity         Value         Quantity         Value           Switchgear items         52,975         45,894           Electric motors/ generators         2,566 Nos.         46,118         1,138 Nos.         19,194           Switchboards, control boards, etc.         4,748         2,230           X-ray equipment         20,908         5,455           Electromedical equipment         74,264         108,087           Railway signalling equipment         87,176         100,679           Variable speed AC/DC drive systems, motor control modules and programmable control systems         2,408         —           Protection systems/ uninterrupted power supply systems         2,408         —           Others         45,063         93,059           Work-in-progress         478,705         410,653           - factory related         247,189         148,933           - project related         598,553         300,969           project related         598,553         300,969           Cv)         Purchases         Value         Value           Refer note (a) below         EPABX/EPAX/ intercom and KTS         534,716         534,816           Medical electronic diagnostic equipment         1,900,321         2,323,8		Refer note (a) below				
Electric motors/ generators   2,566 Nos.   46,118   1,138 Nos.   19,194		Class of goods		Value		Value
Switchboards, control boards, etc.         4,748         2,230           X-ray equipment         20,908         5,455           Electromedical equipment         2,082         6,590           CT and other diagnostic equipment         74,264         108,087           Railway signalling equipment         87,176         100,679           Variable speed AC/DC drive systems, motor control modules and programmable control systems         142,963         29,465           Protection systems/ uninterrupted power supply systems         2,408         —           Others         45,063         93,059           478,705         410,653           Work-in-progress         478,705         410,653           - factory related         247,189         148,933           - project related         598,553         300,969           1,324,447         860,555           (v) Purchases         Refer note (a) below           Class of goods         Value         Value           EPABX/EPAX/ intercom and KTS         534,716         534,816           Medical electronic diagnostic equipment         1,900,321         2,323,809           Others         3,381,949         1,787,437           Towards projects execution (CIF value of imports Rs 1,101,747,482; 2003: Rs 412,417,000)<		Switchgear items		52,975		45,894
X-ray equipment         20,908         5,455           Electromedical equipment         2,082         6,590           CT and other diagnostic equipment         74,264         108,087           Railway signalling equipment         87,176         100,679           Variable speed AC/DC drive systems, motor control modules and programmable control systems         142,963         29,465           Protection systems/ uninterrupted power supply systems         2,408         —           Others         45,063         93,059           478,705         410,653           Work-in-progress         47,189         148,933           - project related         598,553         300,969           1,324,447         860,555           (v) Purchases         Value         Value           Refer note (a) below         Value         Value           Class of goods         Value         Value           EPABX/EPAX/ intercom and KTS         534,716         534,816           Medical electronic diagnostic equipment         1,900,321         2,323,809           Others         3,381,949         1,787,437           Towards projects execution (CIF value of imports Rs 1,101,747,482; 2003: Rs 412,417,000)         3,131,513         2,722,111		Electric motors/ generators	2,566 Nos.	46,118	1,138 Nos.	19,194
Electromedical equipment		Switchboards, control boards, etc.		4,748		2,230
CT and other diagnostic equipment       74,264       108,087         Railway signalling equipment       87,176       100,679         Variable speed AC/DC drive systems, motor control modules and programmable control systems       142,963       29,465         Protection systems/ uninterrupted power supply systems       2,408       —         Others       45,063       93,059         Work-in-progress       478,705       410,653         - factory related       247,189       148,933         - project related       598,553       300,969         1,324,447       860,555         (v) Purchases       Value       Value         Refer note (a) below       Class of goods       Value       Value         EPABX/EPAX/ intercom and KTS       534,716       534,816         Medical electronic diagnostic equipment       1,900,321       2,323,809         Others       3,381,949       1,787,437         Towards projects execution (CIF value of imports Rs 1,101,747,482; 2003: Rs 412,417,000)       3,131,513       2,722,111		X-ray equipment		20,908		5,455
Railway signalling equipment       87,176       100,679         Variable speed AC/DC drive systems, motor control modules and programmable control systems       142,963       29,465         Protection systems/ uninterrupted power supply systems       2,408       —         Others       45,063       93,059         Work-in-progress       478,705       410,653         - factory related       247,189       148,933         - project related       598,553       300,969         1,324,447       860,555         (v) Purchases       Value       Value         Refer note (a) below       Class of goods       Value       Value         EPABX/EPAX/ intercom and KTS       534,716       534,816         Medical electronic diagnostic equipment       1,900,321       2,323,809         Others       3,381,949       1,787,437         Towards projects execution (CIF value of imports Rs 1,101,747,482; 2003: Rs 412,417,000)       3,131,513       2,722,111		Electromedical equipment		2,082		6,590
Variable speed AC/DC drive systems, motor control modules and programmable control systems       142,963       29,465         Protection systems/ uninterrupted power supply systems       2,408       —         Others       45,063       93,059         478,705       410,653         Work-in-progress       478,705       410,653         - factory related       247,189       148,933         - project related       598,553       300,969         1,324,447       860,555         (v) Purchases       Value       Value         Refer note (a) below       Class of goods         EPABX/EPAX/ intercom and KTS       534,716       534,816         Medical electronic diagnostic equipment       1,900,321       2,323,809         Others       3,381,949       1,787,437         Towards projects execution (CIF value of imports Rs 1,101,747,482; 2003: Rs 412,417,000)       3,131,513       2,722,111		CT and other diagnostic equipment		74,264		108,087
Control modules and programmable control systems   142,963   29,465		Railway signalling equipment		87,176		100,679
supply systems       2,408       —         Others       45,063       93,059         Work-in-progress       478,705       410,653         - factory related       247,189       148,933         - project related       598,553       300,969         1,324,447       860,555         (v) Purchases         Refer note (a) below         Class of goods         Value       Value         EPABX/EPAX/ intercom and KTS       534,716       534,816         Medical electronic diagnostic equipment       1,900,321       2,323,809         Others       3,381,949       1,787,437         Towards projects execution (CIF value of imports Rs 1,101,747,482; 2003: Rs 412,417,000)       3,131,513       2,722,111		control modules and programmable control		142,963		29,465
Work-in-progress       478,705       410,653         - factory related       247,189       148,933         - project related       598,553       300,969         1,324,447       860,555         (v) Purchases       Refer note (a) below         Class of goods       Value       Value         EPABX/EPAX/ intercom and KTS       534,716       534,816         Medical electronic diagnostic equipment       1,900,321       2,323,809         Others       3,381,949       1,787,437         Towards projects execution (CIF value of imports Rs 1,101,747,482; 2003: Rs 412,417,000)       3,131,513       2,722,111				2,408		_
Work-in-progress       247,189       148,933         - project related       598,553       300,969         1,324,447       860,555         (v) Purchases         Refer note (a) below        Value       Value         Class of goods       Value       Value       Value         EPABX/EPAX/ intercom and KTS       534,716       534,816         Medical electronic diagnostic equipment       1,900,321       2,323,809         Others       3,381,949       1,787,437         Towards projects execution (CIF value of imports Rs 1,101,747,482; 2003: Rs 412,417,000)       3,131,513       2,722,111		Others		45,063		93,059
- project related 598,553 300,969 1,324,447 860,555  (v) Purchases Refer note (a) below Class of goods  Value EPABX/EPAX/ intercom and KTS 534,716 534,816 Medical electronic diagnostic equipment 1,900,321 2,323,809 Others 3,381,949 1,787,437 Towards projects execution (CIF value of imports Rs 1,101,747,482; 2003: Rs 412,417,000) 3,131,513 2,722,111		Work-in-progress		478,705		410,653
1,324,447       860,555         (v) Purchases         Refer note (a) below         Class of goods         Value       Value         EPABX/EPAX/ intercom and KTS       534,716       534,816         Medical electronic diagnostic equipment       1,900,321       2,323,809         Others       3,381,949       1,787,437         Towards projects execution (CIF value of imports Rs 1,101,747,482; 2003: Rs 412,417,000)       3,131,513       2,722,111		- factory related		247,189		148,933
(v) Purchases         Refer note (a) below         Class of goods         Value       Value         EPABX/EPAX/ intercom and KTS       534,716       534,816         Medical electronic diagnostic equipment       1,900,321       2,323,809         Others       3,381,949       1,787,437         Towards projects execution (CIF value of imports Rs 1,101,747,482; 2003: Rs 412,417,000)       3,131,513       2,722,111		- project related		598,553		300,969
Refer note (a) below         Class of goods         Value       Value         EPABX/EPAX/ intercom and KTS       534,716       534,816         Medical electronic diagnostic equipment       1,900,321       2,323,809         Others       3,381,949       1,787,437         Towards projects execution (CIF value of imports Rs 1,101,747,482; 2003: Rs 412,417,000)       3,131,513       2,722,111				1,324,447		860,555
Class of goods           Value         Value           EPABX/EPAX/ intercom and KTS         534,716         534,816           Medical electronic diagnostic equipment         1,900,321         2,323,809           Others         3,381,949         1,787,437           Towards projects execution (CIF value of imports Rs 1,101,747,482; 2003: Rs 412,417,000)         3,131,513         2,722,111	(v)	Purchases				
Value       Value         EPABX/EPAX/ intercom and KTS       534,716       534,816         Medical electronic diagnostic equipment       1,900,321       2,323,809         Others       3,381,949       1,787,437         Towards projects execution (CIF value of imports Rs 1,101,747,482; 2003: Rs 412,417,000)       3,131,513       2,722,111		Refer note (a) below				
EPABX/EPAX/ intercom and KTS       534,716       534,816         Medical electronic diagnostic equipment       1,900,321       2,323,809         Others       3,381,949       1,787,437         Towards projects execution (CIF value of imports Rs 1,101,747,482; 2003: Rs 412,417,000)       3,131,513       2,722,111		Class of goods				
Medical electronic diagnostic equipment       1,900,321       2,323,809         Others       3,381,949       1,787,437         Towards projects execution (CIF value of imports Rs 1,101,747,482; 2003: Rs 412,417,000)       3,131,513       2,722,111				Value		Value
Others       3,381,949       1,787,437         Towards projects execution (CIF value of imports Rs 1,101,747,482; 2003: Rs 412,417,000)       3,131,513       2,722,111		EPABX/EPAX/ intercom and KTS		534,716		534,816
Towards projects execution (CIF value of imports Rs 1,101,747,482; 2003: Rs 412,417,000)  3,131,513  2,722,111		Medical electronic diagnostic equipment		1,900,321		2,323,809
imports Rs 1,101,747,482; 2003: Rs 412,417,000) 3,131,513 2,722,111		Others		3,381,949		1,787,437
				3,131,513		2,722,111

### Additional information pursuant to the provisions of paragraphs 3, 4C, and 4D of Part II of Schedule VI to the Companies Act, 1956 (continued):

(vi) Capacities and Production

Refer note (b) below Class of goods manufactured	Unit	Annual licensed capacity	2004 Annual installed capacity (refer note (c) below)	*Actual production	Annual licensed capacity	2003 Annual installed capacity (refer Note (c) below)	*Actual production
Switchgear items	Nos	11,084,000	4,739,700	5,344,179	11,084,000	4,739,700	4,609,028
Electric motors/generators	Nos	14,000	15,860	10,932	14,000	15,860	12,485
Switch boards, control boards	Nos	4,840	8,000	1,144	4,840	8,000	605
and miscellaneous accessories	(Boai	rds) (Boards)	(Boards)	(Boards)	(Boards)	(Boards)	
X-ray equipment	Nos	520	1,283	1,755	520	1,283	902
Electromedical equipment	Nos	245	209	39	245	209	30
Measuring and control instruments	Nos	47,677	64,900	10,717	47,677	64,900	9,238
Railway signalling equipment and static converters for railways	Nos	58,320	72,740	272	58,320	72,740	-
Rectifier cubicles and miscellaneous equipment	MW	64.5	64.5	10	64.5	64.5	4.5
Variable speed AC/DC drive systems, motor control modules and programmable control system	Nos	6,248	6,248	1,225	6,248	6,248	1,103
Data acquisition, logging and					50	50	22
control systems	Nos	50	50	22	50	50	33
Electronic measurand converter	Nos	1,277	1,277	161	1,277	1,277	242
Static Converter for railways	Nos	610	610	244	610	610	393
Audio frequency track circuit	Nos	380	380	695	380	380	480
Interlocking relays	Nos	99,000	99,000	89,806	99,000	99,000	74,502
Auxillary inverter for AR locomotive	Nos	50	50	15	50	50	8
Traction converter for diesel locomotive	Nos	72	72	53	72	72	57
Electrical control cabinet	Nos	288	288	69	288	288	31
Circuit breakers above 1000 volts		1,000	1,000	1,421	1,000	_30	

<sup>\*</sup> Inclusive of captive consumption and for exports

### Notes:

- (a) For paragraph 3(ii) of Part II of Schedule VI to the Companies Act, 1956, the classes of goods dealt with by the Company are grouped under suitable product heads. In terms of note 3 to paragraph 3 of Part II of Schedule VI, disclosures by quantity are restricted to those items/articles which individually account for 10% or more of the total sales and services, purchases or closing stocks as applicable.
- (b) For paragraph 4C, of Part II to Schedule VI to the Companies Act, 1956, the goods manufactured by the Company are grouped as per the classification of Industrial Licenses without giving the individual articles covered by each license.
- (c) Installed capacities are as certified by the Managing Director and have not been verified by the Auditors, as this is a technical matter.
- (d) Sales and services are inclusive of equipment supplied for project orders. Purchases, production and closing stock figures include equipment processed or to be supplied for project orders.
- (e) Components and spare parts referred to in paragraph 4D(c) of Part II to Schedule VI are assumed to be those used in the manufacture of finished products and not those used for repairs and maintenance of plant and machinery

#### 26 Related party transactions

#### 26.1 Parties where control exists

Siemens AG Holding company (holds 54.63% of the equity share capital as at

30 September 2004)

Siemens Information Systems Ltd

('SISL')

Subsidiary company (100% of whose equity share capital is held by

Siemens Ltd as at 30 September 2004)

**Siemens Nixdorf Information Systems** 

Pvt Ltd ('SNISL')

Step-down subsidiary company (100% of whose equity share capital is

capital is held by SISL as at 30 September 2004)

#### Other related parties where transactions have taken place during the year 26.2

**Fellow Subsidiaries** Siemens AG AS4 NBG ,Germany

Skatec GMBH & CO ,Germany

Siemens Building Technologies AG, Mannedorf Siemens Building Technologies AG ,Germany Siemens Westinghouse Power Corp. USA Siemens Building Technologies Inc. USA Siemens VDO Automotive AG ,Germany Siemens Vacuum Interrupters ,China Siemens Hearing Instruments Pvt Ltd ,India

Siemens Power Engineering Ltd ,India Siemens Building Technologies AP, Kowloon

Siemens Building Technologies PTE Ltd., Singapore

Siemens Industrial Services Ltd. ,Thailand

Siemens Saudi Arabia Acuson Corporation USA

Siemens Energy Mgt & Info. Systems , Singapore Siemens Financial Services GmbH ,Germany VVK Versicherungsvermittlungs- und, Germany Siemens Beteiligungsverwaltung GmbH ,Germany

Siemens ATEA ,Belgium Eviop Tempo SA ,Greece Siemens plc, Great Britain

Oxford Magnet Technology Ltd. ,Great Britain

Siemens S.p.A., Mailand - Italy

Siemens Power Generation Ltd. ,Great Britain

Siemens Nederland N.V.

Siemens SGP Verkehrstechnik-Austria

SIEMENS d.o.o .Slovenia Siemens Elema Sweden Siemens S.A., Madrid

Siemens Sanayi ve Ticaret A.S., Turkey

Siemens Inc, Phillipines Siemens Limited, Egypt.

Siemens Communication Ltd ,Great Britain

Siemens Ltd, Johannesburg

Siemens Business Services, Germany

Siemens Ltd

### 26.2 Other related parties where transactions have taken place during the year (continued)

Fellow Subsidiaries Fabrica Lapa ,Brazil

Siemens Electrical Apparatus ,China

Siemens Business Communication Systems Ltd., China

Siemens Ltd.,Bangkok Siemens Canada Limited

Siemens VDO Automotive Inc ,Canada

Siemens Ltd., China

Siemens Energy & Automation, Inc. USA Siemens Information & Communication USA

Siemens Bangladesh Ltd. Siemens Ltd., Hong Kong

Siemens Technology Development Corp-China

OSRAM ,India

Siemens Public Communications Network Ltd ,India

P.T. Siemens Indonesia

Siemens Factory Automation Eng. Ltd ,China Siemens Shanghai Medical Equipment Ltd.

Siemens Ltd Seoul ,Korea Siemens Ltd Taipei ,Taiwan Siemens Malaysia Sdn. Bhd.

Siemens Advanced Engineering ,Singapore Siemens Business Services ,Germany

Siemens Electromotory S.R.O. Czechoslovakia

Siemens Servocare Systems ,Sweden

VDO India Limited. ,India

SMS, Inc. - Oncology Care Syst ,USA Siemens Medical Solutions, CSG USA

LINCAS Electro ,Germany

Power Plant Performance Improvement, India

Associates SIEMENS L.L.C.Abu Dhabi Landis and Steafa LLC ,Dubai

26.3 Directors of the Company

Whole-time Directors

J. Schubert

H. Gelis

A.B. Nadkarni Harminder Singh O.P. Narula

Details of remuneration to directors are disclosed at note 24 (i) to the financial statements. Details of housing loan to directors are disclosed at note 13 (a) to the financial statements.

		2004	2003
26.4	Sales to and other recoveries from related parties		
	Holding company	1,218,208	1,083,098
	Subsidiaries	304,746	236,840
	Fellow Subsidiaries	299,549	192,263
	Associates	39,726	62,518
26.5	Purchases/ other services from related parties		
	Holding company	4,024,225	3,366,174
	Subsidiaries	23,638	28,799
	Fellow Subsidiaries	805,681	765,276
	Associates	156	12

26.6	Interest income from related parties		
	Holding company	-	-
	Subsidiaries	-	-
	Fellow Subsidiaries	53,433	70,578
	Associates	-	-
26.7	Purchase of investments from related parties		
	Holding company	-	-
	Subsidiaries	-	47,902
	Fellow Subsidiaries	-	-
	Associates	-	-
26.8	Dividend paid to related parties		
	Holding company	144,825	108,619
	Subsidiaries	-	-
	Fellow Subsidiaries	-	-
	Associates	-	-
26.9	Dividend received from related parties		
	Holding company	-	-
	Subsidiaries	511,125	370,335
	Fellow Subsidiaries	-	-
	Associates	-	-
26.10	Outstanding balances		
	Debtors		
	Amounts in Rs 000		
	Holding company	193,000	131,751
	Subsidiaries	22,801	37,690
	Fellow Subsidiaries	27,196	17,112
	Associates	23,942	44,239
	Creditors		
	Amounts in Rs 000		
	Holding company	980,236	871,086
	Subsidiaries	8,735	6,028
	Fellow Subsidiaries	16	3,274
	Associates	-	-
	Inter Corporate Deposits		
	Amounts in Rs 000		
	Holding company	-	-
	Subsidiaries	-	-
	Fellow Subsidiaries	865,000	775,000
	Associates	-	-
27	Disclosure pursuant to Accounting Standard - 7 (Revised) :		
27.1	Contract Revenue recognised for the year ended 30 September 2004	4,220	2,913
27.2	Aggregate amount of contract costs incurred for all contracts in		
	progress as at 30 September 2004	12,829	16,789
27.3	Recognised profits (less recognised losses) upto 30 September 2004 for all contracts in progress as at 30 September 2004	2,163	2.062
	ioi aii contracts iii progress as at 30 september 2004	2,103	3,062

### 28 (i) Information about business segments

	_			Rev	/enue					
		Exte	ernal sales	Inter seg	mental sale	s	Total		Re	esults
	_	2004	2003	2004	20	03	2004	2003	2004	200
Information and communication	ns	869,585	815,180	9,765	2,6	08 <b>87</b>	9,350	817,788	108,435	82,16
Automation and drives		5,305,263	3,898,595	1,029,165	740,9	59 <b>6,33</b>	<b>4,428</b> 4,	639,554	376,499	243,75
Industrial solutions and services		2,193,522	1,439,630					563,084	206,450	144,12
Power		4,545,206	3,375,783		86,7			462,500	361,605	484,43
Transport		1,534,479	1,285,036	-	•			285,036	193,738	198,3
Healthcare and other services		2,771,379	3,086,302	-	•			086,302	149,731	16,66
Building technologies		307,694	-	-	•		7,694	-	12,327	
Real estate		373,089	344,849					344,849	237,079	286,60
Eliminations	_			(1,323,015)	(953,73	8) <b>(1,323</b>	<b>,015)</b> (9	53,738)	<u> </u>	
Total	1	17,900,217	14,245,375	-		- 17,90	<b>0,217</b> 14,	245,375	1,645,864	1,456,05
Interest expenses									(637)	(1,88
Interest income									132,260	114,28
Unallocable corporate items									521,475	399,3
Profit before tax								_	2,298,962	1,967,7
ncome tax									(775,000)	(588,00
Deferred tax									(10,230)	14,0
	=		14,245,375	-		= —	0,217 14,		1,513,732	1,393,81
Consolidated total  Results of the Healthcare and ot	=			3,000 (2003: N	il) profit on s	= —		Systems Bus	iness.	<u> </u>
	== ther services s	segment inclu	ide Rs 65,593			ale of the L	ife Support !	Systems Bus	iness.	
	== ther services s		ide Rs 65,593	ilities 2003	Capital Exp	ale of the L	ife Support !	Systems Bus	iness.  h expenditure Ot	
Results of the Healthcare and ot	ther services s	segment inclu	ide Rs 65,593	ilities	Capital Ex	ale of the L	ife Support !	Systems Bus  Non cas	iness.  h expenditure Ot	e hers
Results of the Healthcare and ot	ther services s	segment inclu	ide Rs 65,593	ilities	Capital Ex	ale of the L	ife Support !	Systems Bus  Non cas	iness. h expenditure Oti 2004	e hers 200
Results of the Healthcare and ot Information and communications	## A 2004 310,595	segment incluses	Liab 2004 182,420	ilities	Capital Exp	penditure	Depre 2004	Non cas eciation 2003	iness. h expenditure Oti 2004	e hers 200
Results of the Healthcare and ot Information and communications Automation and drives	## A 2004 310,595	segment incluses 2003 289,037	Liab 2004 182,420	ilities 2003 ——————————————————————————————————	Capital Exp 2004 2,506	penditure 2003 3,494	Depre 2004	Non cas ciation 2003	iness. h expenditure Oti 2004	e hers 200
Results of the Healthcare and ot Information and communications Automation and drives Industrial solutions and	## A 2004 310,595	segment incluses 2003 289,037	Liab 2004 182,420	ilities 2003 ——————————————————————————————————	Capital Exp 2004 2,506	penditure 2003 3,494	Depre 2004	Non cas ciation 2003	h expenditure Ot 2004 6,400	e hers 200
Results of the Healthcare and ot  Information and communications Automation and drives Industrial solutions and services	A 2004 310,595 1,925,721 750,091	ssets 2003 289,037 1,551,880 610,059	Liab 2004 182,420 1,428,840	2003	Capital Ex 2004 2,506 42,241	penditure 2003 3,494 91,255	Depre 2004  15,845 75,246	Non cas Non cas eciation 2003 17,040 83,793	h expenditure Ot 2004 6,400	e hers 200
Results of the Healthcare and ot Information and communications Automation and drives Industrial solutions and services Power	A 2004 310,595 1,925,721 750,091	ssets 2003 289,037 1,551,880 610,059	Liab 2004 182,420 1,428,840 954,039	2003	Capital Exp 2004 2,506 42,241 4,601	nale of the L  penditure 2003 3,494 91,255 1,674	Depre 2004  15,845 75,246  4,393	Non cas Non cas eciation 2003 17,040 83,793 4,316	h expenditure Ot 2004 6,400	e hers 200
Information and communications and drives Industrial solutions and services Power Transport	A 2004 310,595 1,925,721 750,091 2,510,349	segment incluses seets 2003 289,037 1,551,880 610,059 1,781,696	Liab 2004 182,420 1,428,840 954,039 2,482,615	2003	Capital Ext 2004 2,506 42,241 4,601 22,904	nale of the L  penditure 2003 3,494 91,255 1,674 12,820	Depre 2004  15,845 75,246  4,393 18,672	Non cas Non cas eciation 2003 17,040 83,793 4,316 19,361	h expenditure Ot 2004 6,400	e hers 200
Information and communications Automation and drives Industrial solutions and services Power Transport Healthcare and other services	A 2004 310,595 1,925,721 750,091 2,510,349 441,301	segment incluses seets 2003 289,037 1,551,880 610,059 1,781,696	Liab 2004 182,420 1,428,840 954,039 2,482,615	2003	Capital Ext 2004 2,506 42,241 4,601 22,904	nale of the L  penditure 2003 3,494 91,255 1,674 12,820	Depre 2004  15,845 75,246  4,393 18,672	Non cas Non cas eciation 2003 17,040 83,793 4,316 19,361	h expenditure Ot 2004 6,400	e hers 200
nformation and communications Automation and drives ndustrial solutions and services Power Transport Healthcare and other services Building technologies	A 2004 310,595 1,925,721 750,091 2,510,349 441,301	ssets 2003 289,037 1,551,880 610,059 1,781,696 306,429	182,420 1,428,840 954,039 2,482,615 741,418 766,235 92,843	128,157 1,117,616 688,620 1,797,156 550,403	2,506 42,241 4,601 22,904 11,447	3,494 91,255 1,674 12,820 1,049 33,707	Depre 2004  15,845 75,246  4,393 18,672 2,229	Non cas Non cas 2003 17,040 83,793 4,316 19,361 1,053	h expenditure Ot 2004 6,400	e hers 200
Information and communications Automation and drives Industrial solutions and services Power Transport Healthcare and other services Building technologies Real estate	A 2004 310,595 1,925,721 750,091 2,510,349 441,301 1,079,073 157,091	ssets 2003 289,037 1,551,880 610,059 1,781,696 306,429	182,420 1,428,840 954,039 2,482,615 741,418	128,157 1,117,616 688,620 1,797,156 550,403	2,506 42,241 4,601 22,904 11,447	3,494 91,255 1,674 12,820 1,049	Depre 2004  15,845 75,246  4,393 18,672 2,229 31,726	Non cas Non cas 2003 17,040 83,793 4,316 19,361 1,053	h expenditure Ot 2004 6,400	e hers 200
Information and communications Automation and drives Industrial solutions and services Power Transport Healthcare and other services Building technologies Real estate Eliminations	A 2004 310,595 1,925,721 750,091 2,510,349 441,301 1,079,073 157,091 1,074,131	segment incluses  2003  289,037  1,551,880  610,059  1,781,696 306,429  1,380,437  - 1,102,823	182,420 1,428,840 954,039 2,482,615 741,418 766,235 92,843	128,157 1,117,616 688,620 1,797,156 550,403 747,017 112,608	2,506 42,241 4,601 22,904 11,447 92,151	3,494 91,255 1,674 12,820 1,049 33,707	Depre 2004  15,845 75,246  4,393 18,672 2,229 31,726 1,094	Non cas Non cas Piciation 2003 17,040 83,793 4,316 19,361 1,053 21,262	h expenditure Oti 2004 6,400	e hers 200 4,47
	A 2004 310,595 1,925,721 750,091 2,510,349 441,301 1,079,073 157,091 1,074,131 8,248,352	segment incluses  2003  289,037 1,551,880 610,059 1,781,696 306,429 1,380,437 - 1,102,823  7,022,361	182,420 1,428,840 954,039 2,482,615 741,418 766,235 92,843 102,565	128,157 1,117,616 688,620 1,797,156 550,403 747,017 112,608	Capital Ex 2004 2,506 42,241 4,601 22,904 11,447 92,151	3,494 91,255 1,674 12,820 1,049 33,707 96,574	Depre 2004  15,845 75,246  4,393 18,672 2,229 31,726 1,094 80,181	Non cas eciation 2003 17,040 83,793 4,316 19,361 1,053 21,262 81,709	h expenditure Oti 2004 6,400	e hers

### 28 (ii) Secondary segment information

	Revenues		Assets		Capital Expenditure	
	2004	2003	2004	2003	2004	2003
Domestic	16,624,883	13,543,656	15,169,882	12,007,142	314,208	243,317
Exports	1,275,334	701,719	286,052	140,125	-	-
Total	17,900,217	14,245,375	15,455,934	12,147,267	314,208	243,317

### 28 (iii) Other disclosures:

- Inter-segment prices are normally negotiated amongst the segments with reference to the costs, market price and business risks.
- All profits/losses on inter segment transfers are eliminated at company level.

### (iv) Segment information:

The primary ans secondary reportable segments are business segments and geographical segments respectively.

**Business Segments:** The business of the company is divided into eight segments. These segments are the basis for management control and hence, form the basis for reporting. The business of each segment comprises of:

- Information & communication :- Convergence communications solutions for enterprises, communications, video conferencing, and call centers, networking, mobility, teleworking, multimedia CRM. Provide mobile handsets and accessories. -
- Automation & drives: Provide the complete range of automation products & systems, from large and standard
  drives and motors, special purpose motors, process and motion control systems, industrial automation systems
  to low-voltage controls and distribution and electrical installation technology.
- Industrial & solutions services: Undertakes turnkey projects in the industrial and infrastructure sectors over the entire life cycle including concept, engineering, procurement, supplies, installation, commissioning and after sales services.
- **Power :-** Provides automation solutions for a wide range of applications in power plants, focusing on a complete range of medium and high voltage switchgears, medium voltage switchboards, protection and control systems for sub-stations, power system control and energy management systems and meters.
- **Transport :-** Provides solutions for rail automation, railway electrification, light and heavy rail, locomotives, trains, turnkey projects and integrated services.
- Healthcare & other services: Provides diagnostic, therapeutic and life-saving products in computer tomography (CT), magnetic resonance imaging (MRI), ultrasonography, nuclear medicine, digital angiography, patient monitoring systems, ventilators, digital radiography systems, radiology networking systems, lithotripsy and linear accelerators
- **Building Technologies :-** Executes projects for providing Integrated Building Management Systems including Building Automation Systems, Fire Alarm/Access Control/Security Systems.
- Real estate :- Provides comprehensive real estate management.

Geographical Segments: The business is organised in two geographic segments i.e. domestic and exports.

### 29 Prior year comparatives

Pursuant to the amalgamation of erstwhile Siemens Building Technologies Pvt. Ltd. with the Company effective from 1 October 2003 (as more fully described in Schedule 2), the figures of the current year are not strictly comparable to those of the previous year. Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's classification.

I. Registration	n Details						
					1		
Registration	No.		10839			State Code	11
Balance She	et Date	30	09	2004			
		Date	Month	Year			
II. Capital raise	ed during the yea	ı <b>r</b> (Amount	t in Rs. thou	usands)			
	Public Issue					R	ights Issue
	Nil						Nil
	Bonus Issue					Priva	ate Placement
	Nil						Nil
	mobilisation and	deployme	nt of fund	<b>s</b> (Amount	in Rs. thou		otal Assats
T	otal Liabilities 6,090,430	deployme	nt of fund	<b>s</b> (Amount	in Rs. thou	Т	otal Assets 5,090,430
Sources of I	otal Liabilities 6,090,430 Funds	deployme	nt of fund	<b>s</b> (Amount	in Rs. thou	Ţ	5,090,430
Sources of I	otal Liabilities 6,090,430 Funds aid-up Capital	deployme	nt of fund	s (Amount	in Rs. thou	Rese	5,090,430 rves & Surplus
Sources of I	otal Liabilities 6,090,430 Funds	deployme	nt of fund	s (Amount	in Rs. thou	Rese	5,090,430
Sources of I	Funds aid-up Capital 331,384 Gecured Loans	deployme	nt of fund	s (Amount	in Rs. thou	Rese	rves & Surplus 5,730,174 ecured Loans
Sources of I	fotal Liabilities 6,090,430  Funds aid-up Capital 331,384	deployme	nt of fund	s (Amount	in Rs. thou	Rese	5,090,430 rves & Surplus 5,730,174
Sources of I	Funds aid-up Capital 331,384 Secured Loans NIL	deployme	nt of fund	s (Amount	in Rs. thou	Rese	rves & Surplus 5,730,174 ecured Loans
Sources of I Po	Funds aid-up Capital 331,384 Secured Loans NIL	deployme	nt of fund	s (Amount	in Rs. thou	Rese	rves & Surplus 5,730,174 ecured Loans
Sources of I Po	Funds aid-up Capital 331,384  Secured Loans NIL  of Funds	deployme	nt of fund	s (Amount	in Rs. thou	Rese	5,090,430 rves & Surplus 5,730,174 ecured Loans 28,872
Sources of I	Funds aid-up Capital 331,384 Gecured Loans NIL of Funds et Fixed Assets	deployme	nt of fund	s (Amount	in Rs. thou	Rese	rves & Surplus 5,730,174 ecured Loans 28,872
Sources of I Po	Funds aid-up Capital 331,384 Secured Loans NIL  of Funds et Fixed Assets 1,928,581	deployme	nt of fund	s (Amount	in Rs. thou	Rese	6,090,430 rves & Surplus 5,730,174 ecured Loans 28,872 nvestments 1,215,215
Sources of I Polication Note Net	Funds aid-up Capital 331,384  Secured Loans NIL  of Funds et Fixed Assets 1,928,581  t Current Assets	deployme	nt of fund	s (Amount	in Rs. thou	Rese	rves & Surplus 5,730,174 ecured Loans 28,872 evestments 1,215,215 neous Expenditure

### 30 Balance Sheet Abstract and Company's General Business Profile (Contd.)

Product description

Performance of Company (Amount in Rs. thousands) Turnover **Total Expenditure** 19,002,544 16,703,582 +/-Profit/Loss before Tax Profit/Loss after Tax 2,298,962 1,513,732 + (Please Tick appropriate box + for Profit, - for Loss) Earning per share in Rs. Dividend Rate % 45.68 90% Generic Names of Three Principal Products/Services of Company (As per monetary terms) 854800 Item No. (ITC Code) Product description Electrical part of machinery or apparatus Item No. (ITC Code) 903289 Product description Electronic automatic regulators Item No. (ITC Code) 902210

The Earnings per share disclosed above has been computed in accordance with the Accounting Standard – 20, Earnings per Share, issued by the Institute of Chartered Accountants of India (`ICAI').

### For Siemens Ltd.

Ashok P. Jangid Deepak S. Parekh Chairman Corporate Secretary J. Schubert Managing Director H. Gelis **Executive Director** D. C. Shroff Y. H. Malegam Dr. O. Schmitt **Directors** A. B. Nadkarni **Harminder Singh** O. P. Narula Mumbai, 25 November 2004

X-Ray apparatus

### Statement Regarding Subsidiary Companies pursuant to Section 212(1) and (3) of the Companies Act, 1956

a) Holding Company's Interest

Siemens Information Systems Ltd.

6,815,000

(2003: 6,815,000) equity shares of Rs 10 each fully paid-up [i.e. 100% (2003: 100%) of the paid-up Equity Capital]

- b) Net aggregate amount of the Subsidiary's profits/(losses) not dealt with in the Holding Company's accounts (so far as it concerns the members of Siemens Ltd):
  - (i) For the Subsidiary's financial year ended 30 September 2004
  - (ii) For previous financial years
- c) Net aggregate amount of the Subsidiary's profits/(losses) dealt with in the Holding Company's accounts (so far as it concerns the members of Siemens Ltd):
  - (i) For the Subsidiary's financial year ended 30 September 2004
  - (ii) For previous financial years

Rs 292,825,000 Rs 257,211,032

Rs 511,125,000 Rs 370,335,000

For Siemens Ltd.

**Ashok P. Jangid** *Corporate Secretary* 

Deepak S. Parekh
J. Schubert
H. Gelis
D. C. Shroff
Y. H. Malegam
Dr. O. Schmitt
A. B. Nadkarni
Harminder Singh
O. P. Narula

Mumbai, 25 November 2004

Chairman Managing Director Executive Director

Directors

Siemens Group

Siemens Group Consolidated Financial Statements for the year ended 30 September 2004 together with Auditors' Report

### Disclosure pursuant to Central Government approval No.47/199/2004-CL-III dated 25 November, 2004 under Section 212(8) of the Companies Act, 1956

For the financial year ended on 30 September, 2004.

(Rs. In millions)

	Particulars	Siemens In System			lorf Information s Pvt. Ltd.
		2003-04	2002-03	2003-04	2002-03
1	Capital	68,150	68,150	161,210	161,210
2	Reserves	1,332,547	1,105,734	328,536	328,536
3	Total Assets	1,400,697	1,173,884	489,746	489,746
4	Total Liabilities	1,400,697	1,173,884	489,746	489,746
5	Details of investments: 2,040,514 Equity Shares of Rs.10 each fully paid-up in Siemens Shared Services Pvt. Ltd. (49% holding)	29,996	29,996	-	-
6	Turnover	4,930,220	3,129,375	-	-
7	Profit before Tax	955,194	633,396	2,083	9,968
8	Provision for Tax	-106,000	-25,000	-	-
9	Deferred tax	-45,244	143,633	-	-
10	Profit after Tax	803,950	752,029	2,083	9,968
11	Interim Dividend	511,225	405,492	-	-
12	Proposed Dividend	Nil	Nil	-	-
13	Dividend Distribution Tax	66,012	34,054	-	-

### Auditors' Report to the Board of Directors of Siemens Limited

We have audited the attached consolidated balance sheet of Siemens Limited ('the Company') and its subsidiaries, Siemens Information Systems Limited, Siemens Nixdorf Information Systems Private Limited and its associate company, Siemens Shared Services Private Limited, collectively referred to as the Siemens Group, as at 30 September 2004, and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Siemens Group management. Our responsibility is to express an opinion on these financial statements based on our audit.

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.

We report that the consolidated financial statements have been prepared by the Siemens Group management in accordance with the requirements of Accounting Standards (AS) 21, Consolidated Financial Statements and Accounting Standard (AS) 23, Accounting for Investments in Associates in Consolidated Financial Statements issued by the Institute of Chartered Accountants of India.

In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the consolidated balance sheet, of the state of affairs of the Siemens Group as at 30 September 2004;
- (b) in the case of the consolidated profit and loss account, of the profit for the year ended on that date; and
- (c) in the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

### For BSR & Co.

(Formerly Bharat S Raut & Co.) Chartered Accountants

### Akeel Master

Partner

Membership No: 46768

Mumbai

25 November 2004

# Consolidated Balance Sheet at 30 September 2004 (Currency: Indian rupees thousands)

SOURCES OF FUNDS		Schedule	2004		2003
SOURCES OF FUNDS Shareholders' funds					
Share capital		2	331,384		331,384
Reserves and surplus		3	6,671,110	_	5,380,372
RATIO CONTROL TO A CONTROL			7,002,494		5,711,756
Minority interest Equity		4	_		_
Non-equity		5	-		-
			_	_	-
Loan funds					24.002
Unsecured loans		6	28,872	_	31,002
			28,872	_	31,002
			7,031,366	_	5,742,758
APPLICATION OF FUNDS					
Fixed assets		7			
Gross block			6,976,155		6,818,123
Accumulated depreciation			(4,397,577)	-	(4,280,319)
Net block Capital work-in-progress			2,578,578 81,453		2,537,804 20,881
cupital Work in progress			2,660,031	-	2,558,685
Investments		8	407,900		30,166
Deferred tax asset		9	460,379		485,771
Deferred tax liability		10	(191,450)		(161,365)
			268,929	_	324,406
Current assets, loans and advances Inventories		11	1 600 225		1 202 572
Sundry debtors		12	1,698,235 4,259,184		1,303,573 4,347,199
Cash and bank balances		13	6,410,971		3,363,589
Loans and advances		14	2,093,813	_	1,840,475
6 . 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1			14,462,203		10,854,836
Current liabilities and provisions Current liabilities		15	(9,998,053)		(7,491,169)
Provisions		16	(769,644)		(534,166)
		•	(10,767,697)	_	(8,025,335)
Net current assets			3,694,506	_	2,829,501
			7,031,366	-	5,742,758
		:		=	
Significant accounting policies		1			
Notes to the consolidated financial state	ements	24-29			
As per our report attached		: -			
For BSR & Co. (formerly Bharat S Raut & Co.)		For Siemens Grou	p		
Chartered Accountants	Ashok P. Jangid	Deepak S. Pare	kh	Chair	man
	Corporate Secretary	J. Schubert			aging Director
		H. Gelis D. C. Shroff		Execu	ıtive Director
		Y. H. Malegam	)		
Akeel Master		Dr. O. Schmitt		Direc	tors
Partner Mambarship No. 46769		A. B. Nadkarni	ıb (		
Membership No: 46768		Harminder Sing O. P. Narula	jn )		
Mumbai, 25 November 2004		Mumbai, 25 No	vember 2004		
00		,			

# Consolidated Profit and Loss Account for the year ended 30 September 2004 (Currency: Indian rupees thousands)

		Schedule	2004	2003
Income Sales and services (gross) Excise duty			23,272,215 (1,112,747)	17,737,335 (763,931)
Sales and services (net)			22,159,468	16,973,404
Commission income			296,856	217,578
Sales and services Interest income, net		17	22,456,324 176,349	17,190,982 141,842
Other operating income, net		18	474,066	734,595
Other income		19	17,953	82,968
			23,124,692	18,150,387
Expenditure				
Cost of sales and services		20	14,214,549	10,673,576
Personnel costs, net		21	3,150,183	2,488,601
Depreciation and amortisations (other than Other costs, net	n on leased assets)	7 22	476,450 2,668,651	353,026 2,401,901
Restructuring write back, net		22	2,000,031	(2,543)
,			20,509,833	15,914,561
Share of profit in associate companies			15,588	1,134
Profit before tax			2,630,447	2,236,960
Provision for current tax		23	(881,000)	(617,170)
Deferred tax (expense)/benefit			(55,474)	161,085
Profit after tax			1,693,973	1,780,875
Minority interest				(122,807)
Net profit (A)			1,693,973	1,658,068
Appropriations:				
Interim dividend paid			132,554	115,984
Proposed dividend			165,692	132,554
Dividend tax Transfer to general reserve			104,989 1,256,083	65,898 1,174,434
Balance carried forward			34,655	169,198
Balance carried forward			1,693,973	1,658,068
Weighted average number of equity sha	ares outstanding		1,055,575	
during the year (B)	ares outstanding		33,138,403	33,138,403
Basic and diluted earnings per share of	face value of Rs 10 (A)	/(B)	51.12	50.04
Significant accounting policies		1		
Notes to the consolidated financial state	ements	24-29		
As per our report attached				
For BSR & Co. (formerly Bharat S Raut & Co.)		For Siemens Grou	ıp	
Chartered Accountants	Ashok P. Jangid	Deepak S. Pare	ekh	Chairman
	Corporate Secretary	J. Schubert H. Gelis		Managing Director Executive Director
		D. C. Shroff	\	Executive Director
Alecal Master		Y. H. Malegam		Diversal
Akeel Master Partner		Dr. O. Schmitt A. B. Nadkarni	}	Directors
Membership No: 46768		Harminder Sin	gh	
		O. P. Narula	J	
Mumbai, 25 November 2004		Mumbai, 25 No	vember 2004	

### Consolidated Cash Flow Statement for the year ended 30 September 2004 (Currency: Indian rupees thousands)

	2004	2003
Cash flow from operating activities Profit before tax Adjustments for:	2,630,447	2,236,960
Interest expense Restructuring write back, net Depreciation Bad debts Provision for doubtful debts and advances, net	637 - 359,675 19,105 36,847	1,888 (2,543) 330,281 28,000 87,620
Profit on sale of fixed assets, net Profit on sale of investments, net Profit on sale of Life Support Systems business Unrealised exchange gain, net	(16,585) - (65,593) (153,744)	(83,379) (62,386) - (5,069)
Interest and dividend accrued Share of profit in associate companies Goodwill amortisation Lease equalisation charge	(179,345) (15,588) 130,254 6,400	(147,705) (1,134) 37,735 4,478
Operating profit before working capital changes	2,752,510	2,424,746
(Increase)/ decrease in working capital Inventories Trade payables Trade and other receivables Provisions	(406,005) 2,642,213 (265,961) (58,555)	(399,036) 321,888 (510,492) 25,357
Net change in working capital	1,911,692	(562,283)
Cash generated from operations Payments for restructuring costs Direct taxes paid, net	4,664,202 - (531,542)	1,862,463 (4,978) (521,886)
Net cash inflow from operating activities	4,132,660	1,335,599
Cash flow from investing activities Purchase of fixed assets Proceeds from sale of fixed assets Purchase of investments Sale of investments Consideration from sale of Life Support Systems business Interest received	(597,500) 24,874 (364,210) - 97,600 177,544	(312,275) 180,675 (867,442) 271,500
Inter corporate deposits (given)/ received	(90,000)	290,000
Net cash used in investing activities	(751,692)	(289,134)
Cash flow from financing activities Interest paid Decrease in short term borrowings	(637)	(1,888) (32,060)
Dividend paid (including tax thereon) Decrease in long term borrowings	(363,927) (2,130)	(282,603) (917)
Net cash used in financing activities	(366,694)	(317,468)
Net increase in cash and cash equivalents Cash and cash equivalents at beginning of the year Effect of exchange gain on cash and cash equivalents	3,014,274 3,363,589 33,108	728,997 2,585,685 48,907
Cash and cash equivalents at the end of the year (Schedule 13)	6,410,971	3,363,589

For BSR & Co. (formerly Bharat S Raut & Co.) Chartered Accountants

Ashok P. Jangid Corporate Secretary Deepak S. Parekh

J. Schubert H. Gelis
D. C. Shroff
Y. H. Malegam
Dr. O. Schmitt
A. B. Nadkarni Harminder Singh O. P. Narula

For Siemens Group

Chairman Managing Director Executive Director

Directors

**Akeel Master** 

Membership No: 46768

Mumbai, 25 November 2004

Mumbai, 25 November 2004

### 1A Principal accounting policies

### 1.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting except as described in paragraph below and in accordance with the Companies Act, 1956 and in accordance with the the accounting principles generally accepted in India ('Indian GAAP') and comply with the mandatory Accounting Standards ('AS') issued by the Institute of Chartered Accountants of India ('the ICAI') to the extent applicable.

The financials statements of Siemens Nixdorf Information Systems Ltd ('SNISL'), a step-down subsidiary, which is in the process of winding up, have been prepared under the liquidation basis of accounting whereby the carrying values of all assets are presented at their estimated realisable value and all liabilities are presented at their estimated settlement amounts.

The consolidated financial statements are presented in thousands of Indian Rupees unless otherwise stated.

### 1.2 Principles of consolidation

The consolidated financial statements include the financial statements of Siemens Limited ('the Company'), the parent company and all its subsidiaries (collectively referred to as 'Siemens Group').

The consolidated financial statements have been prepared on the following basis:

#### **Subsidiaries**

The excess/deficit of cost to the parent company of its investment in the subsidiaries over its portion of equity in the subsidiaries at the respective dates on which investment in such subsidiaries was made is recognised in the financial statements as goodwill/capital reserve. The parent company's portion of equity in such subsidiaries is determined on the basis of book values of assets and liabilities as per the financial statements of the subsidiaries as on the date of investment and if not available, the financial statements for the immediately preceding period adjusted for the effects of significant transactions.

The financial statements of the parent company and its subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances/transactions and resulting unrealised profits in full. Unrealised losses resulting from intra-group transactions are also eliminated except to the extent that recoverable value of related assets is lower than their cost to the group. The amounts shown in respect of reserves comprise the amount of the relevant reserves as per the balance sheet of the parent company and its share in the post-acquisition increase in the relevant reserves of the subsidiaries.

Consolidated financial statements are prepared using uniform accounting policies for transactions and other events in similar circumstances except where it is not practicable to do so.

### **Investment in Associates**

Investments in entities in which the parent company or any of its subsidiaries has significant influence but not a controlling interest, are reported according to the equity method i.e. the investment is initially recorded at cost, identifying any goodwill / capital reserve arising at the time of acquisition. The carrying amount of the investment is adjusted thereafter for the post acquisition change in the investor's share of net assets of the investee. The consolidated profit and loss account includes the investor's share of the results of the operations of the investee.

The consolidated financial statements are presented, to the extent possible, in the same format as that adopted by the parent company for its independent financial statements.

### 1.3 Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent amounts as at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively when revised.

### 1.4 Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. The cost of fixed assets includes taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Depreciation is provided on the straight-line method ('SLM') at the rates prescribed in the Company's group accounting guidelines. Depreciation on additions is provided pro-rata from the date the assets are put to use. The SLM rates

prescribed in the Company's group accounting guidelines are greater than or equal to the corresponding minimum rates prescribed in Schedule XIV to the Companies Act, 1956. The key fixed asset blocks and related annual depreciation rates, which in management opinion reflect the estimated useful economic lives of the fixed assets, are:

Rate
5 years
_
3.34%
2.5% - 5%
Over the lease period
20% - 33 1/3%
20%
20% - 33 1/3%
Over the life of the project
10%
25%

Software initially purchased together with workplace computers and training related software are capitalised and depreciated at the rates applicable to workplace computers. Software purchased subsequently is charged directly to revenue.

Equipment given on lease prior to 1 April 2001 is stated at acquisition cost and is depreciated on the SLM basis over the primary lease period. Assets costing less than Rs 5,000 are fully charged to the profit and loss account in the year of acquisition.

Items of fixed assets that have been retired from active use and are held for disposal are stated at the lower of their net book value and net realisable value and are disclosed separately in the financial statements. Any expected loss is recognised in the profit and loss account through an accelerated depreciation charge.

### 1.5 Investments

Long term investments, other than investments in associates, are stated at cost. Provision is made when diminution in value, other than temporary has arisen, in the opinion of the management. Current investments are stated at lower of cost or market value.

### 1.6 Inventories

Cost of inventories comprises all costs of purchase, conversion and other costs incurred in bringing the inventories to their present location and condition.

Raw materials are valued at the lower of cost and net realisable value. Cost is determined on the basis of the weighted average method.

Work-in-progress and finished goods are valued at the lower of cost and net realisable value.

Excise duty is included in the value of finished goods inventory.

Custom duty on goods where title has passed to the Company is included in the value of inventory.

Stores and spares are charged to the profit and loss account in the year of purchase.

Bought out software and hardware is valued at the lower of cost and net realisable value. Cost is determined based on the first in first out method.

### 1.7 Revenue recognition

Sales of products and services are recognised when the risk and rewards of ownership of the products are passed on to the customers, which is generally on despatch of goods or when the service has been provided. Sales are stated exclusive of sales tax.

Revenue from long term contracts is recognised by reference to the estimated overall profitability of the contract under the percentage of completion method. Full provision is made for any loss in the year in which it is first foreseen.

Revenue on time based contracts is recognised periodically on the basis of the time charged and rates agreed in accordance with customer contracts. Revenue also includes reimbursement of expenses as these cannot be separately identified.

Revenue from fixed price software contracts is recognised using the percentage of completion method of accounting, under which the sales value of performance, including earnings thereon is determined by relating the actual man hours of work performed to date to the estimated total man hours for each contract. Revenue recognition is postponed in circumstances when significant uncertainty with respect to collectibility exists. Provision for estimated losses on uncompleted contracts are recorded in the period in which such losses first become probable based on current contract estimates.

Commission income is recognised when proof of shipment is received from the supplier.

Dividend income is recognised when the right to receive the dividend is unconditional at the balance sheet date.

Interest income is recognised on the time proportion basis.

### 1.8 Leases

In respect of assets given on lease prior to 1 April 2001, lease rentals comprising the principal recovery of the net investment in the fixed asset and interest are credited to the profit and loss account with a corresponding depreciation charge for the related asset. The difference between the principal recovery and the depreciation charge is debited/credited to the profit and loss account through a lease equalisation charge/credit such that only the interest component, arrived at by applying an implicit internal rate of return ('IRR'), is recognised as income.

Lease rentals on assets taken on lease prior to 1 April 2001 are charged to the profit and loss account.

Lease payments under an operating lease, on or after 1 April 2001 are recognised as an expense in the statement of profit and loss on a straight line basis over the lease term.

For all finance leases entered into on or after 1 April 2001, the lower of the fair value of the assets and present value of the minimum lease rentals is capitalised as fixed assets with corresponding amount shown as lease liability. The principal component in the lease rental is adjusted against the lease liability and the interest component is charged to profit and loss account with a corresponding depreciation charge for the related asset.

### 1.9 Retirement benefits

The Company's liabilities towards gratuity, leave wages, pension, and medical benefits are evaluated based on an actuarial valuation at the balance sheet date carried out by an independent actuary. The resulting contribution to approved gratuity fund is charged to profit and loss account. The resulting liability for leave wages, pension fund and medical benefits are accrued in the balance sheet with an appropriate charge to the profit and loss account.

Contributions payable to the recognised provident fund and approved superannuation scheme, which are defined contribution schemes, are charged to the profit and loss account monthly.

For Siemens Information Systems Ltd ('SISL'), liability for gratuity, which is a defined benefit plan, is provided in accordance with the requirements of the gratuity fund maintained with the Life Insurance Corporation of India ('LIC'). Contributions are made on the basis of annual actuarial valuation carried out by LIC. Provision for superannuation is made as per the contractual terms.

### 1.10 Foreign currency transactions

Foreign currency transactions are recorded at exchange rates prevailing on the date of the respective transactions.

Current assets and current liabilities in foreign currencies existing at balance sheet date are translated at year-end rates. Foreign currency translation differences related to acquisition of fixed assets are adjusted in the carrying amount of the related fixed assets. All other foreign currency gains and losses are recognised in the profit and loss account.

The cost of forward exchange contracts is amortised over the period of the contract.

### 1.11 Research and development

Expenditure on research phase is recognised as an expense when it is incurred. Expenditure on development phase is recongnised as an asset if it is likely to generate probable future economic benefits.

### 1.12 Technical know-how fees

Technical know-how fees are charged to the profit and loss account in the year in which the expense is incurred.

### 1.13 Taxation

Income-tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the incometax law) and deferred tax charge or credit (reflecting the tax effect of timing differences between accounting income and taxable income for the period). The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the asset can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of the assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonable/virtually certain (as the case may be) to be realised. The deferred tax liabilities/assets and tax expense are determined separately for parent and each subsidiary and then aggregated.

### 1.14 Restructuring costs

Restructuring costs are accrued for when management commits the Company to a restructuring programme and when there is reasonable certainty that the Company will be able to effect the programme within a time frame of typically less than one year. Further, costs related to Voluntary Retirement Scheme are provided for when employees accept the scheme.

### 1.15 Description of the group

The Group's subsidiaries, step-down subsidiaries and associates are set out below:

Entity	% holding 2004	% holding 2003
Subsidiaries Siemens Information Systems Ltd ('SISL')	100%	100%
Siemens Building Technologies Pvt Ltd ('SBT') (amalgamated with Siemens Limited effective 1 October 2003) (see note below)	-	100%
Step-down subsidiaries Siemens Nixdorf Information Systems Pvt Ltd ('SNISL')	100%	100%
Associates Siemens Shared Services Pvt Ltd ('SSSPL')	49%	49%

### 1B Amalgamation of Siemens Building Technologies Pvt. Ltd with the Company

Pursuant to the Scheme of amalgamation of the erstwhile Siemens Building Technologies Private Limited (SBT) with the Company as approved in the Board of Directors Meeting held on 21 July 2003 and subsequently sanctioned by the Hon'ble High Court of Mumbai on February 23, 2004, the assets and liabilities of the erstwhile SBT were transferred to and vested in the Company with effect from October 1, 2003.

The operations of SBT include executing projects for providing Integrated Building Management Systems including Building Automation Systems, Fire Alarm/Access Control/Security Systems.

		2004	2003
2	Share capital Authorised		
	50,000,000 equity shares of Rs 10 each	500,000	500,000
	150,000,000 10.5% cumulative redeemable preference		
	shares of Rs 10 each	1,500,000	1,500,000
		2,000,000	2,000,000
	Issued	<del></del>	
	33,311,256 (2003: 33,311,256) equity shares of Rs 10 each Subscribed and fully paid-up	333,113	333,113
	33,138,403 (2003: 33,138,403) equity shares of Rs 10 each fully paid-up	331,384	331,384

### **Equity shares**

18,103,187 (2003: 18,103,187) shares are held by the holding company, Siemens AG, Germany.

11,100,000 (2003: 11,100,000) shares have been allotted as fully paid-up bonus shares by capitalisation of the general reserve; and

150,000 (2003: 150,000) shares have been allotted as fully paid-up for consideration received other than in cash.

		2004	2003
3	Reserves and surplus		
	Capital reserve	688	688
	Capital redemption reserve	9	9
	Securities premium account		
	- Balance brought forward	1,827,331	1,827,331
	General reserve		
	- Balance brought forward	2,844,965	1,670,531
	- Transfer from profit and loss account	1,256,083	1,174,434
		4,101,048	2,844,965
	Profit and loss account		
	- Balance brought forward	707,379	536,892
	- Creation of deferred tax assets	-	1,289
	- Transfer from profit and loss appropriation account	34,655	169,198
		742,034	707,379
		6,671,110	5,380,372
4	Minority interest in equity		
	Siemens Information Systems Ltd		
	Nil (2003: Nil) equity shares held by minority interest (Nil holding; 2003: Nil holding)		
	Balance brought forward	-	17,150
	Adjustment on purchase of additional stake	-	(17,150)
		<u> </u>	
5	Minority interest in Non-equity		
	Siemens Information Systems Ltd		
	Balance brought forward	-	201,551
	Share of profit for the year	-	122,807
	Dividend paid	-	(35,157)
	Adjustment on purchase of additional stake	-	(289,201)
6	Unsecured loans	<u></u>	
	Long term		
	- sales tax deferral	28,872	31,002
		28,872	31,002
	The loan under the sales tax deferral scheme is payable till 2011		
	- Amounts payable within one year	3,215	2,130

### 7 Fixed assets

	Goodwil	Land	Buildings	Plant and Machinery	Furniture, Fittings & Office Equipment	Vehicles	Equipment given on lease	Total	Previous year
Gross block									
At 1 October 2003	529,312	117,236	1,603,351	2,787,831	946,273	79,031	755,089	6,818,123	6,185,207
Additions	-	-	62,781	352,350	89,587	29,210	3,000	536,928	869,245
Disposals	-	-	(6,690)	(21,394)	(8,826)	(9,785)	(332,201)	(378,896)	(236,329)
At 30 September 2004	529,312	117,236	1,659,442	3,118,787	1,027,034	98,456	425,888	6,976,155	6,818,123
Accumulated depreciation									
At 1 October 2003	22,658	24,761	342,419	2,232,901	863,369	51,601	742,610	4,280,319	4,066,412
Charge for the year	128,190	2,655	40,318	241,977	45,142	16,104	13,479	487,865	352,939
Disposals	-	-	(1,469)	(20,564)	(7,866)	(8,507)	(332,201)	(370,607)	(139,032)
At 30 September 2004	150,848	27,416	381,268	2,454,314	900,645	59,198	423,888	4,397,577	4,280,319
Net block									
At 30 September 2004	378,464	89,820	1,278,174	664,473	126,389	39,258	2,000	2,578,578	2,537,804
At 30 September 2003	506,654	92,475	1,260,932	554,930	82,904	27,430	12,479	2,537,804	

Included in the gross block of land at 30 September 2004 is freehold land of Rs 6,607,804 (2003: Rs 6,607,804) and buildings includes Rs 192,534,986 (2003: Rs 220,150,321) representing 1,237 (2003: 1,272) shares of Rs 50/- each in various co-operative housing societies

Buildings with a net book value of Rs 25,242,000 are held for sale at 30 September 2004.

Future lease payments receivable under operating leases not later than one year aggregate Rs 1,800,000 (2003: 1,800,000) and later than one year and not later than five years aggregate Rs 1,800,000 (2003: 3,600,000). Future lease payments receivable under finance leases not later than one year aggregate Rs Nil (2003: 21,684,000).

Depreciation has been disclosed as follows:

- Depreciation of Rs 13,478,665 (2003: Rs 14,990,000) on equipment given on lease is reduced from lease income at note 18 to the financial statements.
- The balance depreciation and goodwill amortisation in associates of Rs 476,450,000 (2003: Rs 353,026,000) has been separately disclosed in the profit and loss account.

Goodwill amortisation for the year includes a charge of Rs 29,460,000 represents accelerated write off of goodwill arising on consolidation of SBT.

	2004	2003
Investments (long term, unquoted)		
Non-Trade, long term		
In government securities (unquoted) National Savings Certificates	5	5
Rural Electrification Corporation Limited 54EC Bonds		J
(7,000 bonds of Rs 10,000 each)	70,000	-
Trade Shares in other companies		
Nil (2003: Nil) equity shares of Rs 10 each fully paid-up		
in Siemens Metering Ltd (formerly "VXL Landis & Gyr Ltd")		
(Nil holding; 2003: Nil holding) Unamortised goodwill		96,909 129,216
onanoruseu goodwiii		
Goodwill amortised	-	226,125 (129,216)
doddwiii umoruscu	<del></del>	96,909
Share of profit	-	30,822
	<u> </u>	127,731
Sale during the year		(127,731)
5	<del></del>	
2,040,514 (2003: 2,040,514) equity shares of Rs 10 each fully paid-up		
in Siemens Shared Services Pvt Ltd held by SISL	40.676	10.676
(49% holding; 2003: 49% holding) Unamortised goodwill	19,676 10,320	19,676 10,320
Onumorused goodwiii	29,996	29,996
Goodwill amortised	(4,149)	(2,085)
	25,847	27,911
Share of profit	17,838	2,250
	43,685	30,161
Debentures	13,003	30,101
740,040 (2003: 740,040) 18% non-convertible debentures of Rs 100 each	74.004	74.004
in Mid-East Integrated Steel Ltd. Provision for diminution in value	74,004 (74,004)	74,004 (74,004)
1 Tovision for diffill diffill value	<del>(77,007)</del>	(/ +,00+)
Current Investments, at lower of cost or market value	-	-
In Mutual Funds (quoted)		
9,545,393 (2003: Nil) units of HSBC Cash Fund-Institutional-Daily Dividend	00.655	
8,933,441(2003: Nil) units of HDFC Cash Management Fund-Daily Dividend	99,655	-
6,555, FT (2005. Will) drifts of TIBLE cush Management Fand Bully Bividend	95,020	-
9,934,165 (2003: Nil) units of Deutsche Insta Cash Plus Fund-Daily Dividend	00 525	
	99,535	
	294,210	
	407,900	30,166
The aggregate book value and market value of quoted investments, and book	value of unquoted inve	estments, are as
follows:	·	, , , , , ,
- Aggregate book value and market value of quoted investment	294,210	20.166
- Aggregate book value of unquoted investment	113,690	30,166

		2004	2003
9	Deferred tax asset		
	Arising on account of timing differences in :		
	- Provision for doubtful debts	171,840	153,182
	- Other provisions (including provisions for doubtful advances,		
	restructuring provisions and other amounts allowable on a payment basis under the Income Tax Act, 1961)	288,539	216,238
	- Fixed assets and Carry forwards losses	200,333	116,351
	Tixed assets and carry forwards losses	460,379	485,771
		400,379	463,771
10	Deferred tax liability		
	Arising on account of timing differences in :		
	- Depreciation	191,450	161,365
11	Inventories		
	Raw materials	373,788	355,337
	Work-in-progress		
	- factory related	247,189	148,933
	- project related	598,553	365,126
	Finished goods	478,705	434,177
		1,698,235	1,303,573
12	Sundry debtors		
	Debts outstanding		
	- Over six months	983,665	1,159,318
	- Other debts	3,712,952	3,609,005
		4,696,617	4,768,323
	Of which		
	- Considered good	4,259,184	1 217 100
	- Considered doubtful	4,239,184	4,347,199 421,124
	- Considered doubtful	<del></del>	
	Provision for doubtful debts	4,696,617 (437,433)	4,768,323 (421,124)
	Trovision for doubtful debts	<del></del>	
		4,259,184	4,347,199
13	Cash and bank balances		
	Cash in hand	24,632	14,817
	Cheques in hand	217,990	269,369
	Balances with scheduled banks	·	·
	- on current account	1,850,442	1,784,064
	- on deposit account	4,224,305	1,286,965
	Balances with other banks	93,602	8,374
		6,410,971	3,363,589

Advances recoverable in cash or in kind or for value to be received - considered good 1,170,914 92 - considered doubtful 151,871 13 - provision for doubtful advances (151,871) (132 - lease equalisation account - Advance payments of income tax, less provision
Advances recoverable in cash or in kind or for value to be received  - considered good
- considered good 1,170,914 92 - considered doubtful 151,871 13
- considered doubtful 151,871 13  1,322,785 1,05  Provision for doubtful advances (151,871) (132  Lease equalisation account -
Provision for doubtful advances (151,871) (132) Lease equalisation account -
Provision for doubtful advances (151,871) (132) Lease equalisation account -
Lease equalisation account 1,170,914 92
Lease equalisation account -
Advance payments of income tax, less provision - 9
Balances with customs, port trusts and excise authorities on
current account 53,073
Inter corporate deposits 865,000 77
Interest accrued on inter corporate deposits 4,826
<b>2,093,813</b> 1,84
Loans and advances includes :
(a) Amounts due from directors of the Company for housing loans
given prior to their becoming directors (Maximum amount outstanding
during the year Rs 3,854,981; 2003: Rs 4,925,449) 3,563
15 Current liabilities
Sundry creditors <b>8,052,841</b> 6,34
Advances from customers 1,939,461 1,14
Unclaimed dividends* 5,751
<b>9,998,053</b> 7,49
*Investor Protection and Education Fund is being credited by the amount of unclaimed dividend after seven years from the due date.
16 Provisions
Pension <b>159,100</b> 20
Restructuring -
Proposed dividend 165,692 13
Tax on proposed dividend 21,654 1
Taxation 253,553
Leave wages 64,937 7
Medical benefits 37,653
Others 67,055 7
<b>769,644</b> 53
17 Interest income, net
Interest income 176,986 14
Interest expense (637) (
176,349 14

		2004	2003
18	Other operating income, net		
	Lease rentals	23,484	24,257
	Lease equalisation charge	(6,400)	(4,478)
	Depreciation	(13,479)	(14,990)
	Lease income, net	3,605	4,789
	Export incentives	15,550	17,893
	Profit on sale of fixed assets, net	16,585	83,379
	Recoveries from subsidiary companies, associates and third parties	108,973	111,758
	Compensation on vacation of property	-	30,441
	Profit on sale of Life Support Systems business	65,593	-
	Exchange gain, net	136,831	147,899
	Forfeiture of customer advance	-	255,642
	Sales tax set off	126,929	82,794
		474,066	734,595
19	Other income		
19	Profit on sale of investments		62.206
	Income from non-trade investments	-	62,386
	Dividend on mutual fund investment	2 250	3,975
	Sundries	2,359	16.607
	Sulfulles	15,594 ————	16,607
		17,953	82,968
20	Cost of sales and services		
	Raw materials consumed	3,671,484	2,556,043
	Traded goods consumed	6,346,678	5,000,449
	Project bought outs	3,131,513	2,722,111
	Overseas travel expenses	876,533	469,015
	Change in inventories	(376,211)	(331,817)
	Other costs	564,552	257,775
		14,214,549	10,673,576
21	Personnel costs, net		
	Salaries, wages and bonus, net	2,689,364	2,083,818
	Contribution to provident and other funds	184,615	168,367
	Workmen and staff welfare	276,204	236,416
		3,150,183	2,488,601

Salaries, wages and bonus include a charge of Rs 85,200,000 (2003: Nil) towards additional leave encashment payable pursuant to a change in the leave policy of the Company for certain categories of employees during the year.

		2004	2003
22	Other costs, net		
	Travel and conveyance	586,476	459,587
	External software services and data processing	375,245	385,037
	Communications	275,404	267,898
	Power and fuel	142,404	138,186
	Rates and taxes	144,533	127,444
	Repairs and maintenance		·
	- on building	106,000	97,112
	- on machinery	45,801	36,799
	- others	55,061	47,580
	Rent	107,045	82,659
	Research and development expenditure	46,073	25,392
	Advertising and publicity	71,899	73,231
	Packing and forwarding	77,146	54,887
	Legal and professional	109,685	96,098
	Office supplies, printing and stationery	43,066	33,917
	Lease rentals	45,795	51,006
	Insurance	44,227	39,370
	Bank guarantee commission/ bank charges	15,143	12,917
	Spares and stores	29,150	23,734
	Commission to directors	8,560	2,900
	Directors' fees	280	195
	Donation	2,653	1,990
	Bad debts	19,105	28,000
			87,620
	Provision for doubtful debts and advances, net Miscellaneous	36,847	228,342
	Miscellatieous	281,053 ———	
		2,668,651	2,401,901
23	Provision for current tax		
	Provision for current tax of Rs 881,000,000 (2003: 617,170,000) includes a provision of Rs 126,000,000 (2003: Nil) for earlier years.		
24	Commitments and contingent liabilities a Commitments		
	Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	67,156	50,516
		07,130	30,310
	Future lease commitments in respect of operating leases - within one year	26 206	25.000
	- later than one year and not later than five years	36,396 36,206	25,998 25,400
	Unamortised premium in respect of forward exchange contracts  Export commitments	3,143 855,944	1,122
	Export communents		1,592,458
	b Contingent liabilities		
	Bills discounted	219,386	229,734
	Taxation matters (excluding interest)		
	- In respect of certain completed assessments where matters are		
	under appeal by the Company	315,676	315,676
	- In respect of appeals decided in favour of the Company, but	5.57070	313,070
	disputed further by income tax authorities	106 166	106 166
		106,166	106,166
	Excise/sales tax liabilities (net of tax), under dispute	192,543	167,442
	Corporate and other guarantees	32,310	37,772
	Claims against the Company not acknowledged as debts	182,547	180,174

			2004	2003
25	Sup	plementary statutory information		
	(i)	Managerial remuneration		
		Personnel and other costs include managerial remuneration for		
		directors as set out below:		
		Salary	9,840	9,227
		Perquisites	7,260	8,721
		Commission	12,088	6,140
		Performance linked incentive	8,000	8,000
		Contribution to provident fund	813	968
		Contribution to superannuation fund	1,017	891
			39,018	33,947
	(ii)	Auditors' remuneration		
	` /	- Audit fee	5,826	5,526
		- Tax audit fee	2,166	2,194
		- Other services	675	462
		- Reimbursement of expenses	422	433
			9,089	8,615

# 26 Related party transactions

## 26.1 Parties where Control exists:

Siemens AG Holding company (holds 54.63% of the equity share capital as at 30 September

# 26.2 Other related parties where transactions have taken place during the year

Fellow Subsidiaries Siemens AG AS4 NBG , Germany

Siemens Building Technologies, Germany

Skatec GMBH & CO, Germany

Siemens Building Technologies AG, Mannedorf Siemens Building Technologies AG, Germany Siemens Westinghouse Power Corp., USA Siemens Building Technologies Inc., USA Siemens Business Services Inc, USA Siemens VDO Automotive AG, Germany

Siemens Vacuum Interrupters (Wuxi) Ltd., China Siemens Hearing Instruments Pvt Ltd., India Siemens Power Engineering Ltd., India

Siemens Building Technologies (Asia Pacific) Ltd., Hongkong

Siemens Building Technologies PTE Ltd., Singapore

Siemens Industrial Services Ltd., Thailand

Siemens Saudi Arabia Acuson Corporation USA

Siemens Energy Mgt & Info. Systems , Singapore Siemens Financial Services GmbH , Germany VVK Versicherungsvermittlungs- und,Germany Siemens Beteiligungsverwaltung GmbH , Germany

# 26.2 Other related parties where transactions have taken place during the year (continued)

Fellow Subsidiaries Siemens ATEA , Belgium

Eviop Tempo SA , Greece Siemens plc,Great Britain

Siemens Magnet Technology Ltd., Great Britain

Siemens S.p.A., Italy

Siemens Power Generation, Great Britain

Siemens AG Österreich , Germany Siemens SGP Verkehrstechnik-Austria Siemens Advanced Engineering , Slovenien

Siemens Elema, Sweden

Siemens Business Services AB, Sweden Siemens Schwiez AG, Switzerland Siemens S.A., Madrid Spain

Siemens Sanayi ve Ticaret A.S. Turkey

Siemens Inc, Phillipines

Siemens Business Services, Singapore

Siemens Limited, Egypt.

Siemens Communication Ltd ,Great Britain

Siemens Ltd, Johannesburg

Siemens Business Services (Pty) Ltd, South Africa

Siemens Business Services ,Germany

Fabrica Lapa ,Brazil

Siemens Electrical Apparatus Ltd. ,China

Siemens Business Communication Systems Ltd.

Siemens Ltd.,Bangkok Siemens Canada Ltd.

Siemens VDO Automotive, Inc. Canada

Siemens Ltd., China

Siemens Energy & Automation, Inc. USA Siemens Information & Communication USA

Siemens Bangladesh Ltd. Siemens Ltd., Hong Kong

Siemens Technology Development Corp-China

OSRAM India Pvt. Ltd.

Siemens Public Communications Network Ltd India

P.T. Siemens Indonesia

Siemens Factory Automation Engineering Ltd. China

Siemens Shanghai Medical Equipment Ltd.

Siemens-Asahi Medical Technologies Ltd. Japan

Siemens Ltd Korea

Siemens Ltd Taipei

Siemens Malaysia Sdn. Bhd.

Siemens Ltd., Australia

Siemens Pte. Ltd. Singapore

Siemens Transportation Systems, Inc. USA

26.2 Other related parties where transactions have taken place during the year (continued)

**Fellow Subsidiaries** 

Siemens Business Services ,Germany Siemens Business Services Ltd., UK

Siemens Elektromotory s.r.o. ,Czechoslovakia Siemens Corporate Research, Inc, USA

Siemens s.r.o.,Czechoslovakia Siemens Sp. z o.o. ,Warschau

Siemens VDO Trading GmBh, Germany

Turbocare, Inc.USA

Siemens Shared Services India Acuson Corporation USA Demag Delaval Industrial India Siemens Ltd. for Trading ,Egypt

Siemens Servtronic GmbH Co.KG ,Germany Siemens Busbar Trunking Sys. GmbH ,Germany

Siemens Dematic Corp. USA

Siemens Servocare Systems ,Sweden Siemens VDO Automotive Ltd. India Siemens Medical Solutions USA, Inc. Siemens Medical Solutions, CSG USA

LINCAS Electro ,Germany Siemens ICM, Denmark Siemens Osakeyhtio, Finland Siemens ICM, San Diego, USA Siemens Business Services LLC, USA Siemens Dematic AG, Germany

Power Plant Performance Improvement, India

Associates

SIEMENS L.L.C.Abu Dhabi Landis and Steafa LLC, Dubai

# 26.3 Directors of the Group Whole-time Directors

ole-time Directors

J. Schubert
H. Gelis
A.B. Nadkarni
Harminder Singh
O.P. Narula

A.S.Vishwanathan

A.R.Laud

Details of remuneration to directors are disclosed at note 25 (i) to the financial statements. Details of housing loan to directors are disclosed at note 14 (a) to the financial statements.

			2004	2003
	26.4	Sales to and other recoveries from related parties		
		Holding company	2,264,214	1,624,274
		Fellow Subsidiaries	3,385,923	2,256,655
		Associates	40,460	63,686
	26.5	Purchases/ other services from related parties		
		Holding company	4,029,015	3,376,771
		Fellow Subsidiaries	1,341,059	1,235,739
		Associates	68,363	29,927
	26.6	Interest income from related parties		
		Holding company	-	-
		Fellow Subsidiaries	53,433	70,578
		Associates	-	-
	26.7	Dividend paid to related parties		
		Holding company	144,825	108,619
		Fellow Subsidiaries	-	35,158
		Associates	-	-
	26.8	Outstanding balances		
		Debtors		
		Holding company	194,443	268,470
		Fellow Subsidiaries	33,066	525,444
		Associates	23,942	44,239
		Creditors		
		Holding company	987,642	874,099
		Fellow Subsidiaries	77,291	127,278
		Associates	-	-
		Inter Corporate Deposits		
		Holding company	-	-
		Fellow Subsidiaries	865,000	775,000
		Associates	-	-
000 <b>27</b>	Discl	osure pursuant to Accounting Standard - 7 (Revised) :		
		Contract Revenue recognised for the year ended 30 September 2004	4,220	2,913
	27.2	Aggregate amount of contract costs incurred for all contracts in progress as at 30 September 2004	12,829	16,789
	27.3	Recognised profits (less recognised losses) upto 30 September 2004 for all	12,023	10,709
		contracts in progress as at 30 September 2004	2,163	3,062
				107

# 28 (i) Information about business segments

				Rev	/enue			
_	Exter	nal sales	Inter seg	Inter segmental sales Total				sults
	2004	2003	2004	2003	2004	2003	2004	2003
Building technology services	307,640	106,647	-	-	307,640	106,647	12,327	9,981
Information technology services	4,823,503	3,040,439	-	-	4,823,503	3,040,439	1,007,896	652,084
Information and communications	869,580	815,180	9,765	2,608	879,345	817,788	107,600	82,646
Automation and drives	5,305,270	3,898,595	1,029,165	740,959	6,334,435	4,639,554	378,932	246,062
Industrial solutions and services	2,193,520	1,439,630	122,216	123,454	2,315,736	1,563,084	208,628	145,026
Power	4,545,210	3,375,783	161,869	86,717	4,707,079	3,462,500	363,821	486,712
Transport	1,534,480	1,285,036		-	1,534,480	1,285,036	194,358	198,834
Healthcare and other services	2,771,427	3,086,302		-	2,771,427	3,086,302	152,438	19,051
Real estate	105,694	143,370		-	105,694	143,370	130,332	226,399
Eliminations			(1,323,015)	(953,738)	(1,323,015)	(953,738)		
Total	22,456,324	17,190,982		-	22,456,324	17,190,982	2,556,332	2,066,795
Interest expenses							(637)	(1,888)
Interest income							176,986	143,730
Share of profit from associate companies							15,588	1,134
Unallocable corporate items							(117,822)	27,189
Profit before tax							2,630,447	2,236,960
Minority interest							-	(122,807)
Income tax							(881,000)	(617,170)
Deferred tax							(55,474)	161,085
Consolidated total	22,456,324	17,190,982		-	22,456,324	17,190,982	1,693,973	1,658,068

# 28 (i) Information about business segments (continued)

								Non cas	h expenditu	re
		Assets	Lia	bilities	Capital Ex	xpenditure	Dep	eciation	Otl	ners
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Building technology services	157,091	157,594	92,843	128,692	-	455	1,094	780	-	-
Information technology services	3,037,770	2,125,521	1,620,067	906,520	222,720	96,161	117,860	84,464	-	-
Information and communications	3 <b>09,400</b>	288,146	181,963	127,864	2,506	3,494	15,845	17,040	6,400	4,478
Automation and drives	1,919,900	1,547,626	1,426,610	1,116,225	42,241	91,255	75,246	83,793	-	-
Industrial solutions and services	748,071	608,404	953,265	688,079	4,601	1,674	4,393	4,316	-	-
Power	2,505,048	1,777,505	2,480,584	1,795,784	22,904	12,820	18,672	19,361	-	-
Transport	439,819	305,466	740,850	550,088	11,447	1,049	2,229	1,053	-	-
Healthcare and other services	1,072,597	1,376,045	763,754	745,581	92,151	33,707	31,726	21,262	-	-
Real estate	1,073,626	1,062,138	102,371	112,465	126,600	96,574	80,181	81,709	-	-
Eliminations	-	-	-	-	-	-	-	-	-	-
Total	11,263,322	9,248,445	8,362,307	6,171,298	525,170	337,189	347,246	313,778	6,400	4,478
Unallocable corporate items	6,727,191	4,681,013	2,625,712	2,046,404	11,758	2,744	12,429	16,503	-	-
Consolidated total	17,990,513	13,929,458	10,988,019	8,217,702	536,928	339,933	359,675	330,281	6,400	4,478

# 28 (ii) Secondary segment information

	R	Revenues		Assets	Capital Expenditure		
	2004	2003	2004	2003	2004	2003	
Domestic	17,065,150	13,827,716	17,701,526	13,146,681	536,928	339,933	
Exports	5,391,174	3,363,266	288,987	782,777	-	-	
	22,456,324	17,190,982	17,990,513	13,929,458	536,928	339,933	

#### 28 (iii) Other disclosures:

- Inter-segment prices are normally negotiated amongst the segments with reference to the costs, market price and business risks.
- All profits/losses on inter segment transfers are eliminated at Group level.

### (iv) Segment information:

The primary and secondary reportable segments are business segments and geographical segments respectively.

**Business Segments:** The business of the company is divided into nine segments. These segments are the basis for management control and hence, form the basis for reporting. The business of each segment comprises of:

- **Building Technologies :-** Executes projects for providing Integrated Building Management Systems including Building Automation Systems, Fire Alarm/Access Control/Security Systems.
- **Information technology services**: Provide comprehensive range of technology services, including software development, packaged software integration and systems maintenance to its worldwide customers operating in different industries.
- **Information & communication**:- Convergence communications solutions for enterprises, communications, video conferencing, and call centers, networking, mobility, teleworking, multimedia CRM. Provide mobile handsets and accessories.
- **Automation & drives**: Provide the complete range of automation products & systems, from large and standard drives and motors, special purpose motors, process and motion control systems, industrial automation systems to low-voltage controls and distribution and electrical installation technology.
- **Industrial & solutions services :-** Undertakes turnkey projects in the industrial and infrastructure sectors over the entire life cycle including concept, engineering, procurement, supplies, installation, commissioning and after sales services.
- **Power :-** Provides automation solutions for a wide range of applications in power plants, focusing on a complete range of medium and high voltage switchgears, medium voltage switchboards, protection and control systems for sub-stations, power system control and energy management systems and meters.
- **Transport :-** Provides solutions for rail automation, railway electrification, light and heavy rail, locomotives, trains, turnkey projects and integrated services.
- Healthcare & other services: Provides diagnostic, therapeutic and life-saving products in computer tomography (CT), magnetic resonance imaging (MRI), ultrasonography, nuclear medicine, digital angiography, patient monitoring systems, ventilators, digital radiography systems, radiology networking systems, lithotripsy and linear accelerators.
- Real estate :- Provides comprehensive real estate management.

Geographical Segments: The business is organised in two geographic segments i.e. domestic and exports.

# 29 Prior year comparatives

Prior year figures have been reclassified where necessary to conform with the current year's presentation.

For Siemens Group Ashok P. Jangid Deepak S. Parekh Chairman Corporate Secretary J. Schubert Managing Director H. Gelis Executive Director D. C. Shroff Y. H. Malegam Dr. O. Schmitt **Directors** A. B. Nadkarni Harminder Singh O. P. Narula Mumbai, 25 November 2004

# **Registered & Corporate Office**

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Navi Mumbai 410 210

**2**: (022) 2756 8000-06 Fax: (022) 2756 8018/8030

#### Sales Offices

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Fax: (079) 2754 6711

3<sup>rd</sup> floor, Jyoti Mahal No. 49, St. Marks Road **Bangalore 560 001** 

**a**: (080) 51191500 Fax: (080) 51191580

No. 84, Keonics Electronics City

Hosur Road

Bangalore 561 229

**2**: (080) 2852 1122, 2809 1000

Fax: (080) 2852 1180

SCO 188/190, 2<sup>nd</sup> Floor Sector 34A, Guru Nanak Complex

Chandigarh 160 042

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Sathak Centre, No 4. Mahatma Gandhi Road Near Gemini Flyover, P.O. Box No. 3323

Chennai 600 034 **≅** : (044) 2833 4000-09

Fax: (044) 2833 4011

29, Addis Street, Grey Town

Coimbatore 641 018

: (0422) 238 0908/0270

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4A, Ring Road, I.P.Estate, Box No. 7036

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Pune 411 016

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9-1-87/119/2, 1<sup>st</sup> Floor, St. John's Road

Secunderabad 500 025 **≅**: (040) 2770 2552/4544

Fax: (040) 2770 2951

Vanijya Bhavan, Race Course Road

Vadodara 390 007

**2** : (0265) 234 1579, 233 0563

Fax: (0265) 234 0823

Software Development & Engineering Centre

Plot 6A, Sector 18,

Maruti Industrial Area, HUDA

**Gurgaon 122 015** 

Haryana

**:** (0124) 284 6000 Fax: (0124) 284 6024

Works

**Aurangabad Works** 

E-76 Waluj MIDC Area

Aurangabad 431 136

**2**: (0240) 255 4008/4700

Fax: (0240) 255 4007

**Goa Works** 

Plot No. L6, Verna Electronic Area Panaji Margao Road, Verna

Goa 403 722

**2**: (0832) 278 3420 Fax: (0832) 278 3422

Kalwa Works

Thane Belapur Road, P.O. Box 85

Thane 400 601

**:** (022) 2760 0001-03 Fax: (022) 2760 0030

**Nashik Works** 

Plot No. C-1, Additional Industrial Area

MIDC, Ambad Nashik 422 010

**a**: (0253) 238 1325-28 Fax: (0253) 238 1262

Worli Works

130, Pandurang Budhkar Marg, Worli

Mumbai 400 018

**:** (022) 2498 7000-05 Fax: (022) 2498 7500

**Subsidiary Company** 

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**Registered & Corporate Office** 

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Tower (B), Plot No. 6A, Sector – 18, HUDA Area

**Gurgaon 122015** 

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43, Shantipally

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# Powerplant Performance Improvement Ltd.

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Gurgaon 122 016

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### Siemens Power Engineering Pvt. Ltd.

6A, Sector 18, Tower C, Maruti Industrial Area **Gurgaon 122 015,** Haryana

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# Siemens Public Communication Networks (Pvt.) Ltd.

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