



creation
at the
very core.

SIEMENS

Annual Report 2005
India



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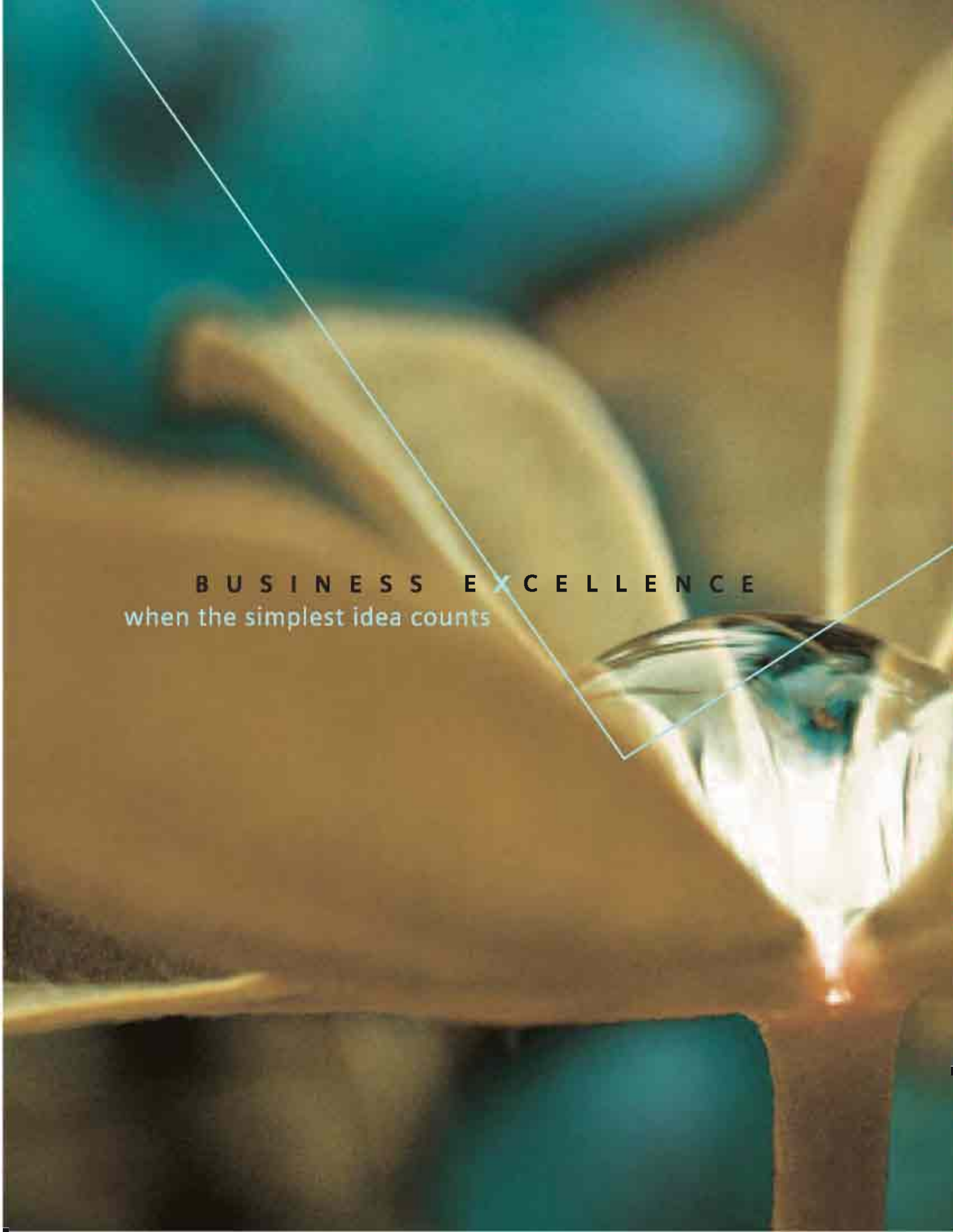
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financial highlights
Siemens Ltd.

| | 2004-05 | 2003-04 | 2002-03 | 2001-02 | 2000-01 | 1999-00 | 1998-99 |
|------------------------------|---------|---------|---------|---------|---------|---------|---------|
| • Orders received | 41233 | 30142 | 16754 | 11547 | 10836 | 12071 | 12740 |
| • Sales | 27485 | 17900 | 14245 | 12905 | 11572 | 11157 | 10506 |
| • Profit before tax | 3631 | 2299 | 1968 | 1304 | 964 | 946 | 381 |
| As % of sales | 13% | 13% | 14% | 10% | 8% | 9% | 4% |
| • Profit after tax | 2548 | 1514 | 1394 | 865 | 687 | 840 | 351 |
| As % of sales | 9% | 8% | 10% | 7% | 6% | 8% | 3% |
| • Net worth per share | 235.61 | 182.92 | 148.18 | 114.58 | 95.46 | 79.89 | 68.50 |
| • Earning per share | 76.88 | 45.68 | 42.06 | 26.10 | 19.49 | 24.11 | 12.37 |
| • Dividend | 481 | 298 | 249 | 182 | 133 | 224 | - |
| Dividend % | 145% | 90% | 75% | 55% | 40% | 65% | - |
| • Debt / equity ratio | - | - | 0.01:1 | 0.02:1 | 0.01:1 | 0.15:1 | 0.52:1 |
| • Investment in fixed assets | 277 | 314 | 243 | 117 | 119 | 86 | 317 |
| • No. of employees | 4777 | 4094 | 3811 | 3896 | 4167 | 4342 | 4604 |
| • No. of shareholders | 31315 | 31842 | 39197 | 43791 | 49188 | 50796 | 46434 |

• Rupees in millions

• Rupees



BUSINESS EXCELLENCE
when the simplest idea counts



creations that enhance

Ideas. Even the simplest can become big. The challenge is to launch them into tangible answers. And enhance customers' performance. Market leadership follows. Attaining is one, sustaining is another. This is Business Excellence.

This Excellence is the outcome of sound business processes and a strong customer focus. Both of which are strongly evident in our 50 year saga of Manufacturing. This milestone stands tall upon a legacy that has brought new meaning to all our stakeholders.

This endeavor will continue. Our goal to achieve business excellence, rooted in creativity, will remain.




creations that elevate

Rising sales. Increased profits. Growing market capital. Definitely welcome news for any stakeholder. But we go beyond the expected. Achieve levels that challenge economics to create stability. This is 'Financial Excellence'.

When macro performance dissolves into micro. When healthy growth permeates through every segment. When actions elevate the overall financial health of the Company. And where transparency and good governance is prime. The resultant is 'Financial Excellence'.

Our business performance, this year, spells Financial Excellence. Efforts to improve the quality of our performance will continue unabated.



A close-up photograph of a green fern frond, showing the intricate, feathery structure of the leaves. A thin, bright yellow diagonal line runs across the image from the bottom left towards the top right. The background is a soft, out-of-focus green.

FINANCIAL EXCELLENCE
when every level adds up

A close-up photograph of a field of purple flowers. In the foreground, a blue flower bud is in sharp focus, showing its green stamens. Behind it, a large purple flower is slightly out of focus. The background is a soft-focus field of more purple flowers under a bright sky.

creations that empower

Any product, however good. Any strategy, however sound. Any resource, however large. Are all meaningless without one differentiating factor: human capital. People with talent, drive and commitment can achieve wonders. But rising above market medians to reach what was thought impossible, is possible only through 'People Excellence'.

When you are empowered, not just to execute but to initiate. When you are urged, not just to achieve but to drive. When everyone propels unidirectional, you can feel the raw power of 'People Excellence.'

We cherish and uphold this invaluable asset and shall take this excellence to higher levels by rooting it in social excellence.



PEOPLE EXCELLENCE
when each one makes a difference



creations that care

The larger design. A role each has to play. Beyond boundaries of business. Outside the comfort zone. It's imperative to build Social Excellence, parallel to business.

When you don't just contribute but participate. When you don't just fund but ensure its implementation. When every single employee engages selflessly. Without strings. Then prevails 'Social Excellence'

Making a Difference for us is an inherent strand of the way we do business. We believe we have to graciously give back to society what we have got from it. And we remain committed.



S O C I A L E X C E L L E N C E
when everyone matters

Chairman's Statement



Dear Shareholders,

The last year was indeed a remarkable year. For India, it earned its place in the comity of nations as the second fastest growing economy in the world. For Siemens it marked the entry into a new phase of growth, surpassing market expectations. The recognition is reflected in the stock price, which comfortably crossed the historic Rs. 3000/- mark. It is with a great sense of achievement and pride that I share with you some of my views as a Chairman of one of the most respectable and prosperous companies in India.

Financial Excellence

But before I move on, let me share with you a few performance highlights. In the last fiscal, your Company had a steady inflow of orders, which was topped with some mega orders. As a result, New Orders increased by 37% to Rs. 41,233 million, with the major contributors and volume drivers being Power Transmission and Distribution, Transportation, Automation & Drives and Industrial Solutions and Services.

In addition to a 54% increase in Sales Turnover which rose to Rs. 27,485 million, your company has turned in an

impressive operational performance with Profit Before Tax standing at Rs.3,631 million, a healthy rise of 58% over the previous year, whereas Profit After Tax increased by 68%. The Unexecuted Order Value position as of 30th September 2005 was Rs. 38,139 million, a massive increase of 79% compared to last year. This alone is equivalent of nearly 17 months turnover.

In consideration of the good results, we have recommended a final dividend of 145% including the interim dividend of 45%. During the previous fiscal, the company had recommended a total dividend of 90%, which included an interim dividend of 40%.

If I look back at last year's achievements, there are innumerable successes. While our growth has largely been organic, a few M&A activities supported volume growth additionally. Added up, all our financial parameters show a healthy upward trend.

Our outstanding performance has two key drivers: *First*, the favorable markets and economy that created an environment of growth; and *Second*, our employees who pushed productivity, volumes and bottom line.

Let me deal with both.

Business Excellence

Growth

The positive investment climate in the country fuelled the growth in the capital goods sector, which witnessed a strong demand across all segments. The power segment saw some positive movements, with the finalization of several projects, especially Independent Power Plants. The Railways stepped up investments for modernizing the infrastructure and improving safety. The Healthcare segment too grew well, with both the Government and the private sector stepping up efforts to provide enhanced and quality healthcare services. The telecom sector continued to grow well as enterprises invested in upgrading infrastructure. The software and services industries maintained a good growth momentum, with a thrust on exports. At the same time, the Government's continued thrust on reforms and privatization opened up greater avenues and opportunities for us to participate in.



This backdrop, which was conducive for growth, augured well for our businesses across all our divisions. While the normal business grew well, we were successful in bagging some very large orders that enhanced our market position substantially. For example, this year witnessed the final go-ahead for the Bangalore Airport, the first public-private partnership initiative where we were successful in booking the order of Rs. 175 crores. We were successful in bidding for the contracts from Neyveli Lignite for Rs. 250 crores for special mining equipment; we also got the Rs. 925 crores order from Mumbai Rail Vikas Corporation for propulsion system and electrical equipment. On the export front, we received orders of approximately Rs. 190 crores for the Qatar Power Expansion for setting up new substations and modifying existing ones.

These were just some of the many orders that we have in hand today, to be executed in the course of the new fiscal. And as I write today, we have in the meanwhile received some more mega orders that will further secure our future turnover.

Software and R&D needs a special mention. With some 4000 professionals on our rolls, SISL and our other entities are contributing substantially in these areas. Given our intrinsic strengths in software, we plan to expand our software operations across other cities and continue to increasingly contribute towards the global software needs of Siemens AG. In R&D we have adopted a multi-layered approach and are driving innovation across the entire value chain of our business portfolio. Our innovations cover the entire gamut, right from basic adaptation and localization of products at the lower end to undertaking high end research for developing top of the line products for the global market. Last year, Siemens 'Corporate Technology' Department (CT), set up its Research Center in Bangalore.

Consolidation

To enhance our portfolio and consolidate our position in the market, we made strategic investments through acquisitions and mergers. While DDIT has been integrated into Siemens Ltd., Siemens Shared Services now known as Siemens BPO Services and SPCNL have become 100% subsidiaries of Siemens Ltd. We also bought stake in Pimac, to enhance our presence in the PG service business. In early December 2005, we have received the clearance from the

Karnataka High Court for the merger of Siemens VDO into Siemens Ltd. This will take place in due course. And, as a result of global acquisitions we will see some additional companies coming into our fold.

People Excellence

The second factor contributing to the success story of Siemens has been undoubtedly our employees. According to Susan R Meisinger, President and Chief Executive Officer of the Society for Human Resource Management: "Bricks and mortar, anyone can buy. Information and technology are accessible. What distinguishes a business these days are its people." A clear strategic thrust, a sharp business understanding and customer orientation coupled with an unparalleled dedication and drive, has ensured success till date. I also recognize however, that unless people in organizations are mobilized and energized on a sustained basis in support of business priorities, success can be elusive. Any organization whether it is in search of a double-digit growth, culture change or breakthrough concepts, products or services cannot underestimate the importance of the human side of transformation in the execution of strategy. Peter Drucker, the dean of management excellence wrote in 1994 in the Atlantic Monthly essay: The essence of management is not techniques and procedures. The essence of management is to make knowledge productive.

People are an organizations most valuable raw material and learning is the only infinitely renewable resource. People's potential translates into assets when they learn to use their passion, skills, abilities and powers. Only when this happens, they have the ability to make an impact and make a difference. Going forward, hiring people with appropriate competencies, training them in the requisite knowledge, skills and attitudes and rewarding talent that creates competitive advantage and organizational growth will be a crucial leadership challenge. We will be recruiting skilled workers from ITI to man positions in the factories, hiring engineers, software professionals, commercial, financial, HR and other specialized personnel for functions across the organization.

I am confident that given our work culture and value system, our thirst for innovation and learning, strong service orientation and overriding desire for excellence will continue to release the true potential of the human spirit at Siemens.

50 years of Manufacturing in India

In 2006, Siemens in India will reach a new milestone as it completes 50 years of manufacturing in India. With 13 manufacturing facilities located across the country and several 'Centers of Competences', we have evolved as a strong manufacturing-led company in India. To cater to the growing domestic demand and exports, we are in the process of augmenting our manufacturing capacities. Our 14th manufacturing facility for Transformers is already under construction at Kalwa. Our experience, our capabilities and our quality has earned us an entry card to play a larger role in the manufacturing strategy of Siemens AG in Asia.

The Vibrant Economy

The India growth story has got the world's attention like never before. India has emerged as the second most attractive market in the world for doing business. If one looks at a few performance parameters, it's clear that the sentiments are positive and rightly so.

After clocking a nearly 7% growth in 2004-05, India's GDP is projected to grow at 8% in 2005-06. Aided by a strong performance of the manufacturing and services sector, the economy registered growth of 8.1% of GDP in the first half of the current financial year, despite disruptions caused by floods and heavy rains in many parts of the country. During April – September 2005, manufacturing sector grew at 10.2% and all services sectors together notched up about 10% growth. While industrial sectors posted 8.6% growth, among infrastructure sectors, transport and communications have achieved an impressive performance; revenue earning for freight traffic on railways scaled up by 10.1%, cargo traffic at major ports went up by 13.6%, number of cellular subscribers rose by 32.8% and the number of passengers handled at international and domestic airport terminals respectively increased by 12.7% and 21.7%. The external sector too remained resilient. During the first half of this financial year, foreign exchange reserves increased by US\$ 1.54 billion and Foreign Direct Investment (FDI) and Foreign Institutional Investment registered growth rates of 17.2% and 120.2% respectively.

No doubt, India's growth is robust and is expected to remain so because of its sheer population and favorable demographic structure. This in itself is a huge demand driver.

And if all goes well, India's growth can be sustained at 7-8% over the next decade, making it the world's third or fourth largest economy.

Infrastructure development – key to India's growth

But for this to happen, the key lies in developing infrastructure. In the last few years alone, the growth has resulted in increased demands on the country's already stretched infrastructure. It is abundantly clear that there is insufficient physical capacity to support the increased level of economic activity. According to a recent Morgan Stanley report, except for telecom, the cost of most infrastructure services is 50 – 100% higher in India than in China. On global comparison too, Indian infrastructure needs to do a lot of catching up. For example, the average cost of freight payments as percentage of imports is about 5% in developed countries (an overall global average of 6%), compared to 10% in India. Infrastructure constraint indeed is fast emerging as the limiting factor for growth.

Recently, Dr. Klaus Kleinfeld, President and CEO of Siemens AG, very correctly talked about Mega Trends that will influence development. The mega trends that we are witnessing are population growth and urbanization. As far as population goes, in the next 20 years India is expected to add 400 million people. On the urbanization front, India already added 65 million people to its urban population in the nineties and is poised to have nearly fifty percent of its population living in cities by the early part of the present century. These developments, in turn, will further accentuate the need for more basic infrastructure facilities – the demand for energy, transportation facilities, healthcare services, and telecommunications will be that much higher.

While the imperative of scaling up infrastructure investments in the Indian context is well known, it is heartening to see that this challenge continues to be on the top of the agenda of the government. There is an increasing recognition that India's capital investment on electricity, roads, airports, seaports, and telecom – at 3.5% of GDP, as compared to more than 10% of GDP in case of China – is woefully inadequate. As Shri P Chidambaram highlighted in a recent interview, "We need to add, 10,000 megawatts of additional (power) generating capacity every year for the next 10 to 15 years. That's the kind of infrastructure requirement India has. I could give you numbers for roads, for railway, for



power, for telecom. Each one of them is a mind-boggling number. Therefore, in the next 10 to 15 years, all the investment opportunities, especially in infrastructure, are to be found in China and India, and maybe one or two other countries.”

The Committee on Infrastructure, headed by the Prime Minister estimated investment requirements of the order of Rs. 172,000 crores in the National Highways sector (by 2012), Rs. 40,000 crores for airports (by 2010) and Rs. 50,000 crores in the ports sector (by 2012). Mobilising these seemingly mammoth levels of investments is admittedly a complex challenge but not an insurmountable one. I, for one, believe that, with appropriate policy and regulatory frameworks, India will certainly be able to successfully tackle this challenge.

Happily, we, Siemens, as an infrastructure company, are here in the right time, and have the right portfolio to make a tangible contribution to and reap benefits from this mega trend.

Visit of the Central Board

In the wake of the growing importance of the Indian operations, the Central Board members of Siemens AG led by Dr. Klaus Kleinfeld visited India in December 2005. The Board members gave an excellent feedback about the organisation, employees and the business in India.

Even as Siemens AG identifies China and India as the focus markets, we have won the top+ award for the best Regional Company at the top+ awards ceremony of 2005. By winning this we achieved the highest possible level of recognition from Siemens AG and Siemens worldwide. We are now under spotlight with much higher expectations and higher responsibilities for the future.

Conclusion

Looking ahead, managing growth is our greatest challenge. We are proud of what we have achieved till now. As a group we have come much closer as a single Siemens entity in India. This gives us added strength to win over our competitors and become champions again.

In all that we did, we never lost sight of our social commitment and responsibility to society. Your company has come forward at every crises and has lent a helping hand to the needed – during the Tsunami, during the floods and also the earthquake that rocked the northern parts of India and Pakistan. Our activities are not one-off, but long term and sustained, where our employees are personally engaged in undertaking project work. More details are outlined separately.

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 once again that they can achieve their goals. I look forward to your continued support for achieving greater heights.

Thank you.

Mumbai,
December 7, 2005

Deepak S. Parekh
Chairman

Board of Directors

Non-executive Directors



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



D. C. Shroff
Director
since
February, 1997.



Y. H. Malegam
Director
since
April, 1998.



N. J. Jhaveri
Director
since
November, 2000.



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



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

Organisation: Business Segments

Information and Communication

Enterprise Networks & Devices (Com EN&D)

1

P. Gartenberg
K. N. Prabhu

1
2

Industry

Automation and Drives (A&D)

1

V. V. Paranjape
R. M. Gala

1
2

Industrial Solutions and Services (I&S)

1

N. Sivasubramanian
S. Krishnan

1
2

Building Technologies (SBT)

1

A. Chaturvedi
B. M. Misra

1
2

Power

Power Generation (PG)

3

Harminder Singh
T. T. Joseph

2
2

Power Transmission and Distribution (PTD)

3

Harminder Singh
A. V. Kamath

2
2

Transportation

Transportation Systems (TS)

1

V. B. Parulekar
M. K. Vig

1
2

Corporate Resources

Human Resource (#) Development

1

K. R. Upili

1

Corporate Planning

1

R. Dalvi

1

top* Projects

1

R. Dalvi

1

Corporate Communications

Ms. K. Ghatge

1

Strategic Purchase

A. S. Shikarwar

1

Corporate Quality and Projects

S. Ramaswamy

1

Corporate Secretariat

A. Jangid

1

Corporate Finance

R. Rangarajan

2

Accounts & Taxation

P. Joglekar

2

Import / Export Admin

P. Sant

2

Location In-charge

Head Office

S. D. Tare

1

Ahmedabad

A. Mehta

1

Chennai

G. Ghosh

2

Cochin

NN

2

Kharghar

V. B. Parulekar

1

Vadodara

NN

1

Coimbatore

S. Divakar

2

Delhi (Ring Road)

M. Vasudeva

3

Pune

C. J. Kaul

1

Kolkata

S. Kar

1

Bangalore

R. Sharma

2

Delhi (Gurgaon)

R. Sachdeva

3

Notes: a. YOJ: Year of Joining 'Siemens'
b. Numbers indicate reporting line to Corporate Management Members
c.# Mr. Upili is Siemens Information Systems Ltd. (SISL) employee. Reports to Mr. Laud. Is Head of HR India and is also responsible for HR functions for Siemens Ltd.
d.* Mr. Sharan is Siemens Information Systems Ltd. (SISL) employee. Reports to Mr. Laud. Is responsible for CIO functions for Siemens Group of Companies in India.

Whole-time Directors (Corporate Management)



J. Schubert ¹
Managing Director
since
October, 1996.

YOJ: 1974



H. Gelis ²
Executive Director
since
January, 2001.

YOJ: 1976



Harminder Singh ³
Whole-time Director
since
April, 1998.

YOJ: 1980

Ashok Jangid
Corporate Secretary and
Chief Compliance Officer
since
December 1996
YOJ: 1982

Medical

Medical Solutions (MED)

1

D. Ragavan
V. D. Kale

1
2

Real Estate

Siemens Real Estate (SRE)

2

S. D. Tare
S. Srinivasan

2
2

Key Account Management (KAM)

1

J. Schubert

Finance & Administration (F&A)

2

H. Gelis

Corporate Legal

F. N. Katgara

2

Internal Audit

Ms. S. Ray

2

Corporate Security

S. D. Tare

2

Corporate Organisation and Processes

S. S. Jaswal

2

Corporate Commercial

Ms. N. Lobo

2

Employee Welfare Trusts

M. Dutt / G. Subramani /
Other Trustees

2

Chief Information Officer (*)

N. Sharan

Committees of Directors under Corporate Governance Code

Audit Committee

Y. H. Malegam (Chairman)
Dr. K. Wucherer / Dr. O. Schmitt
Deepak S. Parekh
Ashok Jangid (Corporate Secretary)

Investors Grievance Committee

D. C. Shroff (Chairman)
J. Schubert
N. J. Jhaveri
Ashok Jangid (Corporate Secretary)

Remuneration Committee

N. J. Jhaveri (Chairman)
D. C. Shroff
Deepak S. Parekh
Y. H. Malegam
Ashok Jangid (Corporate Secretary)

Committees of Management (Constituted by the Board of Directors)

Share Transfer Committee

J. Schubert (Chairman)
H. Gelis
Ashok Jangid

Finance Committee

H. Gelis (Chairman)
J. Schubert
Ashok Jangid
R. Rangarajan

Delegation of Powers Committee

J. Schubert (Chairman)
H. Gelis
Ashok Jangid

Chandigarh NN

3

Lucknow
S. Bagchi

3

Jaipur

A. K. Sinha

3

Hyderabad

A. Jayarao

3

Kalwa Works

S. Venkataraman

3

Nashik Works

S. Pate

3

Aurangabad Works

D. S. Kulkarni

3

Goa Works

S. Tellis

3

The above information is as on 1st December, 2005.

Profile of Directors (as on 1st December, 2005)

Non-executive Directors

Mr. Deepak S. Parekh

Chairman
B. Com, FCA (England & Wales)
18.10.1944
07.11.2003
Housing Development Finance Corpn. Ltd.
Infrastructure Development & Finance Co. Ltd.
GlaxoSmithKline Pharmaceuticals Ltd.
HDFC Asset Management Co. Ltd.
HDFC Chubb General Insurance Co. Ltd.
HDFC Standard Life Insurance Co. Ltd.
Hindustan Lever Ltd.
Mahindra & Mahindra Ltd.
Hindustan Oil Exploration Corporation Ltd.
Castrol India Ltd.
The Indian Hotels Co. Ltd.
Motor Industries Co. Ltd.
Borax Morarji Ltd.
Zodiac Clothing Company Ltd.
Bharat Bijlee Ltd.
Exide Industries Ltd.
Lafarge India Pvt. Ltd.

Mr. D. C. Shroff

Director
BA (Hons.), LL.B., Solicitor
08.08.1944
20.02.1997
Avi-Oil India Pvt. Ltd.
Bayer Polychem (India) Ltd.
Ciba Speciality Chemicals (India) Ltd.
CMP Pvt. Ltd.
Ingersoll-Rand (India) Ltd.
Kulkarni Power Tools Ltd.
Lubrizol India Pvt. Ltd.
Maersk Logistics India Pvt. Ltd.
Professional Oral Care Products Pvt. Ltd.
SKF India Ltd.
Swiss Re Services India Pvt. Ltd.
Unifrax India Ltd.
UTV Software Communications Ltd.
Warner Bros. Pictures India Pvt. Ltd.

Mr. Y. H. Malegam

Director
CA
24.09.1933
01.04.1998
ABC Bearings Ltd.
Bayer CorpSciences (India) Ltd.
Bayer MaterialScience Pvt. Ltd.
Bharatiya Reserve Bank – Note Mudran Pvt. Ltd.
Cabot (India) Ltd.
The Clearing Corporation of India Ltd.
Hindustan Construction Co. Ltd.
National Stock Exchange of India Ltd.
National Securities Clearing Corporation Ltd.
Nicholas Piramal India Ltd.
Tata Coffee Ltd.
Tata Tea Ltd.

Prof. Dr. K. Wucherer

Director
Special Director (nominee of Siemens AG)
Prof. Dr.-Ing., Dr.-Ing. E.h.
09.07.1944
01.10.2000
Siemens AG (Member of the Managing Board)

Mr. N. J. Jhaveri

Director
B. Com, Masters from London School of Economics
09.08.1935
09.11.2000
Afcons Infrastructure Ltd.
Indian Aluminium Co. Ltd.
National Securities Depository Ltd.
Pidilite Industries Ltd.
Star Paper Mills Ltd.
Usha Martin Ltd.
Voltas Ltd.
Juniper Hotels Pvt. Ltd.
TAIB Capital Corporation Ltd.
Kier Afcons (India) Pvt. Ltd.
Siemens Information Systems Ltd.
SKF India Ltd.
Gujarat State Petronet Ltd.

Dr. O. Schmitt

Alternate Director for Prof. Dr. K. Wucherer
Ph. D. in National Economics
10.09.1951
15.12.2000

Whole-time Directors

Mr. J. Schubert

Managing Director
Dip. Ing.
07.05.1947
01.10.1996
Siemens Information Systems Ltd.
Siemens Public Communication Networks Pvt. Ltd.
Siemens VDO Automotive Ltd.
Siemens BPO Services Pvt. Ltd.

Mr. H. Gelis

Executive Director
BS. Elect, BS / BA
05.09.1959
01.01.2001
Siemens Information Systems Ltd.
Siemens BPO Services Pvt. Ltd.
Siemens Public Communication Networks Pvt. Ltd.

Mr. Harminder Singh

Whole-time Director
B.Sc, Engg. (E)
07.10.1948
01.04.1998
Siemens Industrial Turbomachinery Services Pvt. Ltd.
Siemens Power Engineering Pvt. Ltd.

Corporate Secretary

Mr. Ashok Jangid

Corporate Secretary and Chief Compliance Officer
B.Com, LL.B, FCS
21.09.1960
14.12.1996
Siemens Hearing Instruments Pvt. Ltd.
Siemens Nixdorf Information Systems Pvt. Ltd.
Siemens Corporate Finance Pvt. Ltd.
Torrent Power Services Pvt. Ltd.

Note : The information is given under the following heads:

Name, Position, Qualifications, Date of Birth, Director of the Company since and Other Directorships (including Alternate Directorships)



Siemens Ltd.
Forty-eighth Annual Report
for the year ended 30 September 2005

Directors' Report

The Directors have pleasure in presenting the 48th Annual Report of your Company and the Audited Accounts for the year ended on 30th September, 2005.

1. Financial Performance

Rs. in Millions

| | 2004-05 | 2003-04 | Change % |
|--|---------|---------|----------|
| Gross Profit before Interest, Depreciation and Restructuring write back | 3922.16 | 2527.94 | 55.2 |
| Less: Interest | 0.27 | 0.64 | |
| Depreciation | 290.84 | 228.34 | |
| Profit before Tax adjustment | 3631.05 | 2298.96 | 57.9 |
| Less: Tax adjustment | 1034.01 | 775.00 | |
| Deferred Tax adjustment | 18.28 | 10.23 | |
| Fringe Benefit Tax | 31.26 | - | |
| Net Profit after Tax adjustment | 2547.50 | 1513.73 | 68.3 |
| Add/less: Profit and Loss Account balances on account of amalgamation of Demag Delaval Industrial Turbomachinery Pvt. Ltd. (2003-04: Siemens Building Technologies Pvt. Ltd.) | -3.54 | 17.69 | |
| Amount available for appropriation | 2543.96 | 1531.42 | 66.1 |
| Appropriations: | | | |
| General Reserve | 1746.07 | 1151.08 | 51.7 |
| Interim Dividend paid | 149.12 | 132.56 | |
| Proposed Final Dividend | 331.38 | 165.69 | |
| Dividend Distribution Tax | 67.39 | 38.98 | |
| Net Deficit on account of amalgamation of Demag Delaval Industrial Turbomachinery Pvt. Ltd. (2003-04: Siemens Building Technologies Pvt. Ltd.) | 250.00 | 43.11 | |

2. Operations

During the year under review, the Company received New Orders amounting to Rs.41,233 million as compared to Rs.30,142 million in the previous year registering a rise of 37%. The major contributors and volume drivers were the Power Transmission & Distribution, Transportation Systems, Automation & Drives and Industrial Solutions & Services Divisions. Turnover increased by 54% to Rs.27,485 million from Rs.17,900 million in the previous year. The major contributors to Turnover were the Automation & Drives, Power Transmission & Distribution, Medical and Industrial Solutions & Services Divisions. The Company posted an excellent performance as Profit after Tax for the year under review stood at Rs.2,548 million as against Rs.1,514 million for the previous year registering a substantial rise of 68%. The accelerated growth was achieved through major order bookings, enhanced productivity and increase in export volume.

3. Dividend

The Board of Directors, at its Meeting held on 25th April, 2005, had declared an Interim Dividend of Rs.4.50 per Equity Share (45%). 10th May, 2005, was the 'Record Date' for this purpose and the Interim Dividend was paid on 20th May, 2005.

Considering the outstanding performance for the year and the financial position of the Company, the Board of Directors is pleased to recommend a Final Dividend of Rs.10 per Equity Share (100%), including a Special Dividend of Rs.5.50 per Equity Share (55%), for your approval.

If the Final Dividend, as recommended above, is declared by the Members at the forthcoming 48th Annual General Meeting to be held on 27th January, 2006, the total Dividend for the year ended on 30th September, 2005, will amount to Rs.14.50 per Equity Share (145%) as compared to Rs.9.00 per Equity Share (90%) paid for the previous year which included a Special Dividend of



Rs.2 per Equity Share (20%). The Final Dividend will entail an outflow of Rs.331,384,030 while the total Dividend for the year will entail a cash outflow of Rs.480,506,843.50 on the Paid-up Equity Share Capital of Rs.331,384,030.

4. 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 and is attached as **Annexure II**.

5. Mergers

a. Siemens VDO Automotive Ltd., Bangalore (SVDO)

The Scheme of Amalgamation of SVDO with the Company was approved by the Shareholders of the Company and SVDO at the Court convened Meetings held on 25th April, 2005 and 11th April, 2005, respectively. The amalgamation was sanctioned by the High Court of Judicature at Bombay on 12th August, 2005. The sanction of the Karnataka High Court is still awaited.

As per the Scheme of Amalgamation, 1st October, 2004, is the 'Appointed Date'. The share exchange ratio, as approved by the Shareholders of the Company and SVDO, is 1:12 i.e. one Equity Share of the Company for every twelve Equity Shares held by the Shareholders of SVDO on the Record Date. The Record Date for issue of Shares to SVDO Shareholders will be fixed by the Company after the 'Effective Date' i.e. the later of the dates on which certified copies of the Orders of the High Court of Judicature at Bombay and the Karnataka High Court are filed with the respective Registrar of Companies.

As the approval of the Karnataka High Court is still awaited, the Annual Accounts of SVDO have not been consolidated with the Company.

b. Demag Delaval Industrial Turbomachinery Pvt. Ltd., Mumbai (DDIT)

On 4th April, 2005, the Company acquired 100% Equity stake in DDIT. The Board of Directors of the Company, at its Meeting held on 25th April, 2005, approved the proposal for the amalgamation of DDIT with the Company. The amalgamation was sanctioned by the High Court of Judicature at Bombay on 30th September, 2005. 1st April, 2005 was the 'Appointed Date'. A certified copy of the Order of the High Court of Judicature at Bombay was received by the Company on 14th November, 2005 and the same was filed with the Registrar of

Companies, Maharashtra, on 17th November, 2005 i.e. the 'Effective Date'. After the amalgamation, DDIT business has become part of the Power Generation Division of the Company.

Consequent to the amalgamation of DDIT with the Company, the accounts of DDIT for the year ended on 30th September, 2005 form part of the Annual Accounts of the Company.

6. Subsidiary Companies

a. Siemens Information Systems Ltd., Mumbai (SISL)

SISL is a 100% subsidiary of the Company. For the year ended on 30th September, 2005, SISL has posted an excellent performance. It recorded a total income of Rs.6,552 million (2004: Rs.4,930 million) and Net Profit of Rs.1,251 million (2004: Rs.804 million). Total dividend declared by SISL for the year 2004-05, was 1,220% as against 750% for the year 2003-04.

b. Siemens Nixdorf Information Systems Pvt. Ltd., Mumbai (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 commercial activities and it is proposed to wind-up SNIL as soon as possible subject to all statutory and regulatory approvals.

c. Siemens Industrial Turbomachinery Services Pvt. Ltd., Bangalore (SITS)

On 1st April, 2005, the Company acquired 51% Equity stake in SITS (formerly known as Pimac Engineering & Services Pvt. Ltd.) making it a subsidiary. Balance 49% is held by Pimac Engineers Pvt. Ltd. SITS is engaged in the business of overhauling and maintenance of industrial gas turbines and supply of spares.

Consequent to the acquisition of SITS, the accounts of SITS for the financial year April, 2005 to September, 2005, form part of the Consolidated Accounts of the Company. For the financial year from 1st April, 2005 to 30th September, 2005, SITS has recorded a total income of Rs.147 million and Net Profit of Rs.18 million.

d. Siemens Public Communication Networks Pvt. Ltd., Bangalore (SPCNL)

On 24th May, 2005, the Company acquired 100% Equity stake in SPCNL from Siemens AG making it a wholly-owned subsidiary. SPCNL is engaged in the business of manufacturing and marketing of telecom equipment comprising of Wireline Networks, Optical Networks, Fixed Broadband Networks & Broadband Wireless Access and development of Computer Software.

Directors' Report (continued)

Consequent to the acquisition of SPCNL, the accounts of SPCNL for the period 24th May, 2005 to 30th September, 2005, form part of the Consolidated Accounts of the Company. During this period, SPCNL recorded total Income of Rs.2,643 million and Net Profit of Rs.263 million.

e. Siemens BPO Services Pvt. Ltd., Bangalore (SBPO)

On 26th May, 2005, the Company acquired 51% Equity stake in SBPO (formerly known as Siemens Shared Services Pvt. Ltd.) from Siemens AG. Balance 49% is held by SISL, a 100% subsidiary of the Company. Thus, SBPO has become a 100% subsidiary of the Company. SBPO is presently engaged in the business of providing back office and customer contact services to Siemens companies and other clients.

Consequent to the acquisition of SBPO, the accounts of SBPO for the period 26th May, 2005 to 30th September, 2005, form part of the Consolidated Accounts of the Company. During this period, SBPO recorded total Income of Rs.208 million and Net Profit of Rs.22 million.

The Government of India, Ministry of Company Affairs, New Delhi, vide letter No. 47/259/2005-CL-III dated 12th September, 2005, has granted an exemption under Section 212 of the Companies Act, 1956, to the Company from annexing to this Report, the Annual Reports of the above subsidiary companies for the year / period ended on 30th September, 2005. However, if any Member 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 48th Annual General Meeting to be held on 27th January, 2006.

7. Foreign Exchange Earnings and Expenditure

Details concerning Foreign Exchange Earnings and Expenditure have been given under Note No. 26(iii) of the Notes to the Accounts.

8. Conservation of Energy and 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 given as **Annexure I** to this Report.

9. Consolidation of Accounts

The Audited Consolidated Accounts and Cash Flow Statement, comprising of Siemens Ltd. and its subsidiary companies, 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.292,000 relating to 33 deposits remained unclaimed as on 30th September, 2005, 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

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 Investor Education and Protection Fund set up by the Central Government. Accordingly, a sum of Rs.337,142 was transferred during the year ended on 30th September, 2005 to the Investor Education and Protection Fund of the Central Government in respect of matured fixed deposits and interest lying with the Company as unclaimed. Since no dividend was declared by the Company for the financial year 1996-97, no transfer in respect of dividend was required to be made.

12. Employees

The Company gratefully acknowledges the commitment and contribution of all its employees in achieving the excellent performance of last year and looks forward to a continued collective pursuit of excellence. Our industrial relations continue to be cordial.

During the year under review, five employees opted for voluntary retirement. The total number of permanent employees of the Company as on 30th September, 2005, was 4,777 (as on 30th September, 2004: 4,094)

Information in accordance with the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, as amended, forms part of this Report. However, as per provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, this Report and Accounts are being sent to all the Shareholders of the Company excluding the Statement of Particulars of Employees under Section 217(2A) of the Companies Act, 1956. Any Shareholder interested in obtaining a copy of the said Statement may write to the Corporate Secretary at the Registered Office of the



Company, and the same will be sent by post.

13. Corporate Governance

As required by the existing Clause 49 VII of the Listing Agreements entered into with the Stock Exchanges, a detailed report on Corporate Governance is given as **Annexure III** to this Report. 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.

14. General Shareholder Information

General Shareholder Information is attached as **Annexure IV** to this Report.

15. Health and Safety

The Company accords high priority to Health, Safety and Environment. The Company has in place a Health and Safety Policy for its factories and establishments. There is also a System for the management and control of the pollutants. The Policy and the System address the necessary regulatory requirements. The Policy also encompasses appropriate preventive measures as regards health, safety and environment. Continual improvement in the areas of safety and environment is an on-going process. Our Safety, Health and Environment Management programme is implemented with a three pronged approach viz. Education, Engineering & Enforcement.

Various initiatives were carried out during the financial year for e.g. conducting of Training Programmes on Safety and Environment, Mock Emergency Evacuation Drills at all Siemens Offices, etc.

Environment Management System, in line with the Standard ISO 14001:2004, is implemented at Kalwa Works, Nashik Works and Aurangabad Works of the Company.

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;

1. in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. 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 30th September, 2005, and of the profit of the Company for the year ended on 30th September, 2005;

3. 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
4. the annual accounts have been prepared on a going concern basis.

17. Directors

Dr. F. A. Mehta, Director and former Chairman passed away on 19th June, 2005. Dr. Mehta was associated with the Company for almost 25 years as a Director. He was Chairman of the Board of Directors of the Company for 16 years. His contribution to the success of the Company was tremendous and noteworthy. The Directors wish to place on record their deep appreciation of the invaluable contribution made and guidance given by him to the Board of Directors and the Company.

Mr. A. B. Nadkarni was appointed as a Whole-time Director with effect from 20th February, 1997. His last term as Whole-time Director was up to 19th February, 2007. However, due to personal reasons, Mr. Nadkarni resigned from the Directorship of the Company with effect from the close of business hours on 30th September, 2005. The Board places on record its appreciation for the valuable contribution made by Mr. Nadkarni during his tenure of over eight years as a Whole-time Director.

Mr. O. P. Narula was appointed as a Whole-time Director with the effect from 1st January 2000. His last term as Whole-time Director was up to 30th September, 2005. Mr. Narula stepped down from the Directorship of the Company on the expiry of his term on 30th September, 2005. The Board places on record its appreciation for the valuable contribution made by Mr. Narula during his tenure of over five years as a Whole-time Director.

Mr. H. Gelis was appointed as the Executive Director with effect from 1st January, 2001 for a period of five years. On completion of his term, he has been re-appointed as the Executive Director by the Board of Directors for a further period of six months with effect from 1st January, 2006.

In order to further strengthen the Board and to avail of their wide-ranging experience and expertise, it is proposed to appoint Mr. Keki Dadiseth, Mr. Pradip V. Nayak

Directors' Report (continued)

and Mr. K. R. Upili as Directors of the Company with effect from 27th January, 2006.

It is also proposed to appoint Mr. K. R. Upili as a Whole-time Director for a period of two years with effect from 27th January, 2006.

Mr. Harminder Singh and Mr. N. J. Jhaveri retire by rotation and, being eligible, offer themselves for re-appointment.

The above appointments and re-appointments form part of the Notice of the forthcoming 48th Annual General Meeting to be held on 27th January, 2006 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 forthcoming 48th Annual General Meeting to be held on 27th January, 2006.

18. Auditors

BSR & Co., Chartered Accountants, retire as the Statutory Auditors at the conclusion of the forthcoming 48th Annual General Meeting to be held on 27th January, 2006 and offer themselves for re-appointment. 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 17th 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, have been conducting this audit since 1972.

20. Acknowledgments

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

Your Directors place on record their deep appreciation of the dedicated efforts and contribution of the employees at all levels and look forward to their continued support in the future as well.

On behalf of the Board of Directors



Deepak S. Parekh
Chairman

Mumbai
Thursday, 24th November, 2005



Annexure I 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.

A) Conservation of Energy

- a. Measures undertaken (implemented):
 - Replaced motors in the compressor plant with energy efficient motors.
 - Installed new control panels for automating the working of air conditioning plant.
 - Light fittings of lower wattage introduced in the stores & scrap yard without sacrificing on intensity.
 - Non-returning valves & pressure reducing valves introduced in the water distribution system.
 - Latest Control Systems for fast, improved efficiency as well as economical operation of power plants, thus enhancing the value for the investments.
 - Scalable configurations with powerful features enable us to offer highly available yet cost effective solutions to demanding customers.
 - Super fast data highway systems based on modern IT technologies (viz. Radio links, WAN, VSAT) enhance the scope of control system by providing remote Operator-less control rooms, quick start-up and shutdown philosophies.
 - Environment friendly solutions have been incorporated such as totally paperless (printer-free) controls, energy efficient TFT monitors, etc.
 - Industry standard engineering practices are followed to achieve reduced implementation cycles, fault-free documentation and totally safe configurations.
 - Use of Low Watt-loss chokes in office area.
- b. Impact of measures undertaken:
 - Optimization of energy consumption.
 - Conservation of water through minimization of wastage.
 - Obsolescence proof systems with Long Term Support Strategies to enhance the ROIs to the end-users.
 - Global technologies, supplemented by local expertise and services, incorporated to provide higher production levels and plant utilization factors.
 - Saving of 5.23 MWh during the year.

B) Research and Development (R&D)


1. Specific areas in which R&D was carried out:
 - Introduction of new series of Controlgear 'SINEXT' Type 3TR & 3UR with UL marking to address global requirements.
 - Redesigned 'Switch Mode Power Supply' to conform to European standards. (CE marking).
 - Development of high slip & high efficiency 600 KW generators for Wind Mill applications.
 - Testing of Indoor Panels for seismic withstand is of importance in the present context of stringent specifications.
 - Earth Switch testing for Panels.
 - Testing of Outdoor Vacuum Circuit Breakers (OVCBs).

2. Benefits derived as a result of the above R&D :
 - To meet the Global standards & increase in export potential.
 - Increase market share by developing products for specific segments.
 - Earth Switch testing for Panels is a must in view of new IEC technology to compete in the export market
 - Testing of Outdoor Vacuum Circuit Breakers is important to keep us abreast in world market as Kalwa Works is the single source point for live tank OVCBs for Siemens AG.
3. Further plan of action:
 - Development of new series of Power Distribution products.
 - Development of Compact intelligent controllers.
 - Development of Brush-less excitation systems.
 - Development of low cost field Interface Modules.
 - Development of SF6 Ring Main Units (RMUs) involving Technology Absorption in FY 2005-06.
4. Expenditure on R&D:
 - a) Capital : Rs.24.69 million
 - b) Revenue : Rs.72.9 million

C) Technology Absorption & Innovation

1. Efforts undertaken:
 - Joint development of Traction Converters for EMU Mumbai project undertaken alongwith Siemens AG.
 - Establishment of Definite Purpose Contactor manufacturing for exports to global market.
 - Latest HW and SW platforms such as Enterprise Linux, Virtualization are incorporated in the systems.
 - SMS, E-Mail and GSM technologies are integrated in the Distributed Control system to provide alerts to the plant personnel located remotely.
 - Efforts are being made to ensure technology absorption for development of SF6 RMUs in the year 2005-06.
 - Technology adapted from Siemens AG for launching 245KV breakers.
2. Benefits derived from the above:
 - Increased Customer base.
 - State-of-the-art world class quality to customers.
 - Increased market coverage.
 - Retention of the existing customers.
 - Total Automation solutions with uniform hardware from single window.
 - Increase of served market from 57% to 72% for HV breaker.
3. Imported Technology:
 - a) Technology imported : - Advance Control Algorithms (PROFI solutions).
- 245kV Breakers.
 - b) Year of Import : 2005.
 - c) Has the technology been fully absorbed : Yes.

On behalf of the Board of Directors


Deepak S. Parekh
 Chairman
 Mumbai

Thursday, 24th November, 2005

Annexure II to the Directors' Report Management's Discussion and Analysis

General Performance Review

In 2004-05, the Indian economy sustained its performance with 6.9% growth in GDP. This progress was despite deficient southwest monsoon, hardening international prices of oil and steel and the Tsunami disaster, which caused extensive damage to life and property in some of the southern parts of India. The growth was driven primarily by 9.2 % rise in the manufacturing sector and 11.4% growth in the trade, hotel, transport & communications segments of the services sector. Though there was a slowdown in the agricultural sector with growth slipping to 1.1%, it was offset by impressive performance in the industrial and services sector. Given the state of economic fundamentals, there is an optimistic outlook with GDP expected to grow at a rate between 7-7.5% in fiscal 2005-06. The growth in the manufacturing sector is expected to lead the GDP growth in 2005-06.

Enhancing physical infrastructure continues to be a focus for the Government. The committee on Infrastructure chaired by the Prime Minister, constituted in August 2004 has made certain progressive policy decisions. The Government is encouraging public-private partnerships for infrastructure development. During the year, the private participation in Greenfield airports projects and modernizing of the existing airports is a major step taken and is presenting ample opportunities for the players. Railways is another critical area where the Government is providing investment with a special focus on improving safety. The Power segment in the infrastructure sector has witnessed favorable performance with the finalization of several power generation projects. This was driven by the progressive policy initiatives taken by the Government coupled with capacity enhancement plan. Though the Central Govt. is currently shouldering most of the responsibilities of capacity addition, major Indian private sector players have evinced keen interest in developing large capacities.



Power segment witnessed growth due to progressive policies of the Government and bagged key orders in the last fiscal year.

Siemens was able to leverage these growth opportunities in the market and its infrastructure business performed well. The Power Generation (PG) Division witnessed remarkable performance bagging several breakthrough orders. The Power Transmission and Distribution (PTD) business saw a jump largely on account of exceedingly good growth in domestic as well as export market in the High Voltage segment, in which PTD gained substantial market share. The Transportation Systems business growth was impressive. Its highlight during the year was a breakthrough order from the Mumbai Rail Vikas Corporation for Propulsion System and Electrical Equipment for improving Mumbai Suburban trains.

The Industry segment registered a robust 8.2 % growth in 2004-05 with the Index for Industrial Production (IIP) having grown by almost 9 % during April-September 2005. The manufacturing sector, which has grown at almost double-digit rate during this period, has been providing the main thrust to industrial growth. The broad-based expansion in industrial performance led to the capital goods segment performing better than the previous year. Among infrastructure industries, cement, coal and steel are performing better in the current year (April-September 2005). The upbeat industrial performance has witnessed a rise in corporate profits and has led to firming up of business confidence indices. As a consequence, Siemens' Industrial businesses witnessed a healthy all round growth.

The Healthcare market continued to show positive growth with an average annualized growth of 11%. 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. These opportunities in the market helped Siemens Medical Solutions regain its leadership in the market.

The Telecom sector in India has registered a healthy growth. Further, the continued modernization of India's public telecommunication infrastructure had a positive influence on the enterprise communications market. The growth, like in the previous fiscal, was concentrated in the lower and mid- market segment of the enterprise market. In this favourable market scenario, the enterprise communications businesses of Siemens strengthened their market positioning, with substantial gain in the market share.

The Indian Software and services industry has been able to maintain its growth momentum and delivered better-than-expected results. Software exports market, the mainstay of the industry, grew by 30 % for the year. During the year, India continued to retain its attractive proposition as a cost-



competitive global procurement source, especially for software and technical skills, with a number of global organizations ramping up their offshore development initiatives. Taking advantage of the market, Siemens Information Systems Ltd witnessed all round growth in quantitative as well as qualitative aspects of business.

To sum up, the fiscal 2004-05 was a remarkable year for India with India ranking as the second fastest growing economy in the world. Riding on this, Siemens registered all round growth and grew faster than the market. During the course of the year, it has also fulfilled its plan of investments for capacity expansion, modernization and mergers & acquisitions.

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

Energy

Power Generation (PG) Division

The year 2004-05 was favorable for the power sector in India. New thermal power generation projects of approximately 7000 MW were finalized in the last fiscal. Overall, there was a 3.5 % growth in capacity addition & electricity generation grew by 5.2 %. The industrial sectors such as steel, paper and cement have done exceptionally well, resulting in commensurate addition in industrial power plants. As a consequence, the power plant automation market also witnessed a substantial growth in the last fiscal.

The year was a remarkable one for the Power Generation(PG) Division. It won some large orders and particularly on the Automation front, maintained its leadership position and market share, besides strengthening its portfolios through strategic M&A's. The division's order value and turnover increased by 33% and 36% respectively over the last fiscal. The power plant automation group maintained its success rate of above 50% in participated tenders and also increased its customer base. Apart from continued thrust on quality and servicing,



Hindalco Renusagar, trusted our Power Generation division for the revamp of their units 3 & 4.

PG's successes were driven by high rate of innovation, leading to local value creation and addition.

In the last year the division bagged several breakthrough orders. A major achievement was a repeat order from Tata Power for overhauling the 500 MW Unit 6, which was completed in a record time of 22 days, resulting in major savings of Rs 39 million per day for the customer. Other orders were Upgradation of V94.2 gas turbine unit-7 at Uran from MahaGenco, revamp of units 3 & 4 at Hindalco Renusagar, Automation of 445 MW Konaseema CCPP, 155 MW Bhandar CCPP from Essar, as well as the R&M of the 110 MW Patratu thermal power station. Further, Siemens has been selected for setting up the 1100 MW Sugan CCPP at Surat by Torrent group. The project will have the latest 3 nos. Siemens advanced class gas turbine (SGT5-4000F).

Several projects were successfully commissioned during the year including the automation project for the 500 MW - MSEB Chandrapur, which created a record by using 64 bit processors at the automation level. During the year, Siemens also made two strategic acquisitions. It acquired 100% shareholding in Demag Delaval Industrial Turbomachinery Pvt. Ltd. (DDIT) and 51% stake in Pimac Engineering & Services Pvt. Ltd.

Outlook: After China, India has emerged as the largest potential destination for investment in the power sector. To fulfill its mission - 'Power for all by 2012', the Government is targeting to add 61 GW in the XIth plan through green-field projects besides modernizing old power plants. There is also keen interest from the private sector, both Indian and foreign promoters, to develop large capacities. The fresh projects by the progressive State Utilities will continue to present huge opportunities in the R&M market segment. PG plans to increase the market share while maintaining the profitability. Key growth areas identified include large utility projects, Industrial Turbines (with the acquisition of DDIT) and service. On the service front, Life Extension and Revamp of Gas Turbines and Export of Field Services will be the focus areas for FY'06.

Power Transmission & Distribution (PTD) Division

The progressive policy initiatives taken by the Government, namely the Electricity Act 2003 followed with the Electricity Policy 2005 have set a clear roadmap of growth in the Transmission and Distribution segment. The capacity enhancement of the National Grid to 37,000 MW from 30,000 MW and the 'Power for All' program have given an impetus to the segment. Overall, in the last year, the T&D market grew at an average of 15%. The entry of several global players has led to capacity build-up creating pressure on pricing.

In the last fiscal, the Transmission and Distribution Division's (PTD) business developed impressively. Orders increased by 18% and turnover witnessed a massive rise of

Management's Discussion and Analysis (continued)



Our strength in undertaking turnkey projects for power transmission and distribution led to several breakthrough orders.

92% and profits more than doubled. This performance has primarily been on account of exceedingly good growth in domestic as well as export market in the High Voltage segment, in which PTD gained substantial market share.

The Division received several breakthrough orders during the last fiscal. Amongst the significant ones were from Qatar Transmission Expansion (Phase V) valued at approximately Rs 1.9 billion for setting up several new substations and modification of existing ones; from Reliance for Mumbai discom (valued at Rs 175 million); from PGCIL for the Series Compensation at Gorakhpur and Purnia substations (total value of Rs 170 million) and for building of Substations and Transmission lines from Kenya Power and Lighting Company.

PTD successfully completed several turnkey projects including four substations in Bangladesh and Karnataka, and three in Haryana. In addition, the division successfully commissioned Gujarat Mineral Development Corporation (GMDC) Power Plant Electricals in Pune and Aurangabad. Also, the Global 'Project Delivery Centre' executed several projects for Siemens AG during the last fiscal. Keeping a focus on the needs of the local market, the division successfully developed and introduced a new series of distribution boards. To meet increasing domestic and export requirements, a transformer factory is being setup at an investment of Rs 1500 million. This unit will go on stream by end 2006.

Outlook: With the Government's continued commitment, the Transmission & Distribution (T&D) market is expected to continue its growth. The 'Power for All by 2012' program and the plan to increase inter-regional capacity through National Grid, is expected to result in large investments from public and private sector. With Open Access permitted in the Electricity Policy, many players plan to enter the power-trading segment. Hence the prospects and business opportunities will continue to grow in various sectors of Power T&D. The division plans to consolidate its business with existing customers and strengthen the exports business by entry into new countries.

Industry

Automation and Drives (A&D) Division

The Industry segment continued to show healthy growth of around 18% in 04-05. The favorable economic climate resulted in a strong increase in investments for capacity enhancement & modernisation to serve the high demand in the metals, cement, chemicals, pharmaceutical, food & beverages and automotive sectors. The sustained growth in the services sector also spurred requirement for electricals in buildings & real estate, whereas incentives for Wind Power Generation resulted in a strong surge in demand for Wind Generators and other associated electricals. Despite the buoyancy in demand, prices were under pressure, primarily due to strategies adopted by new entrants to gain a foothold. Adding to this was the cost pressure caused by the substantial increase in the prices of some key raw materials like steel & copper.

Siemens Automation & Drives (A&D) business more than doubled over the last two years and has significantly gained market share in a majority of its business areas. In the last year, the order value and turnover of the Division increased impressively by 43% and 47% respectively. The superior performance was due to its process and productivity excellence, ensuring that it consistently met the stringent requirements for successful implementation. This led to increased order wins. Switchgear Products, Industrial Motors and Wind Mill Generators, Automation Products and Systems and Controls for Machine Tools witnessed strong growth.

The Division received orders worth Rs 984 million for windmill generators from Suzlon Energy Ltd. & Vestas RRB Ltd. It also was awarded an order by Jindal Vijaynagar Steel (Rs 78 million), Suzuki Motors (Rs 35 million), Ras Cement and Vasavdatta Cement (together valued at Rs 32 million) and Manugraph Industries (Rs 32 million).



A&D successfully commissioned equipment for a large DCS system at Asian Paints' biggest water based paint plant in Tamil Nadu.



Amongst the successfully completed orders include the commissioning of equipment for a large DCS system for Asian Paints' biggest water based paint plant in Tamilnadu; and machine controls for Shaftless Printing Machine supplied by Manugraph Industries in the Netherlands. Another major achievement was rapid localisation of DP Contactors at a competitive cost. To begin with almost the entire production will be exported to USA.

Outlook: The positive industrial growth trends are likely to continue during the current fiscal. With the announcement of fresh projects, a strong demand from sectors such as Metals, Food & Beverages, Automotive, Machine tool builders & Wind Power is expected to be maintained. Further, the Investments in Buildings & Infrastructure projects will also contribute to the growth in demand for A&D products, systems & solutions. A&D plans to meet this increasing growth demand through capacity enhancement, development of newer products & technologies and various Customer Focus initiatives.

Industrial Solutions & Services (I&S) Division

The capital goods industry witnessed a strong demand for growth across all segments with the continued positive investment climate. Over the last 3 years, the Industrial Solutions & Services market grew at a CAGR of 25 % p.a. The cyclical upswing in the key metals sector of Industrial Solutions & Services division continued, driven by high global prices, sustained demand from China and the anticipated future demand in India. The year also witnessed a final go-ahead for the Bangalore and Hyderabad Airports with 'first public-private partnership initiative' that gave a major boost to private participation in Infrastructure projects.

The Industrial Solutions & Services (I&S) Division continued to maintain its leadership position in the areas of metals and mining and has gained substantial market share over the years. It registered an impressive 176% growth in order value and 26% growth in turnover in the past year. A high



I&S division bagged the Bangalore Airport order, the first public-private partnership initiative.

reduction in net capital employed could be achieved with a strong positive cash flow.

The last fiscal recorded explosive growth in new orders for I&S Division. Among the top projects were Neyveli Lignite (worth Rs 2,500 million), Bangalore Airport (total approximately 3,250 million of which Rs 1750 million is for I&S India) and HSBC Electronic Data Processing Pvt. Ltd (Rs 335 million). Other projects included St. Gobain Glass (Rs 165 million), Suzlon Energy Ltd (Rs 170 million). L&T ECC, NTPC Vindychal and Vizag Sea Port (Rs 200 million) , Hindalco (value at Rs 100 million).

Successfully commissioned projects were SAIL - Bhilai Steel Plant - Longer Rail Mill Finishing Complex (order worth Rs 250 million), BALCO Smelter Electricals (worth Rs 800 million), and twenty sub-stations of Gujarat Electricity Board (GEB) under 'Jyoti Gram Yojana' (worth Rs 184 million), all of which were received in the earlier fiscal.

Outlook: Looking forward, the external investment climate related to the business looks extremely encouraging and is expected to continue. While major investments have been announced in the metals sector, the implementation rate will depend on the sustenance of current metals prices as well as the continuing demand from China. The division also keenly awaits the results of the privatization process for Mumbai and Delhi Airports, which will give rise to enhanced business opportunities. In addition, the global VA Tech acquisition will enable it to offer complete process solutions to the Metallurgical sector, whereas the US filter acquisition positions it favorably in the Water Technologies sector. These developments should enable the I&S Division to continue to grow in a robust manner.

Siemens Building Technologies (SBT) Division

The Building and Construction industry continued to witness strong growth led by investments from both Indian and global companies in fields ranging from IT, Pharmaceuticals, Healthcare and Hotels to Banks. With India continuing to emerge as the globally preferred destination for back office activities, information hubs and R&D, leading domestic and international companies made large infrastructure investments to support the rapidly growing service sector.

Supported by this positive market environment, the Siemens Building Technologies (SBT) Division, a fairly new business segment, strengthened its leadership position and gained market share in the last year. During the year, the Division registered a 42 % growth in order value and a 47 % growth in sales. SBT successfully capitalized on its capabilities and domain knowledge in providing Integrated Building Management Systems and, is now market leader in Integrated Building Management Systems with a large number of sites successfully completed.

Management's Discussion and Analysis (continued)



The launch of new cutting edge systems like Fire Alarm System (BC 80) gives SBT a clear lead over competition.

The division was successful in executing prestigious projects like HSBC data centre at Colombo. Some new orders included repeat orders from HSBC for Hyderabad, Kolkata and Pune in addition to orders from Ranbaxy and Cyberabad IT Park. Being at the forefront of technology, validated systems were supplied and commissioned to pharma industry like Unichem and Ranbaxy.

During the year, the SBT division introduced new cutting edge systems in Building Automation (Desigo PX), Fire Alarm Systems (Fire-Finder), low end Fire Alarm System (BC 80) and strengthened its network by establishing offices in Pune, Chennai, Hyderabad and Kolkata.

Outlook: Over the next fiscal, the core strategy of the Division would be to strengthen its sales and service network to tap newer geographical regions and opportunities coming up at mini-metro cities like Ahmedabad, Vadodara, Indore etc. It would also concentrate on building strong channel partners to promote its products.

Communications

Communications Enterprise Networks (Com EN) Division

The enterprise communications market sustained a healthy 16% growth, buoyed by investments in modernization of the telecom infrastructure to improve operational and cost efficiency. The emergence of newer technologies coupled with the availability of more reliable and economical bandwidth, led to a strong growth, particularly in the replacement market. The lower and mid-market segments grew relatively faster, with the business in non-metros offering greater opportunities. Sectors like Defense, IT, Hospitality and Healthcare invested substantially towards improvement of their telecom infrastructure.

Siemens Communications Enterprise Networks (Com EN) Division, further consolidated its no.1 market position as a

leading provider of converged communication solutions and services across the entire spectrum from SOHO's to large networked enterprises. Gaining substantial market share, the Division registered a 21% growth in orders, 23% growth in sales revenues over the previous year. Export business grew by 14%. The introduction of new products and services, expansion of existing market segments and tapping new markets, supported the division's growth.

The Division attained some breakthrough orders in the Call Center, Transportation and Hospitality segments. Some of its major order wins included an order from the Delhi Metro Line 3 (Valued at Rs 55 million) for supply and installation of Communications and Command & Control network for 24 station extension; from the Ministry of Defense for the supply and installation of Video and Data Network (valued at Rs 28 million); from the Aviation Authority of India for supply and installation of 19 HiPath 3000s, VoIP and Video Network (Rs 10 million order), from Vidhan Souda – Wipro (Rs 11 million order) and Hindustan Zinc (Rs 10 million) for supply and installation of HiPath 4000s.

In the last fiscal, the Com EN Division introduced a new, highly affordable HiPath 1100 family of digital PBX/KTS system specially for the SOHO and mid-market segment, which was hugely successful nationwide. The Call Centre product portfolio of the Division received positive market response with major order wins from the Operator and private Call Centre segments. It also launched HiPath 4000 version 2/IP networking and formed an alliance with Enterasys Networks, Inc to provide end-to-end secure and reliable convergence solutions to the enterprise market in India.

Outlook: With advanced enterprise communication solutions, the Division will continue to serve customers seeking to upgrade their existing infrastructure and improve operational efficiencies. It plans to further make inroads in the SOHO and mid-market segments with its new highly affordable HiPath 1100 family of digital PBX/KTS system.



Com EN introduced customized products and solutions for the hospitality industry.



Additionally, the Division intends to tap fast growing market segments like Call Centre and Hospitality with its comprehensive solutions portfolio and extensive sales and service network. At the same time, it plans to strengthen its exports business with focus on developing business in Sri Lanka and Indonesia. Com EN will continue to introduce a number of highly innovative products and solutions for call centers, Voice and Data over Wireless LAN mobility and convergent voice, data and video communications.

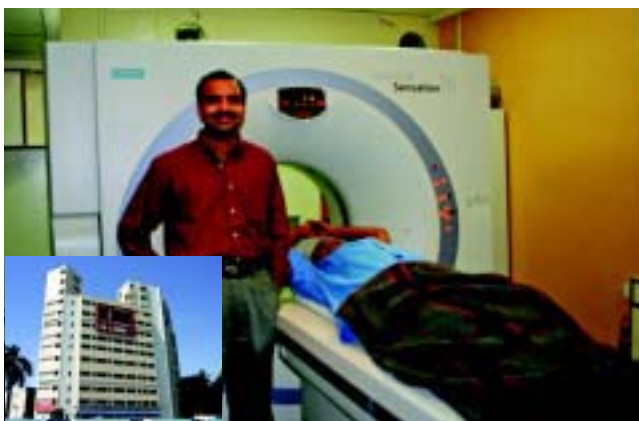
Healthcare

Medical Solutions (Med) Division

The upswing in the Indian healthcare market continued, with an annual growth rate of around 11%. The Government's thrust on development of rural infrastructure through the 'Regional Diagnostic Centre' concept, and emergence of health tourism and health insurance has influenced the market positively. The opening up of the insurance sector saw a large number of Corporate groups investing in the health care segment through the construction of new hospitals and modernization of existing hospitals. As such, there was increased demand for new equipment from both public and private sector.

The last fiscal was a fairly good year for the Medical Division as it retained its leadership position in the market. Presently, Siemens leads in a number of segments like MRI, CT, Cardiac Angiography, Nuclear Medicine, Linear Accelerator, X-Ray and Mammography. For the last fiscal, sales turnover grew by 33%, orders were up by 17% where as export orders witnessed a jump of 75%.

Some of the Divisions major achievements are installation of the first PET/CT and Cyclotron in the private sector in India at Apollo Hospital, Hyderabad and bagging of the first Image Guided Radiotherapy order in India from Ruby Hall Clinic, Pune. During the year, the Division also bagged the single largest order in the healthcare segment from the



Sahyadri hospital, one of the large hospital projects bagged by our Med division, emerged as the center performing the largest number of Cardiac CT scans in a day.

Ministry of Defense for the Research & Referral Army Hospital, New Delhi (Order Value approximately Rs 300 million).

With its thrust on geographical concentration, the Division made major inroads into large hospital projects in Pune – like Sahyadri, Deenanath Mangeshkar, Ruby Hall and Aditya Birla. It also witnessed success in Uttar Pradesh, with order wins from both the private and the Government sectors. Some other significant orders were from the Indian Army, Aditya Birla Memorial Hospital, Pune, Diwan Chand Aggarwal Clinic, New Delhi, Bangalore Institute of Oncology, Max Devki Devi Hospital, New Delhi, and Maharaja Agrasen Hospital, New Delhi.

Another breakthrough achievement was the completion of more than 18,000 cardiac CT scans on Siemens system in India. Moreover, Sahyadri Hospital emerged globally as a centre performing the largest number of Cardiac CT scans in a day. The whole body MRI concept was also successfully launched through Tim technology on Siemens Magnatom Avanto in Chennai, Delhi, Chandigarh, Mumbai, Pune, Madurai, Banagalore and Lucknow. Moreover, with installation of the 1000th Multimobil 2.5 Mobile X-ray unit in India, the division widened the gap with competition.

Outlook: The growth prospects for the healthcare market continue to look positive, with the investment scenario growing continuously. This trend is likely to continue for the next 4-5 years. Cardiology and Oncology Disease Management will be two key business growth drivers in the near future. The Medical Division aims to further strengthen its leadership position by a multi pronged growth strategy that includes a clear focus on Clinical Marketing, setting a roadmap to tap increasing business opportunity in Cardiology and introduction of newer products and technology. While retaining existing customers, it will also expand into newer geographic regions by focusing on non-metros.

Transportation

Transportation Systems (TS) Division

The Railway Transportation market continued to remain stable, with an overall market growth of six percent. The Government's thrust to improve the overall railway infrastructure with special focus on safety has augured well for the industry. A Special Railway Safety Fund (SRSF) instituted for funding safety projects, kick-started projects during the fiscal giving a boost to the signaling sector. Additionally, World Bank-financed Mumbai Rail Vikas Corporation (MRVC) projects, which have already commenced operations, further provided growth opportunities.

The Transportation Systems (TS) Division leveraged the market opportunities to further strengthen its leadership position in the industry. Its competitive edge in the state-

Management's Discussion and Analysis (continued)



Mumbai Rail Vikas Corporation order reaffirmed the faith that Indian Railways has in Siemens.

of-the-art technology coupled with availability of local infrastructure, apart from its competencies in quality improvement, effective project management and cost reduction initiatives strongly influenced its performance. The division witnessed a 7% growth in order value, while its turnover grew by 18%.

Among the highlights during the year was a breakthrough order from the Mumbai Rail Vikas Corporation (worth Rs 9250 million) for propulsion system and electrical equipment for improving Mumbai Suburban trains. Against this order, TS will deliver energy efficient solution for 101 trains to Indian Railways for operation both on Central and Western Railway. The deliveries are expected to commence in 14 months and will be completed in three to four years.

TS has commissioned many new route relay interlocking systems on Indian Railways e.g. Ludhiana, Bandra, Mahim etc. The 180 KVA auxiliary inverters introduced in India have completed successful field trials and series supplies have been delivered to IR. TS has also introduced micro-processor based axle counter for improving safety of operation on IR. These are undergoing field trials at present.

To meet the increasing domestic requirement, the division is setting up a new factory at Kalwa to augment manufacturing of traction motors. Besides this, the Nashik factory, which currently manufactures inverters, is being further augmented to manufacture the electrical equipment such as Traction & Auxiliary converters. Nashik factory will start production after field-testing in March 2006.

Outlook: The continued upturn in the industry led by investments on safety projects through SRSF and World Bank will benefit the Division's overall growth. However, financial constraints on rolling stock upgradation, apart from Mumbai Suburban Railways (funded by World Bank) continue to be the area of concern. The Division plans to continuously focus on quality, productivity improvement and asset management that will continue to give it a

competitive advantage. Further the division plans to introduce new technologies and strengthen its position in the traction segment.

Information Technology

Siemens Information Systems Limited (SISL)

The Indian software & services industry grew by 32% over the previous year, with exports recording an impressive 34% growth and domestic business growing by 23%. The last fiscal marked the highest growth since the slowdown in 2001. With US & UK continuing to remain as dominant opportunity markets, Indian companies are gaining momentum in newer geographies such as Japan, Germany and Singapore.

During the year, Siemens Information Systems Ltd (SISL), a 100% subsidiary of Siemens Ltd., witnessed all round growth in quantitative as well as qualitative aspects of business. Total income witnessed a steady growth of 33 % and order value increased by 10%. This highlighted the fact that the Company's strategy of business acquisition & key investments was successful.

In order to keep the continued pace of growth, SISL adopted a multi pronged strategy of redefining its business offerings, increasing its thrust on emerging segments and continuing its focus of customer retention. A Consulting led approach to acquire & deliver saw increased revenues for those specific solutions. The company strengthened its position in major opportunity areas of BFSI (Banking, Financial Services & Insurance), Manufacturing, Utilities, Media & Airports sector. The concerted efforts to further enhance collaboration with various SAG divisions continued.

In the domestic market, SISL continued its market leadership in the SAP ERP segment through some notable new customers that included Bajaj Auto - Rs 10 million, Rashtriya Chemical & Fertilizers Ltd. (RCF) – Rs 18 million,



With the IT sector booming in India, SISL is fast emerging as a key player and adding new customers with each passing day.



Andhra Pradesh Electricity Board (APEB) – Rs 18 million and Power Trading Corporation (PTC) - Rs 4 million. It also effectively penetrated the Sri Lankan market with wins from Loadstar – Rs 23 million, and Hutch – Rs 8 million.

During the year, new co-operations for software development were started with the I&S, SBT and PG businesses. With this, SISL is now a development partner for all Siemens AG groups. The ramp up of the offshore development center for Siemens AG's A&D group continued successfully, while Siemens Medical Solutions further consolidated its relationship with SISL for developing its Soarian family of products.

Outlook: In continuation with last year's trend, SISL foresees a faster growth than the market. To achieve this, the Company intends to fine-tune its offerings for increased process orientation and creating value for customers. Engagements with various Siemens AG divisions are expected to further increase in the years to come. The focus would be on maintaining the preferred supplier status in the House of Siemens and get an increased penetration in the external markets in partnership with Siemens divisions the world over.

Businesses Merged / Acquired During Fiscal 2004-05

Communications

Siemens Public Communication Networks Ltd. (SPCNL)

The Indian Telecom industry has undergone an unprecedented evolution and is witnessing growth rates in excess of 20% for fixed-wire phones and 100% for cellular mobile phones. The WLL segment witnessed massive growth throughout 2004. The economic growth, favorable telecom policies and potential of India to attract Indian and Foreign investments, continue to propel strong growth in the telecom industry. The cheap rates and a huge customer



SPCNL won breakthrough orders in GSM-R from Indian Railways. GSM-R improves safety and reliability of a railway network.

base, especially the under 25 years, are seen to be the main drivers supporting this high growth.

In the last fiscal, Siemens Public Communication Networks Ltd., now a 100 % subsidiary of Siemens Ltd. was successful in further consolidating its business across its offerings. However, it faced fierce competition, with newer players adopting an aggressive approach of offering the lowest prices, in order to make impressionable inroads in the fast growing market. As a result, orders and consequently turnover were under pressure.

Through its Mobile Networks Division, the Company attained Market leadership in GSM-R in India with 5 out of 6 contracts with Indian Railways. The Company also retained its supplier position in Hutchison, Idea, BPL, Spice and BSNL (via Motorola). Another significant order bagged was for building a nationwide GSM network from Spice Nepal Pvt. Ltd., Nepal's first private-sector mobile operator. The consolidation of the Switch business, Next Generation Optics business and DSL business in Bharti was a high point of the year.

In keeping with the new technology landscape, SPCNL has been enhancing its product portfolio to address customers' needs. During 2004-05, a number of products/solutions with latest technologies and upgrades were launched in India. Some of these are Next Generation Switching, Access & Optics equipment, Migration to Next Generation Networks, Home Entertainment solutions as well as offerings in the Mobile Networks and Software development space.

Siemens Communication Services, a 100% export oriented R&D unit of SPCNL, was successful in garnering additional high-end development work for Siemens AG, COM. With a business in excess of Rs 1 billion, SCS ramped up operations to make forays into new domains and projects. It expanded its portfolio through its involvement in global development projects where its skills in mobile core network domain, System Integration responsibilities, IT planning, Technical Product Support & Development Project Co-ordination, System Test responsibilities, End-to-end Development project responsibilities were utilized as part of the global R&D value chain.

Outlook: The Indian Telecommunication market in India is projected to grow at a healthy CGAR of about 13 % over the next five years, with tele-density expected to cross 10% in 2007 and reach 18% in 2010. The Government's proposal to hike the foreign investment limit in telecom companies to 74% will pave the way for higher investments in this sector. In the near future, Siemens foresees emergence of the next generation of network solutions along with growth in GSM technology incorporating value added services and 3G. The broadband based DTH and Home Entertainment Solutions are also likely to be the key

Management's Discussion and Analysis (continued)

growth drivers. Launching of innovative products and solutions in these areas would be the Company's thrust in the year ahead. In view of the increased competition, the Company plans to work out a strategy of strengthening its relationship with customers and to improve its project delivery capabilities. The Company is also evaluating the possibility of looking beyond the Telecom Operators domain and addressing new market segments.

Information Technology

Siemens BPO Services Pvt. Ltd. (SBPOS)

During the fiscal 2004-05, the Indian IT Enabled Services – BPO Industry recorded a 42% growth in revenues and 37% growth in headcount over the previous year and were the largest recruiters in the overall IT sector. The market for off shoring BPO and Call Center services from the US and UK remained strong. According to a Price Waterhouse Coopers' survey recently released, 72% of European multinational companies have outsourced financial functions over the past two years compared with 77% in the US.

Siemens BPO Services Pvt. Ltd., a Siemens Ltd. subsidiary, is engaged in the business of providing back office and customer contact services to Siemens operating companies in USA and third parties. In the last fiscal, Siemens Ltd. bought 51% of the stake in the company from Siemens Shared Services LLC, USA / Siemens AG for a total consideration of Rs 111 million. The remaining 49% is held by Siemens Information Systems Ltd, the wholly owned subsidiary of Siemens Ltd.

During the year, SBPOS strengthened its strategic supplier relationship with SSL USA and SBS UK to be the primary



SBPOS has emerged as the leading supplier of offshore services to SSL USA and SBS UK.

supplier of offshore services due to its distinct cost advantage. Following a successful bid by Siemens to provide the Office for National Statistics (ONS), UK with a service to capture and process digitized data, the Digitization of Vital Events, approximately 950 FTE of content has been assigned to SBPOS. Other orders include accounting service for SBT USA (Rs 66 million), while SBS increased its engagement (Rs120 Million). SBPOS also bagged repeat orders from its existing customers like World Travel Partners and Vanguard Car Rental, indicating their confidence in the capabilities of the Company.

The Company also provided emergency travel support for the American Red Cross responding to hurricane disasters in the US.

Outlook: The ITES-BPO industry is growing phenomenally. According to studies conducted by NASSCOM and McKinsey, the Indian IT / BPO segment is expected to employ over 1.1 million Indians by the year 2008 as global companies are increasingly leveraging the benefits of cost advantage. In continuation with last year's trend, SBPOS foresees a higher growth rate in the current year. The mounting pressures for cost and profit improvement, is leading Siemens companies, particularly in UK and US, to seek the support of the Indian arm in enhancing its competitive position.

Siemens Industrial Turbomachinery Private Limited (SITS)

Siemens Ltd. acquired a 51% stake in Pimac Engineering & Services Pvt. Ltd. (Pimac) in April '05 and the company was subsequently renamed as Siemens Industrial Turbomachinery Services Pvt. Ltd (SITS). Siemens Ltd. bought the majority stake in the company for a consideration of Rs 105 million.

SITS has a well-established service center at Bangalore that specializes in the service, repair and overhaul of Small Gas Turbines and rotating equipment. It also does maintenance and service of the Lincoln range of small gas turbines in India. With this acquisition, Siemens position as a complete solution provider in the small gas turbine segment is strengthened.

At present, ONGC is a key customer of SITS. In the last fiscal, a major landmark for SITS was the successful commissioning of the control retrofit in WIN platform of ONGC. Also during the year, it rolled out initiatives to expand its presence in the Middle East, besides working out the possibility of Servicing Industrial Compressors.

For the half-year (April 2005-Sept 2005), SITS registered order value of Rs 96 million with a turnover of Rs 141million.

Outlook: With the emergence of increased captive power plants, the installed base of small gas turbines will be



enhanced. This renders favorable business opportunities for the company, which has chalked out ambitious growth plans of growing substantially faster than the market. The company plans to source / manufacture non-critical components with PLC support and also expand into servicing compressors segment. It is also looking at opportunities in the export market.

Demag Delaval Industrial Turbomachinery Pvt. Ltd. (DDIT)

(Now a sub division of Power Generation division)

Demag Delaval Industrial Turbomachinery, a wholly owned subsidiary of Siemens Ltd., effective April 2005 was merged into Siemens Ltd's Power Generation Division. Employing over 100 persons, this group is engaged in the design, manufacture and marketing of industrial turbines up to 150 MW.

To overcome the power shortages faced by the country, larger industrial outfits have been investing in setting up their own captive and co-generation units. In the last fiscal, around 2200 MW of power were added by the private IPPs, an increase of 35%. This trend is continuing with the pick-up in the industrial activities across segments.

In the last fiscal, Siemens (DDIT) gained over smaller competitors and consolidated its position as the number 2 player, with a 21% market share. Public owned BHEL, the market leader gained in some segments, mainly because of the preferential policy.

DDIT major successes include major orders from Vandana Global (1*30MW), Abhishek Industries (2*20MW), Jindal SISCOL (2*30MW), Aryan Coal (1*30MW) and Rampur Balaji (1*25MW). Totally, DDIT installed 469 Mega Watts in 2004-05. The other significant achievement of the



DDIT bagged its first export order and is fast emerging as a sourcing hub.

Company included the bagging of its first export order from Alexandria Carbon Black, Egypt for 13MW project, followed by 10MW from Sri Lanka. DDIT also developed an Indigenous Hybrid Machine and commissioned it at Khanna Paper and Shree Cements. It also began manufacturing Steam Condensers locally.

Some of the successfully commissioned orders were the 130 MW STG for Jindal Steel (SST900), 40MW for Bhushan Steel (SST300 C160), 55MW for Aban Power Company, 40MW for Aarti Steel, 30MW for Birla Corporation and 12MW for Jubilant.

Outlook: With the ensuing power deficit in the country, industrial outfits are seeking alternatives to ensure continuity in production. With higher industrial growth rates anticipated in the forthcoming year, specially from diverse industries like oil and gas, chemicals and fertilizers, and non-ferrous metals, prospects for the industrial turbines business is looking up. The economics of setting up co-generation makes it attractive for sugar manufacturers to set up their own power plants. With export orders worth Euro 150,000 secured, DDIT is fast emerging as the sourcing hub for European and Brazilian plants for casings and components. To meet with the growing demand, this group plans to invest in modernizing and upgrading its manufacturing facilities.

Real Estate Segment

Siemens Real Estate (SRE)

The increased business has led to additional space requirement for operations, where Siemens Real Estate (SRE) has made available quality space at market-benchmarked prices in several cities including Bangalore, Coimbatore, Hyderabad, Pune and Gurgaon. The work for the new Transformer factory was started and is progressing on schedule. Several facilities have been modernized and upgraded across several locations in India. A milestone was the completion of the Keonics Tower II at Bangalore for SISL's expansion, ahead of schedule. Some of the initiatives taken by the Division during the year included the implementation of a Disaster Management Plan across all locations and the introduction of the central document storing and retrieval system at Kalwa.

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 & conventions as far as they are applicable and promote ethical conduct. The company 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

Management's Discussion and Analysis (continued)



Siemens Real Estate is making quality workplaces available to employees.

department reporting to the Executive Director. The Internal audit team 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 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 & 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

An added thrust was given to quality improvement programs during the last year and initiatives were integrated into the Divisional Strategic Plans. These covered Process Improvement workshops, Systems development, Customer feedback analysis, focused training and productivity improvement projects. All Divisions were also certified to ISO 9000 2000 version

with an emphasis on continual improvement, while four key corporate departments were brought under ISO coverage.

The 'Kalpana Suggestion Scheme', a forum launched in end '03 for bringing people together and growing their ideas through collaboration, has grown steadily in its reach. 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 04/05 and over a period of 23 months, Kalpana received 2171 suggestions, bringing benefits worth Rs 46 million to Siemens Ltd. During this period, Rs 3 million were given as awards to individuals giving successful suggestions.

Safety and Environment

A continuous improvement in Safety, Health & Environment management systems remains a top priority for Siemens for which purpose a three-pronged strategy viz, Education, Engineering and Enforcement has been adopted. Over the year, several programmes were effectively implemented resulting in energy conservation and eliminating occupational hazards.

The key highlights of the Occupation, Safety and Environment (OSE) group included replacement of gas cylinders with Induction Brazing at Switchgear factory, Kalwa and 10 ton LPG bullet with LPG manifold system at Kalwa Works that will minimize the potential hazard of fire & explosion. It also installed Asbestos Free Roofs for the new Traction Motor Factory at Kalwa Works. At the Nashik Works, it installed a Water Sprinkler System on the roof to lower the ambient temperature and the Solar Water Heater System to heat the water, resulting in saving on LPG gas consumption.

The OSE group also conducted Safety and Environment training programs inculcating safety practices amongst employees. The ISO-14001 training and Behavioural Based Safety training were imparted to employees at factories and various project sites. A Mock Emergency Evacuation Drill was also executed at several offices to check preparedness of employees and other control measures during an emergency.

The Environment Management System implemented at Kalwa Works, Nashik Works & Aurangabad Works is in line with ISO 14001:2004.

Human Resource initiatives

Siemens continually strives to enrich the employee experience by tapping potential and developing entrepreneurial skill. Efforts are directed towards creating a transparent and conducive work environment that encourages free exchange of ideas.



Through a number of HR initiatives, Siemens looks at enriching its workforce and developing their entrepreneurial skills.

Dominating the HR initiatives was the Employee Dialogue for Growth & Entrepreneurship (EDGE) program that was successfully rolled out during the year. EDGE looks at the overall growth and development of the employee from a holistic and long-term perspective. During the fiscal, more than 6000 employees have been trained for the Employee Dialogue Process through 360 workshops covering Siemens Ltd. and its legal entities in India. This training process will continue during the year.

Under the Shared Services initiative, HR processes across all Siemens entities in India have been streamlined and aligned with Siemens global processes under one organization.

During the course of the last year, the Company conducted several training programs including for Business Managers and Senior Managers at IIM-Bangalore. Additionally, Work-Life Balance Programs with emphasis on health and stress management were conducted.

Outlook for Siemens Ltd

The current year's GDP growth has exceeded expectations and the economy is foreseen to remain buoyant during 2005-06 with GDP growth forecasts between 7% - 7.5%. The trend for the first six months has been good. The manufacturing and services segments are expected to drive economic growth with investor confidence in India continuing to remain positive. However, further reforms are now imperative to sustain this high growth. While the Government is committed to the reforms agenda, the pace needs to be accelerated, with special focus on speedy disinvestments and privatization. With most of the macro economic parameters looking positive, India is poised to continue on a robust growth path.

The 'Power for All by 2012' program targeting to add 61 GW in the XI Plan and the aim to increase inter-regional capacity through the National Grid, is expected to result in

further investments from the public and private sectors. With industrial segments expected to register high growth, industries are looking at opportunities to set up captive power plants. Given this scenario, Siemens Power business is well placed to address this demand with its diverse portfolio. It is also looking at enhancing its exports business.

The positive industrial growth trends are likely to continue in current fiscal. With the announcement of fresh projects for capacity enhancement and modernization, a strong demand from diverse sectors such as Metals, Food & Beverages, Automotive, Machine Tool Builders and Wind power is expected. This demand is expected to drive growth for Siemens' Industrial Solutions & Services, Automation & Drives as well as Building Technologies.

The Indian healthcare market looks positive, with the investment growing continuously. The Government has plans to improve the healthcare infrastructure by upgrading and increasing the total number of hospitals, clinics, and clinical labs in urban and rural areas. Additionally, telemedicine and medical tourism is expected to grow in the near future. This in turn is expected to increase demand for diagnostic medical equipment such as X-rays, CT scanners, Doppler, Ultrasounds, Electro-Cardiographs, etc. Siemens' Medical business is confident of strengthening its leadership position in the healthcare industry through a multi pronged growth strategy.

The Government thrust on upgrading the railway infrastructure, with a special focus on safety will provide growth opportunities for transportation business of Siemens. The Indian automotive sector is one of the fastest growing markets attracting new investments. World majors are setting up manufacturing capacities as well as sourcing components giving a boost to the auto ancillary industry. As such, this trend will enhance the business prospects for Siemens VDO Automotive business.

The Telecom industry continues to grow at an accelerated pace. The Government initiative to hike foreign investment in telecom companies to 74% will spur further growth. The upgradation and modernization of the telecom infrastructure in enterprises as well as the public networks will further boost the demand for newer products and technologies. Siemens Communications businesses, with its array of latest generation products and solutions are well poised to address this growth.

The Indian software and services industry is witnessing phenomenal growth and is recognized as the World's IT capital. Companies are continuously investing in upgrading their IT systems to improve productivity. Further, global companies are seeking alternatives to enhance their cost competitiveness. As a consequence, the IT sector is showing a healthy upward growth. Riding on this momentum, Siemens Information Systems Ltd expects to

Management's Discussion and Analysis (continued)

benefit from this trend. Its focus will be to maintain the preferred supplier status in the house of Siemens, while also addressing the needs of the growing domestic market.

To sum up, Siemens as an infrastructure company is well poised to take advantage of the growth opportunities in the market. It will follow an investment led growth strategy including Mergers & Acquisitions to enhance its portfolio and market standing. It is redefining its marketing strategy by bundling strengths across its various businesses. With the growing importance of India in its global strategy, Siemens is expected to play a larger role in the regional and global operations.

Note:

This document contains forward-looking statements and information – that is, statements related to future, not past, events. These statements may be identified by words such as “expects,” “anticipates,” “intends,” “plans,” “believes,” “seeks,” “estimates,” “will” or words of similar meaning. Such statements

are based on our current expectations and certain assumptions, and are, therefore, subject to certain risks and uncertainties. A variety of factors, many of which are beyond Siemens' control, affect its operations, performance, business strategy and results and could cause the actual results, performance or achievements of Siemens to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. For us, particular uncertainties arise, among others, from changes in general economic and business conditions, changes in currency exchange rates and interest rates, introduction of competing products or technologies by other companies, lack of acceptance of new products or services by customers targeted by Siemens, changes in business strategy and various other factors. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in the relevant forward-looking statement as anticipated, believed, estimated, expected, intended, planned or projected. Siemens does not intend or assume any obligation to update or revise these forward-looking statements in light of developments, which differ from those, anticipated.



Annexure III to the Directors' Report Corporate Governance Report

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

I. Company's Philosophy, Corporate Principles and Business Conduct Guidelines and Whistleblower Policy

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 briefly 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

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 (BCGs).

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

The Board of Directors has nominated **Mr. Ashok Jangid**, Corporate Secretary, as the Regional Compliance Officer in this regard. He is responsible for the implementation and monitoring of the BCGs in Siemens Ltd. and also in the subsidiary companies in India.

Whistleblower Policy

Although the revised Clause 49 of the Listing Agreements entered into with the Stock Exchanges has made the Whistleblower Policy a non-mandatory provision, the Company has adopted a Policy for Prevention, Detection and Investigation of Frauds and Protection of Whistleblowers with effect from 1st February, 2005.

The Management is committed to ensure an open, honest and transparent working environment in the Company and is committed to eliminate fraudulent activities in the operations of the Company. As a consequence, the Management is fully committed to vigorously investigate and take appropriate actions whenever any cases involving fraud are reported to it.

Corporate Governance Report (continued)

For this purpose, the Management encourages its employees to report any cases that come to their knowledge in the course of their day-to-day working, where there is a reasonable suspicion of someone connected with the Company committing a fraud. The Management is also committed to the protection of those who report such cases as long as such reporting is based on "reasonable suspicion" and not on malicious or baseless grounds or because of personal differences with those against whom the case is reported.

Mr. Ashok Jangid, Corporate Secretary, has been nominated as the Compliance Officer under this Policy.

II. Board of Directors (Board)

- Composition of the Board**

The Composition of the Board is in accordance with the requirements in this regard. For the time-being, the Board consists of a total of eight Directors (excluding one Alternate Director). More than 50% i.e. five 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. All the Directors are experts in their respective fields / professions.

None of the Directors on the Board is a Member of more than ten Committees and Chairman of more than five Committees across all companies in which he is a Director. The necessary disclosures regarding Committee positions have been made by all the Directors.

Details, as on date, of the composition of the Board and changes therein since the last Annual Report, category of the Directors and their attendance at Board Meetings held during 2004-05 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 Directorship @ | Number of Board Meetings attended out of 6 held | Attendance at last AGM held on 27.01.05 | Number of other Directorships # | Number of other Committee Memberships \$ | |
|---------|---|----------------------------|---|---|---------------------------------|--|----------|
| | | | | | | Member | Chairman |
| 1 | Mr. Deepak S. Parekh (Chairman) | NED (I) | 5 | Yes | 17 | 3 | 5 |
| 2 | Mr. J. Schubert (Managing Director) | WTD | 5 | Yes | 4 | 2 | 2 |
| 3 | Mr. H. Gelis (Executive Director) | WTD | 6 | Yes | 3 | Nil | 2 |
| 4 | Mr. Harminder Singh | WTD | 5 | Yes | 2 | Nil | Nil |
| 5 | Mr. D. C. Shroff | NED (I) | 6 | Yes | 14 | 5 | 2 |
| 6 | Mr. Y. H. Malegam | NED (I) | 6 | Yes | 12 | 4 | 4 |
| 7 | Dr. K. Wucherer * | NED | Nil | No | 1 | Nil | Nil |
| 8 | Mr. N. J. Jhaveri | NED (I) | 4 | Yes | 13 | 5 | 4 |
| 9 | Dr. O. Schmitt * (Alternate for Dr. K. Wucherer) | NED | 4 | No | Nil | Nil | Nil |
| 10 | Dr. F. A. Mehta (expired on 19.06.2005) | NED (I) | 2 | Yes | N.A | N.A | N.A |
| 11 | Mr. A. B. Nadkarni (up to 30.09.2005) | WTD | 6 | Yes | N.A | N.A | N.A |
| 12 | Mr. O. P. Narula (up to 30.09.2005) | WTD | 5 | Yes | N.A | N.A | N.A |

@ 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 IV B 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**

As per the existing Clause 49 of the Listing Agreements entered into with the Stock Exchanges, the Board of Directors must meet at least four times in a year, with a maximum gap of four months between any two Meetings. During the financial year 2004-05, the Board met six times as follows:

| Date of the Board Meeting | Total Number of Directors | Number of Directors who attended |
|--|----------------------------------|---|
| 25 th November, 2004 | 11 | 9 |
| 27 th January, 2005 | 11 | 11 |
| 15 th February, 2005 | 11 | 10 |
| 25 th April, 2005 | 11 | 10 |
| 9 th June, 2005 (Special Meeting convened at short notice) | 11 | 4 |
| 25 th July, 2005 | 10 | 10 |

- The gap between two Meetings did not exceed three months, which is also in compliance with the requirements in this regard of the revised Clause 49.
- 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.

III. Audit Committee of Directors (Audit Committee)

Composition

The Board of Directors constituted the 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 and changes therein since the last Annual Report, are as follows:

| Name | Designation | Category |
|---|--------------------|--|
| Mr. Y. H. Malegam | Chairman | 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 | Member | Non-executive and Independent Director |
| Dr. F. A. Mehta (expired on 19 th June, 2005) | Member | Non-executive and Independent Director |
| Mr. Ashok Jangid | Secretary | Corporate Secretary |

The Executive Director and the Heads of Accounts and Internal Audit Departments are permanent invitees to the Meetings. The Statutory Auditors and the Cost Auditors 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:

- Oversight of the Company's financial reporting process and disclosure of financial information.
- Recommend the appointment and removal of external auditor, fixation of audit and other fees.
- Review with management the annual financial statements before submission to the Board.
- Review with management, external and internal auditors, the adequacy of internal control systems.

Corporate Governance Report (continued)

- e. Review the adequacy of internal audit function.
- f. Discussions with internal auditors on 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 2004-05, four Meetings of the Audit Committee were held. The details of the Meetings and attendance of the Members and Corporate Secretary thereat are as follows:

| Members / Corporate Secretary | Dates of the Meetings and Attendance | | | |
|---|--------------------------------------|------------|------------|------------|
| | 25.11.2004 | 27.01.2005 | 25.04.2005 | 25.07.2005 |
| Mr. Y. H. Malegam | Yes | Yes | Yes | Yes |
| Dr. O. Schmitt (Alternate Director for Dr. K. Wucherer) | Yes | Yes | Yes | Yes |
| Mr. Deepak S. Parekh | Yes | Yes | Yes | Yes |
| Dr. F. A. Mehta (expired on 19 th June, 2005) | No | No | No | N.A. |
| Mr. Ashok Jangid | Yes | Yes | Yes | Yes |

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

The Chairman of the Audit Committee was present at the 47th Annual General Meeting held on 27th January, 2005

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

Composition

The Board of Directors constituted the Investors Grievance Committee in December, 2000, to attend to and redress the shareholders' and investors' grievances. The present composition of the Investors Grievance Committee and changes therein since the last Annual Report, are as follows:

| Name | Designation | Category |
|--|-------------------------------------|--|
| Mr. D. C. Shroff | Chairman | Non-executive and Independent Director |
| Mr. J. Schubert | Member | Managing Director |
| Mr. N. J. Jhaveri (from 25 th July, 2005) | Member | Non-executive and Independent Director |
| Dr. F. A. Mehta (expired on 19 th June, 2005) | Member | Non-executive and Independent Director |
| Mr. Ashok 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 the 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 2004-05, two Meetings of the Investors Grievance Committee were held i.e. on 24th November, 2004 and 25th July, 2005.

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

| Members / Corporate Secretary | Attendance at Meetings held on | |
|----------------------------------|---------------------------------|-----------------------------|
| | 24 th November, 2004 | 25 th July, 2005 |
| Mr. D. C. Shroff | Yes | Yes |
| Mr. J. Schubert | Yes | Yes |
| Mr. N. J. Jhaveri | N.A. | Yes |
| Dr. F. A. Mehta | No | N.A. |
| Mr. Ashok Jangid | Yes | Yes |

Mr. Ashok 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, Tata Share Registry Ltd., attend to all grievances of the shareholders and investors received directly or through SEBI, Stock Exchanges, Ministry 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.

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

| Nature of Complaints | 2004-05 | | 2003-04 | |
|--|-----------|-----------|-----------|-----------|
| | Received | Redressed | Received | Redressed |
| Non-receipt of share certificates duly transferred | 01 | 01 | 07 | 07 |
| Non-receipt of dividend warrants | 03 | 03 | 12 | 12 |
| Letters from SEBI | 05 | 05 | 03 | 03 |
| Letters from Stock Exchanges | 03 | 03 | 01 | 01 |
| Total | 12 | 12 | 23 | 23 |

Number of complaints received during the year as a percentage of total number of Shareholders is 0.04% (2003-04 : 0.07%)

No application for share transfers was pending as on 30th September, 2005.

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

Corporate Governance Report (continued)

V. Remuneration Committee of Directors (Remuneration Committee)

Composition

The Board of Directors constituted the Remuneration Committee in December, 2000. The present composition of the Remuneration Committee and changes therein since the last Annual Report, are as follows:

| Name | Designation | Category |
|--|---|--|
| Mr. N. J. Jhaveri (from 25 th April, 2005) | Chairman | Non-Executive and Independent Director |
| Mr. D. C. Shroff | Member | Non-Executive and Independent Director |
| Mr. Deepak S. Parekh | Member (Chairman up to 24 th April, 2005) | Non-Executive and Independent Director |
| Mr. Y. H. Malegam | Member | Non-Executive and Independent Director |
| Mr. Ashok Jangid | Secretary | Corporate Secretary |

Terms of reference

- Determine the Company's policy on specific remuneration packages for Whole-time Directors / Executive Directors including pension rights and any compensation payment.
- Decide the actual Salary, Salary Grades, Overseas Allowance, Perquisites, Retirals and Increment of Whole-time Directors.
- 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.
- Decide the amount of Commission payable to the Whole-time Directors.
- 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 the Remuneration Committee Meetings are noted by the Board of Directors at the Board Meetings.

Meetings and attendance during the year

During the financial year under review, the Remuneration Committee met once i.e. on 24th November, 2004, where all the Members and Mr. Ashok Jangid, Corporate Secretary, were present.

The Chairman of the Remuneration Committee was present at the 47th Annual General Meeting held on 27th January, 2005.

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 Members and the Central Government, if required. The remuneration structure comprises of Salary, Perquisites, Retirement Benefits, Performance Linked Incentive, Compensation under Stock Option Plan(s) of Siemens AG and Commission.

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

Salary is paid to the Whole-time Directors within the salary grades approved by the Members. Performance Linked Incentive, Compensation under Stock Option Plan(s) of Siemens AG and Commission constitute the variable component of remuneration.

For the Performance Linked Incentive, specific targets are set for each Whole-time Director at the beginning of each financial year. The targets are linked to the Company's targets. The Performance Linked Incentive is paid to the Whole-time Directors only on achievement of the set targets.

Under the Compensation under Stock Option Plan(s) of Siemens AG, the cash equivalent of the fair market value of the Options / Awards on the Exercise Date, multiplied by the number of Options / Awards, to which the Whole-time Directors are entitled, will be paid to them in cash by the Company.

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 financial year 2004-05 are as under:

| Name | Salary (Rs.) | Per- quisites* | Per- formance Linked Incentive (Rs.) | Commission ** (Rs.) | Total (Rs.) | Period of Contract | | Number of Shares held as on 30.09.05 |
|---------------------|-----------------|-------------------|--|------------------------|----------------|--------------------|----------|--|
| | | | | | | From | To | |
| Mr. J. Schubert | 1,920,000 | 1,369,022 | 3,000,000 | 1,000,000 | 7,289,022 | 01.10.96 | 30.09.07 | Nil |
| Mr. H. Gelis | 1,620,000 | 7,070,022 | 3,000,000 | 1,000,000 | 12,690,022 | 01.01.01 | 31.12.05 | Nil |
| Mr. Harminder Singh | 1,524,000 | 1,531,934 | 3,000,000 | 1,000,000 | 7,055,934 | 01.04.98 | 31.03.08 | 662 |
| Mr. A. B. Nadkarni@ | 1,560,000 | 1,577,012 | 3,000,000 | - | 6,137,012# | 20.02.97 | 19.02.07 | 914 |
| Mr. O. P. Narula@ | 1,416,000 | 1,593,132 | 3,000,000 | 1,000,000 | 7,009,132# | 01.01.00 | 30.09.05 | 530 |

* 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 the Members at the forthcoming 48th Annual General Meeting to be held on 27th January, 2006.

@ ceased to be Whole-time Directors / Directors with effect from the close of business hours on 30th September, 2005.

In addition, Rs.6,000,000 and Rs.3,000,000 was paid / is payable to Mr. Nadkarni and Mr. O. P. Narula, respectively, as a ex-gratia, one-time, special payment, subject to approval of the Members at the forthcoming 48th Annual General Meeting to be held on 27th January, 2006.

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. However, the Whole-time Directors and certain other Senior Managers of the Company are entitled to cash equivalent of the fair market value of Options / Awards on the Exercise Date, multiplied by the number of Options / Awards to which the concerned Whole-time Directors and Senior Managers are entitled to under the Stock Option Plan(s) of Siemens AG, Germany, the parent company.

b. For Non-executive Directors

The Non-executive Directors are paid remuneration by way of Commission. In terms of the Members approval given at the 47th Annual General Meeting held on 27th January, 2005, 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. The Non-executive Directors do not participate in the discussion and decision in this regard. As regards the Commission payable to the Chairman, the same is decided by the other Members of the Board. The amount of Commission payable to each Non-executive Director is broadly decided on the following criteria:

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

The Non-executive Directors are paid Sitting Fees for each Meeting attended by them. For the financial year 2004-05, Sitting Fees was paid as follows:

- Rs.10,000 per Board Meeting
- Rs.7,500 per Audit Committee Meeting
- Rs.5,000 per Remuneration Committee Meeting, Investors Grievance Committee Meeting and Special Committee Meeting.

Corporate Governance Report (continued)

With effect from 1st October, 2005, the Sitting Fees payable to each Non-executive Director has been revised as follows:

- Rs.20,000 per Board Meeting
- Rs.20,000 per Audit Committee Meeting
- Rs.10,000 per Remuneration Committee Meeting, Investors Grievance Committee Meeting and Special Committee Meeting.

The details of the remuneration paid / payable to the Non-executive Directors for the financial year 2004-05, are as under:

| Name | Sitting Fees for Board and various Committee Meetings attended (Rs.) | Commission* (Rs.) | One-time Commission for Extra-ordinary Performance of the Company* (Rs.) | Total (Rs.) | Number of Shares held as on 30.09.05 |
|---|---|----------------------|---|----------------|--------------------------------------|
| Mr. Deepak S. Parekh | 85,000 | 450,000 | 200,000 | 735,000 | 900 |
| Mr. Y. H. Malegam | 95,000 | 350,000 | 150,000 | 595,000 | 625 |
| Mr. D. C. Shroff | 75,000 | 310,000 | 150,000 | 535,000 | 900 |
| Mr. N. J. Jhaveri | 45,000 | 300,000 | 150,000 | 495,000 | 500 |
| Dr. K. Wucherer | N.A. | N.A. | N.A. | N.A. | Nil |
| Dr. O. Schmitt (Alternate Director for Dr. K. Wucherer) | 70,000 | 300,000 | 150,000 | 520,000 | Nil |
| Dr. F. A. Mehta (expired on 19 th June, 2005) | 20,000 | 450,000 | 200,000 | 670,000 | N.A. |

* Subject to approval of Annual Accounts by the Members at the forthcoming 48th Annual General Meeting to be held on 27th January, 2006.

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.128,250 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.

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 Jangid | Member and Secretary | Corporate Secretary |

The STC notes and takes on record the transfer / transmission / transposition of shares and consolidation / splitting of folios, issue of share certificates in exchange for sub-divided, consolidated, defaced, etc., as approved by the Authorised Officers of the Company. The STC Meetings are held as and when required, usually fortnightly. Seventeen Meetings of the STC were held during the financial year 2004-05.



b) Finance Committee (FC)

Composition

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

The FC authorises the opening / closing / operation 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. Eight Meetings of the FC were held during the financial year 2004-05.

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 (upto 30th September, 2005) | Member | Whole-time Director |
| Mr. Ashok Jangid | Member and Secretary | Corporate Secretary |

The DPC issues / revokes Powers of Attorney, fixes the procedures for signing authority, grants authority for various purposes to the employees, etc. The DPC Meetings are held as and when required, usually monthly. Ten Meetings of the DPC were held during the financial year 2004-05.

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

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 |
|-----------------------|------------------|--|---|-------------|
| 2003-04 | 47 th | Y. B. Chavan Auditorium General Jagannath Bhosale Marg Nariman Point, Mumbai 400 021 | Thursday 27 st January, 2005 | 3.00 p.m. |
| 2002-03 | 46 th | Y. B. Chavan Auditorium General Jagannath Bhosale Marg Nariman Point, Mumbai 400 021 | Wednesday 21 st January, 2004 | 3.30 p.m. |
| 2001-02 | 45 th | Y. B. Chavan Auditorium General Jagannath Bhosale Marg Nariman Point, Mumbai 400 021 | Tuesday 21 th January, 2003 | 4.00 p.m. |

As directed by the High Court of Judicature at Bombay, a Meeting of the Members was held on 25th April, 2005 to approve the Scheme of Amalgamation of Siemens VDO Automotive Ltd. with the Company.

Corporate Governance Report (continued)

- b. Following Special Resolutions were passed at last three Annual General Meetings:
 - i. For approving the voluntary delisting of Shares from Delhi, Calcutta and Chennai Stock Exchanges at the 46th Annual General Meeting held on 21st January, 2004.
 - ii. For approving the payment of Commission to Non-executive Directors at the 47th Annual General Meeting held on 27th January, 2005.
 - iii. For approving the change in place of keeping the Register & Index of Members, etc. at the 47th Annual General Meeting held on 27th January, 2005.
- c. Passing of Resolutions by Postal Ballot:

No Resolutions were passed by postal ballot during the year ended on 30th September, 2005. Resolutions, if required, shall be passed by postal ballot during the year ending on 30th September, 2006, as per the prescribed procedure.

VIII. Disclosures

- a. Transactions with related parties, as per requirements of Accounting Standard 18, are disclosed elsewhere in this Annual Report.
- b. 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.
- c. 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.
- d. 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.

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 / 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
 - Letters / intimation to Stock Exchanges in the 'Notices for Corporate Development' Section under the 'Investor Relations' Section
- d. Information about the Financial Results, Shareholding Pattern, full Annual Report and other specified details are electronically filed on the EDIFAR website www.sebiedifar.nic.in as required under the Listing Agreements entered into with the Stock Exchanges.
- e. The Management's Discussion and Analysis is appearing as **Annexure II** to the Directors' Report.



X. General Shareholder information

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

XI. Status of compliance with non-mandatory requirements

1. The Company has constituted a Remuneration Committee of Directors comprising of Non-executive and Independent Directors.
2. Since the financial results are published in leading newspapers as well as displayed on the Company's website and EDIFAR website, the results are not sent to each household of the Shareholders.
3. The Company has adopted a Policy for Prevention, Detection and Investigation of Frauds and Protection of Whistleblowers.

On behalf of the Board of Directors

•••••

Deepak S. Parekh
Chairman

Mumbai
Thursday, 24th November, 2005

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 Limited ('the Company') for the year ended on 30th September 2005, as stipulated in clause 49 of the Listing Agreement of the Company with the Bombay Stock Exchange Limited and the National Stock Exchange of India 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/ Investor Grievance Committee.

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

For BSR & Co.
Chartered Accountants

Akeel Master
Partner
Membership No: 46768

Mumbai

24 November 2005

Annexure IV 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 48th Annual General Meeting of the Members of the Company will be held as under:

| Day and Date | Time | Venue |
|--|-----------|---|
| Friday, 27 th January, 2006 | 3.30 p.m. | Yashwantrao Chavan Pratishthan Auditorium, Y. B. Chavan Centre, General Jagannath Bhosale Marg, Nariman Point, Mumbai - 400 021 |

Agenda of the 48th Annual General Meeting is as follows:

Ordinary Business:

1. Adoption of Audited Annual Accounts for the year ended on 30th September, 2005 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 Mr. Harminder Singh on retirement by rotation.
5. Re-appointment of Mr. N. J. Jhaveri on retirement by rotation.
6. Re-appointment of BSR & Co. as the Statutory Auditors.

Special Business:

7. Compensation under stock option plan(s) of Siemens AG to Whole-time Directors.
8. Re-appointment of Mr. H. Gelis as Executive Director for six months with effect from 1st January, 2006 and payment of remuneration to him.
9. Amendment of Articles of Association for Qualification Shares (as a Special Resolution).
10. Appointment of Mr. Keki Dadiseth as a Director.
11. Appointment of Mr. Pradip. V. Nayak as a Director.
12. Appointment of Mr. K. R. Upili as a Director.
13. Appointment of Mr. K. R. Upili as a Whole-time Director for two years with effect from 27th January, 2006 and payment of remuneration to him.
14. Payment of Sitting Fees to Non-executive Directors.
15. Ex-gratia payments to Mr. A. B. Nadkarni and Mr. O. P. Narula.

2. Financial Calendar for 2005-06

The Company follows the period of 1st October to 30th September, as the financial year.

| Financial Calendar | In the month of (Tentative) |
|--|-----------------------------|
| Results for the 1 st quarter ending 31 st December, 2005 | January, 2006 |
| Results for the 2 nd quarter ending 31 st March, 2006 | April, 2006 |
| Results for the 3 rd quarter ending 30 th June, 2006 | July, 2006 |
| Results for the year ending 30 th September, 2006 | November, 2006 |



3. Book Closure

The Company's Register of Members and Share Transfer Books will remain closed from Tuesday, 10th January, 2006 to Friday, 27th January, 2006 (both days inclusive) for the payment of Final Dividend, if declared at the forthcoming 48th Annual General Meeting to be held on 27th January, 2006.

4. Dividend

The Final Dividend of Rs.10 (100%), including a Special Dividend of Rs.5.50 (55%), per Equity Share, as recommended by the Board of Directors, if declared at the ensuing 48th Annual General Meeting to be held on 27th January, 2006, will be paid at par on Tuesday, 14th February, 2006:

- i) To those Members who hold shares in physical form and whose names appear on the Company's Register of Members as holders of Equity Shares on Friday, 27th January, 2006.
- ii) In respect of Shares held in electronic form, to the beneficial owners of the shares as at the close of business hours on Monday, 9th January, 2006, as per details to be furnished by National Securities Depository Limited and Central Depository Services (India) Limited.

5. Listing on Stock Exchanges

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

Bombay Stock Exchange Ltd. (BSE)

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

National Stock Exchange of India Ltd. (NSE)

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

The Company's Shares are actively traded on BSE and NSE. BSE has permitted trading of the Company's Shares in the 'A' Group.

With effect from 19th April, 2005, the Company's Shares are available for trading in the Futures & Options segment. The market lot for trading in the Company's Shares in this segment is 150.

The Company has paid the listing fees for the year 2005-06 to the Stock Exchanges where the Company's Shares are listed.

Pursuant to the Securities and Exchange Board of India (SEBI) Circular No.MRD/DoP/SE/DEP/CIR – 4/2005 dated 28th January, 2005, Issuer Companies are required to pay custodial fees to the depositories with effect from 1st April, 2005. Accordingly, the Company has paid custodial fees for the year 2005-06 to National Securities Depository Limited and Central Depository Services (India) Limited on the basis of the number of beneficial accounts maintained by them as on 31st March, 2005.

6. Stock Code

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

| Stock Exchange | Stock Code |
|---|----------------|
| Bombay Stock Exchange Ltd. | 500550 |
| National Stock Exchange of India Ltd. | SIEMENS EQ |
| International Securities Identification Number (ISIN) for the Company's Shares in dematerialised form | INE 003 A01016 |

General Shareholder Information (continued)

7. Market Price Data

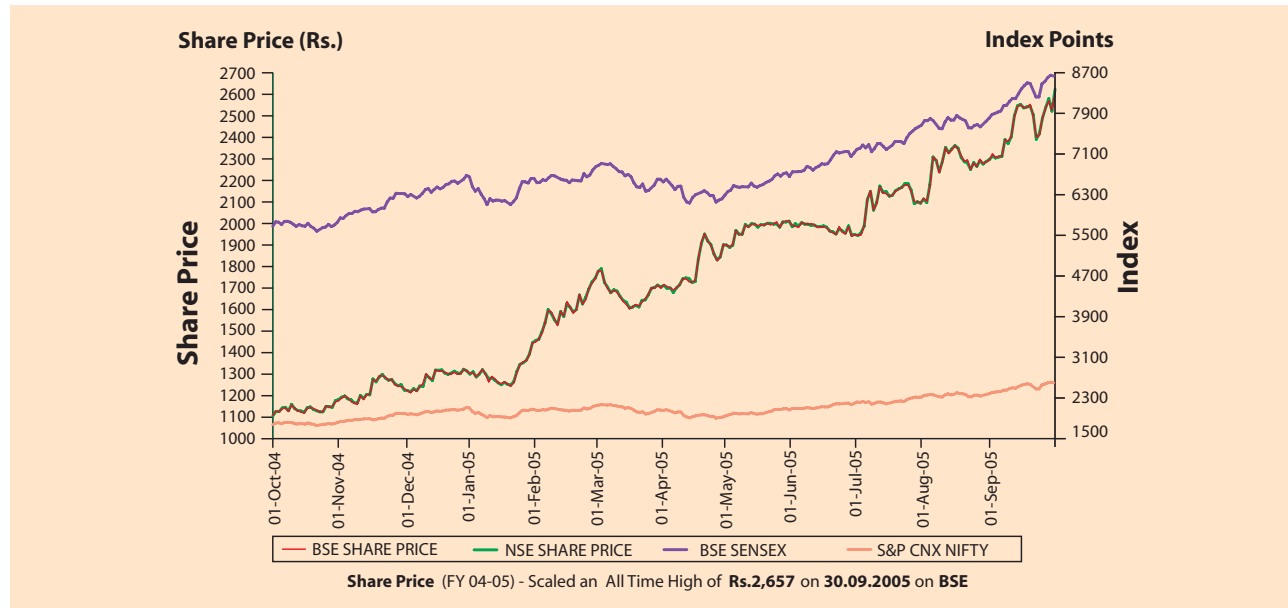
- (1) The market price and volume of the Company's Shares traded on the Bombay Stock Exchange Ltd. (BSE) and the National Stock Exchange of India Ltd. (NSE) during each month of the last financial year i.e. 1st October, 2004 to 30th September, 2005, were as follows:

| | BSE | | | NSE | | |
|----------------|-----------------|-----------------|-------------|-----------------|-----------------|-------------|
| | High Rs. | Low Rs. | Volume Nos. | High Rs. | Low Rs. | Volume Nos. |
| October 2004 | 1,167.00 | 1,031.30 | 214,782 | 1,185.00 | 1,080.00 | 167,552 |
| November 2004 | 1,327.00 | 1,150.00 | 268,884 | 1,325.00 | 1,122.05 | 442,735 |
| December 2004 | 1,355.00 | 1,200.00 | 254,733 | 1,345.00 | 1,205.00 | 396,570 |
| January 2005 | 1,370.00 | 1,227.00 | 342,937 | 1,369.00 | 1,212.60 | 308,082 |
| February 2005 | 1,705.00 | 1,265.00 | 475,838 | 1,709.40 | 1,335.00 | 613,989 |
| March 2005 | 1,797.00 | 1,590.00 | 245,285 | 1,799.95 | 1,584.10 | 286,874 |
| April 2005 | 1,973.00 | 1,672.00 | 183,443 | 1,972.80 | 1,621.00 | 316,158 |
| May 2005 | 2,027.00 | 1,810.00 | 413,397 | 2,085.90 | 1,806.05 | 438,812 |
| June 2005 | 2,040.00 | 1,900.50 | 263,161 | 2,029.00 | 1,900.50 | 347,763 |
| July 2005 | 2,245.00 | 1,930.00 | 396,451 | 2,246.00 | 1,876.60 | 745,072 |
| August 2005 | 2,437.25 | 2,045.00 | 206,799 | 2,450.00 | 2,031.00 | 485,479 |
| September 2005 | 2,657.00 | 2,290.15 | 275,333 | 2,660.00 | 2,250.00 | 571,952 |

- (2) Details of Shares traded during the financial year 2004-05 and the previous financial year 2003-04 on the Bombay Stock Exchange Ltd. (BSE) and the National Stock Exchange of India Ltd. (NSE):

| | BSE | | NSE | |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | FY 2004-05 | FY 2003-04 | FY 2004-05 | FY 2003-04 |
| Number of Shares traded | 3,541,043 | 3,219,978 | 5,121,038 | 5,237,599 |
| Highest Share Price (Rs.) | 2,657.00 (on 30.09.2005) | 1,190.00 (on 23.09.2004) | 2,660.00 (on 30.09.2005) | 1,195.00 (on 27.09.2004) |
| Lowest Share Price (Rs.) | 1,031.30 (on 25.10.2004) | 446.25 (on 01.10.2003) | 1,080.00 (on 01.10.2004) | 447.50 (on 03.10.2003) |
| Average Share Price (Rs.) | 1,725.79 | 896.99 | 1,726.39 | 898.17 |
| Closing Share Price on 30 th September (Rs.) | 2,604.65 | 1,121.25 | 2,623.90 | 1,123.30 |
| Market Capitalisation on 30 th September (Rs. million) | 86,314 | 37,156 | 86,952 | 37,224 |

- (3) Company's Share price movement during the financial year 2004-05 on the Bombay Stock Exchange Ltd. (BSE) and the National Stock Exchange of India Ltd. (NSE) vis-à-vis respective indices:



8. Distribution of Shareholding

| Number of Shares held (Face Value Rs.10 each) | As on 30 th September, 2005 | | | | As on 30 th September, 2004 | | | |
|---|--|---------------|-------------------|---------------|--|---------------|-------------------|---------------|
| | Shareholders | | Shares | | Shareholders | | Shares | |
| | Number | % of total | Number | % of total | Number | % of total | Number | % of total |
| 1-500 | 29,446 | 94.03 | 3,033,605 | 9.15 | 29,882 | 93.84 | 3,270,156 | 9.87 |
| 501-1000 | 1,091 | 3.48 | 774,489 | 2.34 | 1,197 | 3.76 | 849,887 | 2.56 |
| 1001-2000 | 424 | 1.35 | 594,640 | 1.80 | 441 | 1.38 | 608,247 | 1.84 |
| 2001-3000 | 103 | 0.33 | 250,495 | 0.76 | 109 | 0.34 | 263,691 | 0.80 |
| 3001-4000 | 43 | 0.14 | 150,219 | 0.45 | 49 | 0.15 | 173,125 | 0.52 |
| 4001-5000 | 24 | 0.08 | 110,419 | 0.33 | 14 | 0.04 | 64,099 | 0.19 |
| 5001-10000 | 62 | 0.20 | 457,563 | 1.38 | 46 | 0.14 | 306,168 | 0.92 |
| 10001 & above | 122 | 0.39 | 27,766,973 | 83.79 | 104 | 0.35 | 27,603,030 | 83.30 |
| Total | 31,315 | 100.00 | 33,138,403 | 100.00 | 31,842 | 100.00 | 33,138,403 | 100.00 |

General Shareholder Information (continued)

9. Shareholders' Profile

As on 30th September, 2005, the Company had 31,315 Shareholders. The Company's Shares are held by diverse entities as per the following break-up:

| Type of Shareholder | As on 30 th September, 2005 | | As on 30 th September, 2004 | |
|--|--|---------------|--|---------------|
| | Number of Shares held | % of total | Number of Shares held | % of total |
| Promoter (Siemens AG, Germany) | 18,103,087 | 54.63 | 18,103,087 | 54.63 |
| Public | 4,897,099 | 14.78 | 5,219,953 | 15.75 |
| Indian Financial Institutions | 2,439,483 | 7.36 | 3,786,374 | 11.43 |
| Mutual Funds and UTI | 3,141,420 | 9.48 | 3,104,813 | 9.37 |
| Foreign Institutional Investors | 3,037,108 | 9.16 | 1,714,240 | 5.17 |
| Bodies Corporate | 1,358,249 | 4.10 | 1,077,204 | 3.25 |
| Non-Resident Indians and Overseas Corporate Bodies | 133,947 | 0.40 | 108,418 | 0.33 |
| Banks | 22,979 | 0.07 | 16,318 | 0.05 |
| Directors & their Relatives | 5,031 | 0.02 | 7,996 | 0.02 |
| Total | 33,138,403 | 100.00 | 33,138,403 | 100.00 |

10. Top Ten Shareholders of the Company as on 30th September, 2005

| Sr. No. | Name of the Shareholder | Category | Number of Shares of Rs.10 each | % of total Capital* |
|---------|--|--------------------------------|--------------------------------|---------------------|
| 1 | Siemens AG, Germany | Promoter | 18,103,087 | 54.63 |
| 2 | Life Insurance Corporation of India | Financial Institution | 1,865,352 | 5.63 |
| 3 | Morgan Stanley Investment Management Inc A/c Morgan Stanley India Investment Fund Inc | Foreign Institutional Investor | 457,604 | 1.38 |
| 4 | Morgan Stanley Mutual Fund A/c Morgan Stanley Growth Fund | Mutual Fund | 353,477 | 1.07 |
| 5 | BSMA Limited | Foreign Institutional Investor | 317,000 | 0.96 |
| 6 | Bharat Bijlee Limited | Corporate Body | 282,516 | 0.85 |
| 7 | Reliance Capital Trustee Company Limited A/c Reliance Vision Fund | Mutual Fund | 275,000 | 0.83 |
| 8 | Reliance Capital Trustee Company Limited A/c Reliance Equity Opportunities Fund | Mutual Fund | 248,477 | 0.75 |
| 9 | UTI – Mastergain Unit Scheme | Mutual Fund | 248,296 | 0.75 |
| 10 | General Insurance Corporation of India | Financial Institution | 245,625 | 0.74 |
| | Total | | 22,396,434 | 67.59 |

* Total Paid-up Equity Share Capital is Rs.331,384,030 i.e. 33,138,403 Equity Shares of Rs.10 each.



11. Registrar and Share Transfer Agent

Tata Share Registry Ltd. (TSRL) was appointed as the Registrar and Share Transfer Agent with effect from 1st February, 2005. Share transfers, dividend payment and all other investor related activities are attended to and processed by TSRL at the following address:

Army and Navy Building
148, Mahatma Gandhi Road
Fort, Mumbai 400 001

Time: 10.00 a.m. to 3.30 p.m. (Monday to Friday)

Phone: 0091 22 5656 8484 Fax: 0091 22 5656 8494

Email: csg-unit@tatashare.com

Website: www.tatashare.com

Please note that the name of TSRL is proposed to be changed to TSR Darashaw Ltd. consequent to the acquisition of 51% stake by Darashaw Holdings in TSRL.

12. Share Transfer System

Transfers of Shares in physical form, are duly scrutinized and processed by TSRL. Till 31st May, 2005, the transfers were approved by the Share Transfer Committee, which usually met fortnightly. The transfers were effected and Share Certificates were dispatched within an average period of 25 - 30 days from the date of receipt of request, provided the relevant documents were complete in all respects.

To expedite the process of transfer of Shares and in order to deliver better service to investors, with effect from 1st June, 2005, certain Officers of the Company have been authorised severally to approve the valid applications for transfer, which have been duly processed by TSRL. The Share Transfer Committee, which usually meets fortnightly, notes and records the transfers approved by the Authorised Officers. Under the new procedure, the transfers are effected and Share Certificates are dispatched within an average period of 20 - 23 days from the date of receipt of request, provided the relevant documents are complete in all respects.

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

| | 2004-2005 | 2003-2004 |
|---------------------|-----------|-----------|
| Number of Transfers | 424 | 904 |
| Number of Shares | 29,542 | 75,173 |

Over the years, transfers in physical segment are on the decline since only a small portion (3.68% as on 30th September, 2005) of the total Shares of the Company is held in physical form and trading in the Company's Shares is permitted only in dematerialised form.

13. 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 29th November, 1999.

As on 30th September, 2005, 96.32% (on 30th September, 2004 : 95.45%) of the total Shares of the Company have been dematerialised as under:

| Number of Shares | % of total Shares | Number of Shareholders | % of total Shareholders |
|------------------|-------------------|------------------------|-------------------------|
| 31,918,314 | 96.32* | 21,581 | 68.92* |

* Just one Shareholder viz., Siemens AG, Germany, holds 54.63% of the Equity Share Capital in dematerialised form.

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 Team of the Company.

General Shareholder Information (continued)

14. Plant Locations

| Location | Address |
|--------------------|---|
| Maharashtra | |
| Aurangabad Works | E-76, Waluj, MIDC Area, Aurangabad - 431136 |
| Nashik Works | Plot No. C-1, Additional Industrial Area, MIDC, Ambad, Nashik - 422 010 |
| Kalwa Works | Post Box No.85, Thane - Belapur Road, Thane - 400 601 |
| Goa | |
| Goa Works | L-6, Verna Industrial Area, Panjim-Margao Highway, Verna, Goa - 403722 |
| Gujarat | |
| Vadodra Works | Makarpura, Maneja, Vadodra, Gujarat - 390 013 |

15. 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.

16. Website

Company's website www.siemens.co.in contains comprehensive information about the Company, Products, Services and Solutions, Press Releases & Investor Information. The "Investor Relations" Section serves to inform the Shareholders by providing key information like Financial Results, Notices for Corporate Development, Distribution of Shareholding, Highlights, Board of Directors and the Committees of the Board, Presentations made to Analysts, etc.

17. Corporate Secretariat Department

The Corporate Secretariat Department is headed by **Mr. Ashok 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. The Corporate Secretariat Department has been re-certified by KPMG Quality Registrar in accordance with the Standard ISO 9001:2000 up to 30th October, 2007.

18. Investor Relations Team

The Investor Relations Team of the 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: Ms. Binaca Verma – Senior Manager - Corporate Secretariat

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: binaca.verma@siemens.com



19. Additional Information

i. Dividend history during the last five years

| Financial Year | Dividend | | Remarks |
|------------------|------------|----------------|-------------------------------|
| | Rate | Payout Rs.'000 | |
| 1999-00 | 65% | 223,761 | Includes 30% Special Dividend |
| 2000-01 | 40% | 132,554 | |
| 2001-02 | | | |
| Interim Dividend | 30% | 99,415 | |
| Final Dividend | 25% | 82,846 | |
| Total | 55% | 182,261 | |
| 2002-03 | | | |
| Interim Dividend | 35% | 115,984 | |
| Final Dividend | 40% | 132,554 | Includes 10% Special Dividend |
| Total | 75% | 248,538 | |
| 2003-04 | | | |
| Interim Dividend | 40% | 132,554 | |
| Final Dividend | 50% | 165,692 | Includes 20% Special Dividend |
| Total | 90% | 298,246 | |

ii. Unclaimed / unpaid dividend

Pursuant to the provisions of Section 205A and 205C of the Companies Act, 1956, the dividend which remains unclaimed / unpaid for a period of seven years from the date of transfer to the unpaid dividend account is required to be transferred to the Investor Education and Protection Fund (IEPF) of the Central Government.

The status of dividend remaining unclaimed / unpaid is given hereunder:

| Unclaimed / Unpaid dividend | Status | Whether it can be claimed | Can be claimed from |
|--|--|---------------------------|---|
| Up to and including the financial year 1994-95 | Transferred to General Revenue Account of the Central Government | Yes | The Registrar of Companies, Central Government Office Building, "A" Wing, 2 nd Floor, CBD Belapur, Navi Mumbai, Maharashtra- 400 614. Application to be made in Form II prescribed by the Companies Unpaid Dividend (Transfer to the General Revenue Account of the Central Government) Rules, 1978 |
| For the financial year 1995-96 | Transferred to IEPF of the Central Government in November, 2003 | No | Not applicable |
| For the financial years 1996-97, 1997-98 and 1998-99 | No dividend was declared by the Company. | | |
| Financial years 1999-00 and thereafter | Lying in respective unpaid dividend accounts | Yes | Tata Share Registry Ltd., the Company's Registrar and Share Transfer Agent. |

General Shareholder Information (continued)

The due dates for transfer to IEPF of dividend remaining unclaimed / unpaid since 1999-00 are provided hereunder:

| Financial Year | Unclaimed/unpaid dividend amount (in Rs.) | Due date for transfer to IEPF |
|------------------|---|---------------------------------|
| 1999-00 | 1,415,821 | 20 th January, 2008 |
| 2000-01 | 839,508 | 22 nd February, 2009 |
| 2001-02 | | |
| Interim Dividend | 605,180 | 29 th May, 2009 |
| Final Dividend | 457,592 | 26 th February, 2010 |
| 2002-03 | | |
| Interim Dividend | 548,275 | 26 th August, 2010 |
| Final Dividend | 625,724 | 26 th February, 2011 |
| 2003-04 | | |
| Interim Dividend | 584,380 | 28 th May, 2011 |
| Final Dividend | 801,995 | 3 rd March, 2012 |
| 2004-05 | | |
| Interim Dividend | 763,578 | 31 st May, 2012 |

Shareholders who have not encashed the dividend warrants, are requested to contact Tata Share Registry Ltd. / Investor Relations Team at the earliest.

After transfer of funds to IEPF, no claims in this respect shall lie against the said Fund or the Company nor shall any payment be made in respect of such claims.

If you need any further information / clarification / assistance in this regard, please contact the Investor Relations Team.

iii. Nomination Facility

Pursuant to the provisions of Section 109A of the Companies Act, 1956, Members are entitled to make a nomination in respect of Shares held by them. Members holding Shares in physical form and desirous of making a nomination are requested to send their requests in Form No. 2B to the Company's Registrar and Share Transfer Agent – Tata Share Registry Ltd. Form No.2B can be downloaded from the Company's website www.siemens.co.in under the Section 'Investor Relations'. Members holding Shares in electronic form are requested to give the nomination request to their respective Depository Participants directly.

iv. Electronic Clearing Service (ECS facility)

Members holding Shares in physical form who wish to avail of the ECS facility, are requested to give the ECS mandate in the prescribed form. The Form can be obtained from the Company's Registrar and Share Transfer Agent or downloaded from the Company's website www.siemens.co.in under the Section 'Investor Relations'. Members holding Shares in electronic form are requested to give the ECS mandate to their respective Depository Participants directly.

v. 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

**vi. Auditors**

BSR & Co.

vii. Cost Auditors

R. Nanabhoy & Co.

viii. Solicitors

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

ix. Audited Annual Financial Results

For the benefit of the Members, the Statement of Audited Financial Results and the Statement of Segmentwise Revenue, Results and Capital Employed for the year ended on 30th September, 2005, 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 24th November, 2005.

x. Code of Conduct for Prevention of Insider Trading

Pursuant to the requirements of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, as amended, the Company has adopted a Code of Conduct for Prevention of Insider Trading with effect from 1st August, 2002. **Mr. Ashok Jangid**, Corporate Secretary, is 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.

xi. Disclosure Practices for Prevention of Insider Trading

As required by the Securities and Exchange Board of India (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. **Mr. Ashok Jangid**, Corporate Secretary, is the Compliance Officer. This Policy is applicable to all Directors and employees of the Company.

xii. Secretarial Audit for reconciliation of Capital

As stipulated by Securities and Exchange Board of India, 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, NSDL and CDSL and is also placed before the Board of Directors. The audit, inter alia, confirms that the total Listed and Paid-up Capital of the Company 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, 24th November, 2005

General Shareholder Information (continued)

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 30th September, 2005, 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 24th November, 2005.

Audited Financial Results for the year ended on 30th September, 2005

(Rs in millions)

| | Particulars | Standalone Parent | | | | Consolidated | | |
|-----|---|---|--|------------|--|--------------|--|----------|
| | | Unaudited Nine months ended on 30 June 2005 | Unaudited Quarter Ended 30 September | | Audited for year ended on 30 September | | Audited for year ended on 30 September | |
| | | | 2005 | 2005 | 2004 | 2005 | 2004 | 2005 |
| 1 | Net Sales & Services (excluding Excise Duty) | 18154.67 | 9330.13 | 5636.07 | 27484.80 | 17900.22 | 36378.83 | 22456.32 |
| 2a | Other Operating income | 392.70 | 88.54 | 97.50 | 481.24 | 348.75 | 401.83 | 337.24 |
| 2b | Other income | 291.57 | 588.98 | 213.27 | 880.55 | 525.99 | 207.49 | 17.95 |
| 3 | Total Expenditure | 16648.02 | 8491.83 | 5101.02 | 25139.85 | 16379.28 | 32062.77 | 19896.55 |
| | - (Increase)/decrease in stock in trade. | -429.01 | -94.32 | -23.49 | -523.33 | -166.31 | -533.81 | -142.78 |
| | - (Increase)/decrease in project related work in progress | -305.84 | -441.64 | -105.77 | -747.48 | -297.58 | -732.88 | -233.43 |
| | - Consumption of raw material (including bought outs for project business & traded goods) | 13440.70 | 7222.89 | 3831.59 | 20663.59 | 12619.98 | 23535.23 | 14026.21 |
| | - Personnel costs | 1520.71 | 522.03 | 531.01 | 2042.74 | 1651.87 | 4833.84 | 3150.18 |
| | - Other costs | 2421.46 | 1282.87 | 867.68 | 3704.33 | 2571.32 | 4960.39 | 3096.37 |
| 4 | Share of profit in associate companies | | | | | | 21.64 | 15.59 |
| 5 | Profit before Interest & Depreciation | 2190.92 | 1515.82 | 845.82 | 3706.74 | 2395.68 | 4947.02 | 2930.55 |
| 6 | Interest income, net | 182.74 | 32.41 | 38.36 | 215.15 | 131.62 | 265.22 | 176.35 |
| 7 | Gross Profit after Interest but before Depreciation | 2373.66 | 1548.23 | 884.18 | 3921.89 | 2527.30 | 5212.24 | 3106.90 |
| 8 | Depreciation | -197.35 | -93.49 | -60.91 | -290.84 | -228.34 | -684.31 | -476.45 |
| 9 | Profit before tax | 2176.31 | 1454.74 | 823.27 | 3631.05 | 2298.96 | 4527.93 | 2630.45 |
| 10a | Tax (see note 2) | -622.56 | -411.45 | -214.27 | -1034.01 | -775.00 | -1333.59 | -881.00 |
| 10b | Deferred Tax | -33.81 | 15.53 | -36.62 | -18.28 | -10.23 | -33.13 | -55.47 |
| 10c | Fringe Benefits Tax | -17.00 | -14.26 | 0.00 | -31.26 | | -60.92 | 0.00 |
| 11 | Net Profit after tax | 1502.94 | 1044.56 | 572.38 | 2547.50 | 1513.73 | 3100.29 | 1693.98 |
| 12 | Minority interest | | | | | | -8.63 | |
| 13 | Net Profit after tax for the year | 1502.94 | 1044.56 | 572.38 | 2547.50 | 1513.73 | 3091.66 | 1693.98 |
| 14 | Paid up Equity Share Capital (Face value of equity shares : Rs. 10/-) | 331.38 | 331.38 | 331.38 | 331.38 | 331.38 | 331.38 | 331.38 |
| 15 | Reserves excluding revaluation reserves | N.A. | NA | NA | 7476.24 | 5730.17 | 8847.12 | 6671.11 |
| 16 | Basic and diluted earning per share | 45.35 | 31.52 | 17.27 | 76.88 | 45.68 | 93.30 | 51.12 |
| 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 :

- Operating income rose by 54% to reach Rs 2,535 million for the year ended 30 September 2005 as compared to Rs 1,641 million for the year ended 30 September 2004.
- Tax for the year ended 30 September 2004 includes a provision of Rs. 126 million for earlier years.
- In accordance with the Accounting Standard 29 on "Provisions, Contingent Liabilities and Contingent Assets" the Company revised its accounting policy relating to losses on onerous contracts, other than projects, effective 1 October 2004. Had the change in accounting policy not been made, the profit for the year ended 30 September 2005 and quarter ended 30 September 2005 would have been lower by Rs. 35.18 million and Rs.12.14 million respectively.
- The Board of Directors of the Company and Siemens VDO Automotive Ltd. (SVDO) approved the merger of SVDO with the Company at the Board Meetings held on 25 November 2004, effective 1 October 2004. The Bombay High Court vide Order dated 12 August 2005, has approved the merger. The approval from Karnataka High Court is still awaited. Pending this approval, the financial results of the Company do not include the results of SVDO.
- Demag Delaval Industrial Turbomachinery Pvt. Ltd.(DDIT) was amalgamated with the Company effective 1 April 2005 vide the order of Bombay High Court dated 30 September 2005. Consequently the figures for the quarter and year ended 30 September 2005 include the financial results of DDIT. Therefore the figures for the corresponding previous periods are not strictly comparable. The profit before tax and profit after tax of DDIT for the year ended 30 September 2005 were Rs 71.8 million and Rs. 31.5 million respectively. The same have been included in the power segment.
- Accounting Standard 11 - 'The effect of changes in foreign exchange rates' was revised for accounting periods commencing on or after 1 April 2004 and prescribes accounting for forward exchange contracts. Further, The Institute of Chartered Accountants of India has clarified that the revised standard does not deal with accounting of the exchange differences arising on forward exchange contracts to hedge the foreign currency risk of a firm commitment or a highly probable forecast transaction. Upto 31 March 2004, such segregation was not required and the difference between the forward rate and the exchange rate at the date of the transaction was recognised as income or expense over the life of the contract.
In the absence of an accounting standard and in accordance with past practice applicable to forward exchange contracts in respect of firm commitments and highly probable forecast transactions, gains and losses on such foreign exchange forward contracts are computed by multiplying the foreign currency amount of the forward exchange contract by the difference between the forward rate available at the reporting date for the remaining maturity of the contract and the contracted forward rate. Consequently, the Company has provided for an unrealised loss of Rs. 192 million as on 30 September 2005.
- 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 and on Accounting for Investments in Associates in Consolidated Financial Statements as 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, Siemens Public Communication Networks Pvt. Ltd. (for the period 24 May 2005 to 30 September 2005 only), Siemens BPO Services Pvt. Ltd. (for the period 26 May 2005 to 30 September 2005 only) and Siemens Industrial Turbomachinery Services Pvt. Ltd. (for the period 1 April 2005 to 30 September 2005 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 its subsidiary companies.
- The directors have recommended a final dividend of 100% for the year ended 30 September 2005, amounting to Rs 331,384,030 (inclusive of special dividend of 55%), which, together, with the interim dividend of 45%, makes total dividend for the year of 145%.
- Information on investor complaints pursuant to clause 41 of listing agreement for the quarter ended 30 September 2005 :

| Unresolved at the beginning of the quarter | Received during the quarter | Disposed off during the quarter | Unresolved at the end of the quarter |
|--|-----------------------------|---------------------------------|--------------------------------------|
| 2 | - | 2 | - |
- Figures for the previous period have been regrouped wherever necessary to make them comparable.
- The above financial results were reviewed and approved by the Audit Committee and the Board of Directors approved the same at their meetings held on 24 November 2005.



Audited Annual Financial Results (continued)
Segmentwise revenue, results and capital employed for the year ended on 30th September 2005

(Rs. In millions)

| | Unaudited | Unaudited Quarter | | Audited year | |
|--|---------------------------------|-----------------------|----------------|-----------------------|-----------------|
| | Nine months ended on 30 June | ended 30 September | | ended 30 September | |
| | 2005 | 2005 | 2004 | 2005 | 2004 |
| 1. Segment Revenue | | | | | |
| a) Information & Communication | 778.90 | 299.96 | 286.14 | 1078.86 | 879.35 |
| b) Automation & Drives | 6109.72 | 2728.79 | 1859.85 | 8838.51 | 6334.43 |
| c) Industrial Solutions & Services | 2024.94 | 844.02 | 562.26 | 2868.96 | 2315.74 |
| d) Power | 5781.42 | 3892.34 | 1856.49 | 9673.76 | 4707.08 |
| e) Transport | 1282.20 | 534.95 | 350.84 | 1817.15 | 1534.48 |
| f) Healthcare & Other Services | 2445.34 | 1236.74 | 932.92 | 3682.08 | 2771.38 |
| g) Building Technologies | 332.41 | 125.41 | 109.64 | 457.82 | 307.69 |
| h) Real Estate | 316.50 | 124.85 | 102.32 | 441.35 | 373.09 |
| Total | 19071.43 | 9787.06 | 6060.46 | 28858.49 | 19223.24 |
| Less : Inter segment revenue | 916.76 | 456.93 | 424.39 | 1373.69 | 1323.02 |
| Net sales/income from operations | 18154.67 | 9330.13 | 5636.07 | 27484.80 | 17900.22 |
| 2. Segment Results | | | | | |
| a) Information & Communication | 77.84 | 31.23 | 37.09 | 109.07 | 108.43 |
| b) Automation & Drives | 355.61 | 238.18 | 163.52 | 593.79 | 376.50 |
| c) Industrial Solutions & Services | 250.83 | 59.98 | 53.13 | 310.81 | 206.45 |
| d) Power | 558.50 | 214.28 | 114.91 | 772.78 | 361.60 |
| e) Transport | 106.45 | 119.17 | 48.62 | 225.62 | 193.74 |
| f) Healthcare & Other Services | 84.83 | 67.98 | 99.02 | 152.81 | 149.73 |
| g) Building Technologies | 20.06 | 9.11 | 3.98 | 29.17 | 12.33 |
| h) Real Estate | 275.22 | 94.47 | 62.33 | 369.69 | 237.08 |
| Total | 1729.34 | 834.40 | 582.60 | 2563.74 | 1645.86 |
| Add : | | | | | |
| a) Interest income net off expense | 182.74 | 32.41 | 38.36 | 215.15 | 131.62 |
| b) Other un-allocable income net off un-allocable expenditure | 264.23 | 587.93 | 202.31 | 852.16 | 521.48 |
| Total profit before tax | 2176.31 | 1454.74 | 823.27 | 3631.05 | 2298.96 |
| 3. Capital employed | | | | | |
| a) Information & Communication | 83.79 | 86.60 | 128.17 | 86.60 | 128.17 |
| b) Automation & Drives | 1197.05 | 1315.41 | 496.88 | 1315.41 | 496.88 |
| c) Industrial Solutions & Services | -525.10 | -756.27 | -203.95 | -756.27 | -203.95 |
| d) Power | 976.94 | 1187.61 | 27.73 | 1187.61 | 27.73 |
| e) Transport | -364.70 | -150.01 | -300.12 | -150.01 | -300.12 |
| f) Healthcare & Other Services | 49.79 | 207.20 | 312.84 | 207.20 | 312.84 |
| g) Building Technologies | 68.24 | 65.06 | 64.25 | 65.06 | 64.25 |
| h) Real Estate | 1013.85 | 864.68 | 971.57 | 864.68 | 971.57 |
| Total | 2499.86 | 2820.28 | 1497.37 | 2820.28 | 1497.37 |

For Siemens Limited

J. Schubert
Managing DirectorPlace : Mumbai
Date : 24th November, 2005

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

Corporate Social Responsibility

Corporate Social Responsibility is an integral part of Siemens' business philosophy – "Giving back graciously to society a piece of our success". Over the years, Siemens has actively supported various social causes, be it natural calamities like Tsunami or Mumbai Floods; causes like AIDS or the physically challenged; or institutions like the St. Catherine's Home. Siemens does not believe in just handing over a check, but supports a cause with active participation. Siemens' employees have particularly come forward to help in times of crises. Just to give glimpses, some of the projects Siemens has undertaken during the last fiscal include:

Tsunami

On December 26, 2004, catastrophic Tsunami hit several countries in Asia reportedly affecting nearly 2.7 million lives in India. In this testing time, Siemens sprung into action quickly. In a quick joint effort with employees, Siemens distributed family kits comprising essential utility items to the victims, providing immediate relief to about 5000 people. This was undertaken in coordination with the Red Cross Society.

Siemens, together with the German Business Community (GBC) is actively involved in the long-term rehabilitation project to support victims in the affected regions. GBC has partnered with Srinivasan Services Trust (SST), a reputed NGO to implement the plan in five identified villages of Nagapattinam & Kanyakumari districts.

The rehabilitation plan covers five areas, namely constructing Medical & Social centers, building houses, providing education infrastructure and training, providing livelihood opportunities & undertaking Rural Development.

The project is well underway with the construction of medical centres, schools, etc. Several Self Help Groups including women have been trained for additional income generation. The fund earmarked for the entire rehabilitation project in India is approximately Euro 2.5 million, of which Siemens entities and employees in India and Worldwide have contributed over Euros 800,000.

While undertaking the activities in India, Siemens did not forget the plight of people in neighboring Sri Lanka, where Siemens together with two other German companies is undertaking rehabilitation work in Trincomallee township, in the northeastern part which has received very little aid.

The goal is to lift 80 % of the people in the adopted villages above the poverty line in 5-6 years.



Rebuilding houses to give hope to the families affected by Tsunami.

Mumbai Floods

Mumbai and several parts of Maharashtra witnessed unprecedented rains on July 26, 2005, resulting in severe loss of life and property damages. Like always, Siemens along with Red Cross swung into action and reached out to victims in over 10 villages of Badlapur by distributing family kits comprising essential items to 1000 people & school kits to 1000 children. The entire activity including packing of material and including the distribution was undertaken by employees. As part of the measures, even affected contractors and supplier / vendors associated with the Company were provided with immediate relief packages. The donation by Siemens amounted to Rs 1.5 million.



Reaching out to thousand of families with our nimble actions.



AIDS Walk for Life

Project Concern International/India (PCI) had organized a year long program 'AIDS Walk for Life 04-05' which traversed Golden Quadrilateral highway to spread awareness about AIDS and provide vital health care as well as counseling to victims. In this humanitarian cause, Siemens stepped forward to support the cause by donating a medical health van which provided AIDS counseling and general healthcare. Siemens employees actively participated by joining sections of the walk in Mumbai, Chennai & Kolkata. Siemens contribution towards this project was Rs.1,500,000.



Siemens employees participate in the PCI walk for life.

St. Catherine's Home

Siemens has been associated with St. Catherine's Home, a primary school and orphanage at Bandra, Mumbai for over three years with an aim of providing a normal childhood to the children. Since then, Siemens has adopted three batches of nearly 115 children and every year contributes towards their boarding and educational expenses. Apart from this, Siemens is helping with restoring / upgrading of infrastructure. With employee participation, the Company has already undertaken activities like building of two new classrooms, renovating rooftop, setting up rain shelters, constructing a play ground with playing equipments, renovating toilets and exterior painting of the building.



Enthusiastic participation by the children in a Siemens organized event in their school.



The kids performing at one of our internal events.

Further on an on-going basis, Siemens organizes many recreational programs. During the last fiscal, Siemens organized summer camp to Lonavala and a visit to Essel World. In an effort to help children to explore newer vistas, Siemens distributed board games, paintbrushes, paint books and crayons to children, apart from a microscope so that the children could discover a new world on the other side of the lens. The amount assigned to support St Catherine's Home is approximately Rs 6 million spanning over a period of six years.

Awards and Recognition

During the last fiscal, several awards were bestowed upon Siemens and its subsidiaries for their superior performances by various prestigious bodies/organizations in India. Further, the performances were also recognized internally within Siemens network globally. To mention a few:-

Siemens Ltd wins Regions Award at top+ 2005 Award

Siemens Ltd. has won the prestigious Regions Award at the top+ 2005 Award Ceremony, held in Berlin recently.



(Left to Right)- Dr Klaus Kleinfeld (CEO & President of Siemens AG), Mr H Gelis (Executive Director & CFO, Siemens Ltd), Mr Juergen Schubert, (Managing Director, Siemens Ltd), Dr Thomas Ganswindt (Member, Managing Board of Siemens AG) & Ms Kavita Ghatge, (VP - Corporate Communication, Siemens Ltd) at the top+ 2005 awards function where Siemens Ltd won the prestigious Regions Award.

The award is given to Regional Companies including the organizations directed by the Regional Companies that have implemented a comprehensive top+ program. The achievement of objectives through systematic and consistent appliance of top+ methodology and tools was evaluated. Quantitative operating results measured in EVA were also considered.

Siemens awarded ICAI Award

The Institute of Chartered Accountants of India has awarded Siemens Ltd. as one of the best companies in India in Financial Reporting. Siemens bagged the second prize after Infosys. The third position was awarded to Tata Chemicals Limited. This is a prestigious recognition and will go a long way in our endeavour to become one of the most recognised companies in India

Com EN Division of Siemens Ltd. wins Frost & Sullivan Award for Market Leadership

Communications Enterprise Networks (Com EN) Division of Siemens Ltd. has been awarded the Frost & Sullivan Market Leadership Award for Enterprise Telephony - KTS Voice Equipment Market. This is the second successive year in which Com EN has won the award.

Siemens house magazine and Social Responsibility program win ABCI Awards

Siemens Sansar has won prizes in the category of Internal Magazine (English) and Internal Magazine (Regional Language) at the Annual Association of Business Communicators of India (ABCI) Awards 2004. Siemens also won an award for its Social Responsibility campaign for the work undertaken at St. Catherine's Home.

Siemens India ranked 10th among the top 500 Indian companies

Siemens India was ranked tenth among the top 500 companies in India by The Economic Times (ET), the second largest financial daily in the world. The newspaper, in its annual survey of the top 500 corporations in India has ranked Siemens along with other renowned Indian companies like Infosys Technologies, Wipro and Tata Steel. Siemens, along with Motor Industries (MICO) are the two MNCs on the coveted list.

Mr. Gelis adjudged as one of the best Indian CFOs

Mr H. Gelis, Executive Director, Siemens Ltd has been nominated among the 14 best CFOs in India by Business Today, India's premier business magazine. In its analysis, the magazine noted that Siemens India ranks first among Siemens companies worldwide in terms of return on capital employed (ROCE). Clearly, Mr Gelis' efforts to make everyone in the organization, including engineers, aware of basic financial parameters such as shareholder value and EVA have yielded the desired results.

Nasscom and Dataquest ranks SISL amongst the top 20 in the Software & Services exports' category

Siemens Information Systems Limited (SISL) has emerged 15th amongst Nasscom's Top 20 IT Software & Service Exporters from India (04-05) and 20th amongst Dataquest Top 20 Software & Services exports for 04-05. This shows the rapid stride SISL has made in the new millennium and thus conveys the strengths of business fundamentals. Nasscom Top 20 IT Software & Services Exporters from India ranks the largest India based exporters of IT software & services whereas Dataquest Top 20 features the largest exporters of software & services from India including MNCs.



Siemens 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 11 companies, 14 manufacturing plants and a wide network of Sales & Service offices across the country. The Company employs approx. 12,000 persons directly. 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 style="list-style-type: none"> ❖ Portfolio consists of products, systems, solutions and services in Power Generation, Power Transmission and Distribution, Automation & Drives, Industrial Solutions and Services, Building Technologies, Transportation Systems, Communications Enterprise Networks and Medical Solutions ❖ Seven factories ❖ 4,777 employees ❖ HQ at Mumbai |
| Siemens Information Systems Ltd. (SISL) | Siemens Ltd. 100% | <ul style="list-style-type: none"> ❖ 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 ❖ 6 development centers ❖ 3,264 employees ❖ HQ at Mumbai |
| Siemens Public Communication Networks Pvt. Ltd. (SPCNL) | Siemens Ltd. 100% | <ul style="list-style-type: none"> ❖ Provider of network equipment including supply, design and installation; Portfolio comprises Wireline, Transmission, Access, Mobile and IP products etc. ❖ Factory at Saltlec, Kolkata ❖ Telecommunications software development center at Bangalore ❖ 1,241 employees ❖ HQ at Gurgaon |
| Siemens BPO Services Pvt. Ltd. (SBPOS) (Earlier known as Siemens Shared Services Pvt. Ltd.) | Siemens Ltd. 51% SISL 49% | <ul style="list-style-type: none"> ❖ Provides back office and customer contact services to Siemens operating companies mainly in the US, with the necessary technology and process competence. ❖ 1104 employees ❖ HQ at Bangalore |
| Siemens Industrial Turbomachinery Services Pvt. Ltd. (SITS) | Siemens Ltd. 51% Pimac Engineers Pvt. Ltd. 49% | <ul style="list-style-type: none"> ❖ Specializes in the service, repair and overhaul of Small Gas Turbines and Rotating Equipment ❖ A well-established service center at Bangalore ❖ 39 employees |

Siemens Companies in India (continued)

| Company | Equity stake | Brief Description |
|--|--|--|
| Siemens VDO Automotive Ltd.* (SVDO) | Siemens VDO Automotive AG 86.7% Others 13.3% | <ul style="list-style-type: none"> ❖ Provides precision and control automotive information systems; competence to combine advanced electronics with precision mechanicsv HQ at Bangalore ❖ Factories at Bangalore, Gurgaon and Pune ❖ 451 employees |
| Osram India Pvt. Ltd. | Osram AG 100% (Osram AG is a 100% Siemens AG company) | <ul style="list-style-type: none"> ❖ Product portfolio includes incandescent, fluorescent and compact fluorescent lamps ❖ Manufacturing plant at Sonapat, Haryana ❖ 734 employees ❖ HQ at Gurgaon |
| Siemens Hearing Instruments Pvt. Ltd. (SHIL) | Siemens Audiologische Technik GmbH 100% | <ul style="list-style-type: none"> ❖ Offers Hearing aids from the In-The Canal (ITC) to In-The Ear (ITE) and Behind the Ear (BTE) hearing devices ❖ Headquartered at Bangalore ❖ 39 employees ❖ HQ at Bangalore |
| Siemens Power Engineering Pvt. Ltd. (SPEL) | Siemens AG 100% | <ul style="list-style-type: none"> ❖ Undertakes total power plant engineering activities from concept to commissioning. Supports Siemens AG's Power Generation (PG) business process worldwidev 361 employees ❖ HQ at Gurgaon |
| Powerplant Performance Improvement Ltd. (PPIL) | Siemens AG 50% + 1 share; BHEL 50% - 1 share | <ul style="list-style-type: none"> ❖ Offers engineering solutions for upgrading, renovating and refurbishment of power plants ❖ HQ at Gurgaon |
| Siemens Corporate Finance Pvt. Ltd. (SCF) | Siemens AG 100% | <ul style="list-style-type: none"> ❖ Partners with Siemens AG Corporate Finance, in providing value added services to various sub functional areas within treasury, reporting & taxes and strategy consulting ❖ Incorporated on July 4, 2005 ❖ HQ at Mumbai |

Note:

*The merger of SVDO with Siemens Ltd. is under process. Order of the Mumbai High Court has been received. Order of the Karnataka High Court is awaited.
(As on 1st December, 2005)

Auditors' Report to the Members of Siemens Limited.

We have audited the attached balance sheet of Siemens Limited ('the Company') as at 30 September 2005, 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 purpose of the 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 these 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 2005, and taken on record by the Board of Directors, we report that no director is disqualified as on 30 September 2005 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:
 - (i) in the case of the balance sheet, of the state of affairs of the Company as at 30 September 2005;
 - (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 cash flow statement, of the cash flows for the year ended on that date.

For BSR & Co.
Chartered Accountants

Akeel Master
Partner
Membership No: 46768

Mumbai
24 November 2005

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 Limited ('the Company') on the accounts for the year ended 30 September 2005, we report that:

1. (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. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. 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, except goods-in-transit and stocks lying with third parties, has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable. For stocks lying with third parties at the year-end, written confirmations have been obtained.
(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. The discrepancies noticed on verification between the physical stocks and the book records were not material.
3. The Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventories and fixed assets and with regard to the sale of goods and services. We have not observed any major weakness in the internal control system during the course of the audit.
5. In our opinion, and according to the information and explanations given to us, there are no contracts or arrangements the particulars of which need to be entered into the register maintained under section 301 of the Companies Act, 1956.
6. In our opinion, and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A, Section 58AA or other relevant provisions of the Companies Act, 1956 and the rules framed thereunder and the directives issued by the Reserve Bank of India with regard to deposits accepted from the public. Accordingly, there have been no proceedings before the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal in this matter and no order has been passed by any of the aforesaid authorities.
7. 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. However, we have not made a detailed examination of the records.
9. (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, 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, though there has been a slight delay in a few cases.
(b) According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income tax, Sales tax, Wealth tax, Service tax, Customs duty, Excise duty, cess and other material statutory dues were in arrears as at 30 September 2005 for a period of more than six months from the date they became payable.
(c) 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 and in the immediately preceding financial year.

11. The Company did not have any outstanding dues to any financial institution, banks or debenture holders during the year.
12. The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi/ mutual benefit fund/ society.
14. According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
15. In our opinion and according to the information and explanations given to us, the terms and conditions on which the Company has given guarantees for loans taken by others from banks or financial institutions are not prejudicial to the interest of the Company.
16. The Company did not have any term loans outstanding during the year.
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 companies/firms/parties covered in the register maintained under Section 301 of the Companies Act 1956.
19. The Company did not have outstanding debentures during the year.
20. The Company has not raised any money by public issues during the year.
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.
Chartered Accountants

Akeel Master
Partner
Membership No: 46768

Mumbai
24 November 2005

| 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 | 10,932 | 1989/90, 1990/91, 1991/92, 1992/93, 1993/94, 1994/95, 1995/96, 1996/97, 1997/98, 1998/99, 1999/2000, 2000/01, 2001/02, 2002/03 and 2003/04 | Commissioner (Appeals) |
| | | 19,809 | 1980/81, 1994/95, 1995/96, 1996/97, 1997/98, 2001/02 | Customs, Excise, Service Tax Appellate Tribunal |
| State and Central Sales Tax Acts, Works Contract Tax Acts, Entry Tax | Tax, interest and penalty | 57,170 | 1967/68, 1968/69, 1969/70, 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, 1999/2000, 2000/01, 2001/02 and 2002/03. | Assistant Commissioner |
| | | 114,474 | 1974/75, 1975/76, 1976/77, 1977/78, 1986/87, 1987/88, 1989/90, 1991/92, 1992/93, 1993/94, 1995/96, 1996/97, 1998/99, 1999/2000, 2000/01, 2001/02, 2002/03 and 2003/04. | Deputy Commissioner |
| | | 9,849 | 1995/96 | Joint Commissioner |
| | | 720 | 1994/95 | Revision Board |
| | | 28,931 | 1985/86, 1989/90, 1990/91, 1994/95, 1995/96, 1996/97 and 1997/98. | Sales Tax Tribunal |
| | | 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 2005 (Currency : Indian rupees thousands)

| | Schedule | 2005 | 2004 |
|---|----------|---------------------|--------------------|
| SOURCES OF FUNDS | | | |
| Shareholders' funds | | | |
| Share capital | 5 | 331,384 | 331,384 |
| Reserves and surplus | 6 | 7,476,241 | 5,730,174 |
| | | <u>7,807,625</u> | <u>6,061,558</u> |
| Loan funds | | | |
| Unsecured loans | 7 | 25,657 | 28,872 |
| | | <u>7,833,282</u> | <u>6,090,430</u> |
| APPLICATION OF FUNDS | | | |
| Fixed assets | | | |
| Gross Block | 8 | 5,225,924 | 5,461,354 |
| Accumulated depreciation | | (3,255,784) | (3,594,641) |
| Net Block | | <u>1,970,140</u> | <u>1,866,713</u> |
| Capital work-in-progress | | 367,825 | 61,868 |
| | | <u>2,337,965</u> | <u>1,928,581</u> |
| Investments | | | |
| | 9 | 3,302,577 | 1,215,215 |
| Deferred tax asset | | | |
| | 10 | 339,152 | 329,433 |
| Deferred tax liability | | | |
| | 11 | (188,819) | (181,251) |
| | | <u>150,333</u> | <u>148,182</u> |
| Current assets, loans and advances | | | |
| Inventories | 12 | 3,283,990 | 1,698,235 |
| Sundry debtors | 13 | 7,319,803 | 4,172,586 |
| Cash and bank balances | 14 | 4,855,139 | 4,309,852 |
| Loans and advances | 15 | 1,811,194 | 1,802,032 |
| | | <u>17,270,126</u> | <u>11,982,705</u> |
| Current liabilities and provisions | | | |
| Current liabilities | 16 | (12,759,018) | (7,363,245) |
| Provisions | 17 | (2,468,701) | (1,821,008) |
| | | <u>(15,227,719)</u> | <u>(9,184,253)</u> |
| Net current assets | | | |
| | | <u>2,042,407</u> | <u>2,798,452</u> |
| | | <u>7,833,282</u> | <u>6,090,430</u> |

Significant accounting policies

1

Notes to the financial statements

25-32

The schedules referred to above form an integral part of the balance sheet

As per our report attached

For **BSR & Co.**

Chartered Accountants

Ashok Jangid
Corporate Secretary

For **Siemens Ltd.**

Deepak S. Parekh
J. Schubert
H. Gelis
D. C. Shroff
Y. H. Malegam
N. J. Jhaveri
Dr. O. Schmitt

Chairman
Managing Director
Executive Director

Directors

Akeel Master

Partner

Membership No: 46768

Mumbai,
24 November 2005

Mumbai,
24 November 2005

Profit and Loss Account for the year ended 30 September 2005 (Currency : Indian rupees thousands)

| | Schedule | 2005 | 2004 |
|--|-----------|-------------|-------------|
| Income | | | |
| Sales and services (gross) | | 28,653,290 | 18,725,297 |
| Excise duty | | (1,555,834) | (1,112,747) |
| Sales and services (net) | | 27,097,456 | 17,612,550 |
| Commission income | | 387,343 | 287,667 |
| | | 27,484,799 | 17,900,217 |
| Interest income, net | 18 | 215,150 | 131,623 |
| Other operating income, net | 19 | 481,235 | 348,754 |
| Other income | 20 | 880,549 | 525,986 |
| | | 29,061,733 | 18,906,580 |
| Expenditure | | | |
| Cost of sales and services | 21 | 20,204,715 | 12,720,643 |
| Personnel costs, net | 22 | 2,042,740 | 1,651,873 |
| Depreciation and amortisations (other than on leased assets) | 8 | 290,836 | 228,336 |
| Other costs, net | 23 | 2,892,390 | 2,006,766 |
| | | 25,430,681 | 16,607,618 |
| Profit before tax | | 3,631,052 | 2,298,962 |
| Provision for current tax | 24 | (1,034,008) | (775,000) |
| Fringe benefit tax | | (31,262) | - |
| Deferred tax (expense)/benefit | | (18,276) | (10,230) |
| Net profit after tax (A) | | 2,547,506 | 1,513,732 |
| Profit and loss account balances on account of amalgamation of Demag Delaval Industrial Turbomachinery Pvt Ltd (2004: Siemens Building Technologies P. Ltd.) | | (3,541) | 17,686 |
| Amount available for appropriation | | 2,543,965 | 1,531,418 |
| Appropriations: | | | |
| Interim dividend paid | | 149,123 | 132,554 |
| Proposed dividend | | 331,384 | 165,692 |
| Dividend tax | | 67,391 | 38,977 |
| Net deficit on account of amalgamation of Demag Delaval Industrial Turbomachinery Pvt Ltd (2004: Siemens Building Technologies P. Ltd.) | 2.4 & 4.2 | 250,000 | 43,112 |
| Transfer to general reserve | | 1,746,067 | 1,151,083 |
| | | 2,543,965 | 1,531,418 |
| Weighted average number of equity shares outstanding during the year (B) | | 33,138,403 | 33,138,403 |
| Basic and diluted earnings per share of face value of Rs.10 (A)/(B) | | 76.88 | 45.68 |

Significant accounting policies

1

Notes to the financial statements

25-32

The schedules referred to above form an integral part of the profit and loss account.

As per our report attached

For BSR & Co.

For Siemens Ltd.

Chartered Accountants

Ashok Jangid
Corporate Secretary

Deepak S. Parekh
J. Schubert
H. Gelis
D. C. Shroff
Y. H. Malegam
N. J. Jhaveri
Dr. O. Schmitt

Chairman
Managing Director
Executive Director

Directors

Akeel Master

Partner

Membership No: 46768

Mumbai,
24 November 2005

Mumbai,
24 November 2005

Cash flow statement for the year ended 30 September 2005 (Currency : Indian rupees thousands)

| | 2005 | 2004 |
|---|--------------------|------------------|
| Cash flow from operating activities | | |
| Profit before tax | 3,631,052 | 2,298,962 |
| Adjustments for: | | |
| Interest expense | 271 | 637 |
| Bad debts | 1,866 | 13,568 |
| Provision for doubtful debts/advances, net | 35,607 | 4,985 |
| Depreciation | 291,550 | 241,815 |
| Profit on sale of fixed assets, net | (119,690) | (13,996) |
| Profit on sale of Life Support Systems business | — | (65,593) |
| Profit on sale of debentures | (15,000) | — |
| Unrealised exchange loss/(gain), net | 164,904 | (163,670) |
| Interest and dividend accrued | (1,067,580) | (645,844) |
| Lease equalisation charge | — | 6,400 |
| Operating profit before working capital changes | 2,922,980 | 1,677,264 |
| (Increase)/decrease in working capital | | |
| Inventories | (1,363,753) | (463,905) |
| Sundry creditors and other current liabilities | (2,087,201) | 1,850,861 |
| Sundry debtors and other receivables | 3,578,188 | (665,148) |
| Provisions | 408,253 | 138,812 |
| Net change in working capital | 535,487 | 860,620 |
| Cash generated from operations | 3,458,467 | 2,537,884 |
| Direct taxes paid, net | (1,341,764) | (518,420) |
| Net cash provided by operating activities | 2,116,703 | 2,019,464 |
| Cash flow from investing activities | | |
| Purchase of fixed assets | (521,137) | (355,195) |
| Proceeds from sale of fixed assets | 159,396 | 20,412 |
| Purchase of shares in subsidiary companies | (2,233,912) | (70,000) |
| Net investment in mutual fund | (233,450) | (294,210) |
| Consideration from sale of Life Support Systems business | — | 97,600 |
| Dividend on mutual fund investment | 18,409 | 2,359 |
| Dividend received from a subsidiary companies | 833,751 | 511,225 |
| Interest received | 217,248 | 130,459 |
| Inter corporate deposits received/(given) | 305,000 | (90,000) |
| Proceeds from sale of debentures | 15,000 | — |
| Net cash used in investing activities | (1,439,695) | (47,350) |
| Cash flow from financing activities | | |
| Interest paid | (271) | (637) |
| Dividend paid (including tax thereon) | (356,492) | (297,915) |
| Decrease in long term borrowings | (3,215) | (2,130) |
| Net cash used in financing activities | (359,978) | (300,682) |
| Net increase in cash and cash equivalents | 317,030 | 1,671,432 |
| Cash and cash equivalents at beginning of the year | 4,309,852 | 2,584,729 |
| Cash and cash equivalents acquired on amalgamation | 236,365 | 20,583 |
| Effect of exchange (loss)/gain on cash and cash equivalents | (8,108) | 33,108 |
| Cash and cash equivalents at the end of the year (Schedule 14) | 4,855,139 | 4,309,852 |

As per our report attached

For BSR & Co.

Chartered Accountants

Ashok Jangid
Corporate Secretary

Akeel Master

Partner

Membership No: 46768

Mumbai,
24 November 2005

For Siemens Ltd.

Deepak S. Parekh
J. Schubert
H. Gelis
D. C. Shroff
Y. H. Malegam
N. J. Jhaveri
Dr. O. Schmitt

Chairman
Managing Director
Executive Director

Directors

Mumbai,
24 November 2005

Schedules to the financial statements for the year ended 30 September 2005 (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.

1.2 Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets 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'). The depreciation rates prescribed in Schedule XIV to the Companies Act, 1956 are considered as the minimum rates. If the management's estimate of the useful life of a fixed asset at the time of acquisition of the asset or of the remaining useful life on a subsequent review is shorter than that envisaged in the aforesaid schedule, depreciation is provided at a higher rate based on the management's estimate of useful life/remaining life.

The key fixed asset blocks and related annual depreciation rates, which in management's opinion reflect the estimated useful economic lives of the fixed assets, are:

| Asset | Rate |
|------------------------------|------------------------------|
| Freehold land | — |
| 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.

Capital work-in-progress includes the cost of fixed assets that are not ready for use at the balance sheet date and advances paid to acquire fixed assets before the balance sheet date.

1.4 Intangible assets

Intangible assets comprises technical know-how, customers contracts and goodwill. These intangible assets are depreciated on straight line basis based on the following useful lives, which in management's estimate represent the period during which economic benefits will be derived from their use:

| Intangible asset | Useful life |
|--------------------|-------------|
| Goodwill | 60 months |
| Technical know-how | 60 months |
| Customer contracts | 18 months |

Schedules to the financial statements (*continued*) for the year ended 30 September 2005 (Currency : Indian rupees thousands)

1.5 Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost.

1.6 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.

1.7 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.

1.8 Revenue recognition

Revenue from sales of products is recognised when the risk and reward of ownership of the product is passed on to the customers, which is generally on despatch of goods. Sales are stated exclusive of sales tax.

Service income is recognised as per the terms of the contract with the customer when the related services are performed.

Income from fixed price construction 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.

Export incentives receivable are accrued for when the right to receive the credits is established and there is no significant uncertainty regarding the ultimate collection of export proceeds.

1.9 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.

1.10 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.

1.11 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 imported 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 premium or the discount on forward exchange contracts not relating to firm commitments or highly probably forecast transactions and not intended for trading or speculation purpose is amortised as expense or income over the life of the contract.

Gain or loss on forward exchange contracts relating to firm commitments or highly probable forecasts transactions is computed by multiplying the foreign currency amount of the forward exchange contract by the difference between the forward rate available at the reporting date for the remaining maturity of the contract and the contracted forward rate and booked to the profit and loss account.

Previously, the premium or discount on all forward exchange contracts were amortised as expense or income over the life of the contract. Pursuant to the Accounting Standard 11 'The Effects of Change in Foreign Exchange Rates' being applicable effective from 1 April 2004 the Company changed its accounting policy relating to premium/ discount on forward exchange contracts not relating to firm commitments or highly probable transactions. Had the accounting policy not been changed, the profit for the year would have been higher by Rs 1 million.

1.12 Research and development

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

1.13 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.

1.14 Taxation

Income-tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the income-tax law), deferred tax charge or credit (reflecting the tax effect of timing differences between accounting income and taxable income for the period) and Fringe Benefit Tax computed in accordance with the relevant provision of the Income Tax Act, 1961. 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 Company offsets on a year on year basis the current tax assets and liabilities where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

1.15 Provisions for contingencies

A provision is recognised when:

- the Company has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

Pursuant to Accounting Standard 29 'Provisions, Contingent Liabilities and Contingent Assets' becoming applicable effective 1 October, 2004, the Company revised its accounting policy relating to losses on onerous contracts relating to its product business. Previously, the Company recognised losses on onerous contracts relating to product business. Had the change in accounting policy not been made, the profit for the year would have been lower by Rs 35 million.

Schedules to the financial statements (*continued*)
for the year ended 30 September 2005
(Currency : Indian rupees thousands)

2 Amalgamation of Demag Delaval Industrial Turbomachinery Pvt. Ltd. with the Company

- 2.1 Pursuant to the Scheme of amalgamation ('the scheme') of the erstwhile Demag Delaval Industrial Turbomachinery Pvt. Ltd. ('DDIT') with the Company as approved in the Board of Directors Meeting held on 25 April 2005 and subsequently sanctioned by the Hon'ble High Court of Mumbai on 30 September 2005, the assets and liabilities of the erstwhile DDIT were transferred to and vested in the Company effective 1 April 2005. Accordingly, the scheme has been given effect to in these accounts.
- 2.2 The operations of DDIT include executing projects and servicing Industrial turbines.
- 2.3 The amalgamation has been recorded 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 DDIT at 1 April 2005 have been taken over at their respective book values.
- 2.4 Net deficit of Rs. 250 million being the difference between the issued share capital of DDIT and the value of investment in DDIT by the Company, has been adjusted in reserves through the profit and loss appropriation account.
- 2.5 In view of this amalgamation effective 1 April 2005 the figures for the current year are not strictly comparable to the prior year.

3 Amalgamation of Siemens VDO Automotive Ltd. with the Company

- 3.1 At the Board of Directors Meetings held on 25 November 2004, the Board of Directors of the Company and Siemens VDO Automotive Ltd. ('SVDO') approved the merger of SVDO with the Company effective 1 October 2004, subject to the approval of Karnataka and Bombay High Courts. Pending receipt of the relevant Court approvals, the financial results of the Company do not include the results of SVDO.

4 Amalgamation of Siemens Building Technologies Pvt. Ltd. with the Company

- 4.1 Pursuant to the Scheme of amalgamation ('the scheme') 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 Bombay on 23 February 2004, the assets and liabilities of the erstwhile SBT were transferred to and vested in the Company with effect from 1 October 2003. Accordingly, the scheme had been given effect to in the accounts for the year ended 30 September 2004.
- 4.2 Net deficit of Rs. 43 million being the difference between the issued share capital of SBT and the value of investment in SBT by the Company, was adjusted to the profit and loss appropriation account.

| | 2005 | 2004 |
|---|------------------|------------------|
| 5 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 |
| | <u>2,000,000</u> | <u>2,000,000</u> |
| Issued | | |
| 33,311,256 (2004: 33,311,256) Equity shares of Rs 10 each | <u>333,113</u> | <u>333,113</u> |
| Subscribed and fully paid-up | | |
| 33,138,403 (2004: 33,138,403) Equity shares of Rs 10 each fully paid-up | <u>331,384</u> | <u>331,384</u> |

Of the above:

18,103,087 (2004: 18,103,087) Equity shares of Rs 10 each fully paid-up are held by the holding company, Siemens AG, Germany.

11,100,000 (2004: 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 (2004: 150,000) Equity shares of Rs 10 each have been allotted as fully paid-up for consideration received other than in cash.

| | 2005 | 2004 |
|---|------------------|------------------|
| 6 Reserves and surplus | | |
| Capital reserve | | |
| - Balance brought forward | 688 | 688 |
| Securities premium account | | |
| - Balance brought forward | 1,827,331 | 1,827,331 |
| General reserve | | |
| - Balance brought forward | 3,902,155 | 2,751,072 |
| - Transfer from profit and loss account | 1,746,067 | 1,151,083 |
| | <u>5,648,222</u> | <u>3,902,155</u> |
| | <u>7,476,241</u> | <u>5,730,174</u> |
| 7 Unsecured loans | | |
| Long term | | |
| - sales tax deferral | 25,657 | 28,872 |
| | <u>25,657</u> | <u>28,872</u> |
| The loan under the sales tax deferral scheme is payable till 2011 | | |
| - Amounts payable within one year | 5,625 | 3,215 |

8 Fixed assets

| | Intangible assets | | | Tangible assets | | | | | | Total | Previous year |
|--|-------------------|-------------------|--------------------|-----------------|------------------|---------------------|--|---------------|--------------------------|------------------|---------------|
| | Goodwill | Technical Knowhow | Customer Contracts | Land | Buildings | Plant and Machinery | Furniture, Fittings & Office Equipment | Vehicles | Equipment given on lease | | |
| Gross block | | | | | | | | | | | |
| At 1 October 2004 | — | — | — | 112,817 | 1,533,472 | 2,415,132 | 952,064 | 21,981 | 425,888 | 5,461,354 | 5,503,956 |
| Additions on amalgamation of DDIT (refer Schedule 2) | 106,103 | 48,520 | 72,080 | — | — | 23,311 | 9,417 | 1,731 | — | 261,162 | 6,020 |
| Additions | — | — | — | — | 14,801 | 185,087 | 62,921 | 14,683 | — | 277,492 | 314,208 |
| Disposals | — | — | — | — | (9,573) | (250,126) | (91,428) | (69) | (422,888) | (774,084) | (362,830) |
| At 30 September 2005 | 106,103 | 48,520 | 72,080 | 112,817 | 1,538,700 | 2,373,404 | 932,974 | 38,326 | 3,000 | 5,225,924 | 5,461,354 |
| Accumulated depreciation | | | | | | | | | | | |
| At 1 October 2004 | — | — | — | 27,416 | 338,760 | 1,926,258 | 862,663 | 15,656 | 423,888 | 3,594,641 | 3,704,613 |
| Additions on amalgamation of DDIT (refer Schedule 2) | 26,525 | 12,130 | 60,067 | — | — | 2,905 | 2,142 | 202 | — | 103,971 | 4,627 |
| Charge for the year | 10,611 | 4,852 | 12,013 | 2,685 | 44,604 | 163,202 | 48,087 | 4,782 | 714 | 291,550 | 241,815 |
| Disposals | — | — | — | — | (2,612) | (226,176) | (82,633) | (69) | (422,888) | (734,378) | (356,414) |
| At 30 September 2005 | 37,136 | 16,982 | 72,080 | 30,101 | 380,752 | 1,866,189 | 830,259 | 20,571 | 1,714 | 3,255,784 | 3,594,641 |
| Net block | | | | | | | | | | | |
| At 30 September 2005 | 68,967 | 31,538 | — | 82,716 | 1,157,948 | 507,215 | 102,715 | 17,755 | 1,286 | 1,970,140 | 1,866,713 |
| At 30 September 2004 | — | — | — | 85,401 | 1,194,712 | 488,874 | 89,401 | 6,325 | 2,000 | 1,866,713 | |

Included in the gross block of land at 30 September 2005 is freehold land of Rs 6,607,804 (2004: Rs 6,607,804) and buildings includes Rs 179,780,721 (2004: Rs 192,534,986) representing 816 (2004: 1,237) shares of Rs 50/- each in various co-operative housing societies.

Buildings with a net book value of Rs 22,461,000 (2004: 25,242,000) are held for sale at 30 September 2005.

Future lease payments receivable under operating leases not later than one year aggregate Rs 1,800,000 (2004: 1,800,000) and later than one year and not later than five years aggregate Rs Nil (2004: 1,800,000).

Depreciation has been disclosed as follows :

- Depreciation of Rs 714,285 (2004: Rs 13,478,665) on equipment given on lease is reduced from lease income at schedule 19 to the financial statements.
- The balance depreciation of Rs 290,835,715 (2004: Rs 228,336,297) has been separately disclosed in the profit and loss account.

Schedules to the financial statements (*continued*)
for the year ended 30 September 2005
(Currency : Indian rupees thousands)

| | 2005 | 2004 |
|---|-------------|-----------|
| 9 Investments | | |
| Non-Trade, long term (unquoted) | | |
| In government securities | | |
| National Savings Certificates | 5 | 5 |
| Rural Electrification Corporation Limited 54EC Bonds (7,000 bonds of Rs 10,000 each) | 70,000 | 70,000 |
| Shares in subsidiary companies | | |
| 6,815,000 (2004: 6,815,000) equity shares of Rs 10 each fully paid-up in Siemens Information Systems Ltd (100% holding; 2004: 100% holding) | 851,000 | 851,000 |
| 12,425,000 (2004: Nil) equity shares of Rs 100 each fully paid-up in Siemens Public Communication Networks Pvt Ltd (100% holding; 2004: Nil holding) | 1,639,522 | — |
| 2,123,800 (2004: Nil) equity shares of Rs 10 each fully paid-up in Siemens BPO Services Pvt Ltd (formerly 'Siemens Shared Services Pvt Ltd') (51% holding; 2004: Nil holding) | 111,000 | — |
| 46,410 (2004: Nil) equity shares of Rs 100 each fully paid-up in Siemens Industrial Turbomachinery Services Private Ltd (formerly 'Pimac Engineering & Services Private Ltd') (51% holding; 2004: Nil holding) | 103,390 | — |
| | 2,704,912 | 851,000 |
| Current Investments, at lower of cost or market value | | |
| In Mutual Funds (unquoted) | | |
| 13,551,723 (2004: 9,545,393) units of HSBC Cash Fund-Institutional-Daily Dividend | 135,593 | 99,655 |
| Nil (2004: 8,933,441) units of HDFC Cash Management Fund-Daily Dividend | — | 95,020 |
| 12,294,026 (2004: Nil) units of Prudential ICICI Liquid Plan | 145,703 | — |
| 10,069,315 (2004: Nil) units of Grindlays Cash Fund Institutional Plan | 100,693 | — |
| 14,538,770 (2004: 9,934,165) units of Deutsche Insta Cash Plus Fund Daily Dividend | 145,671 | 99,535 |
| | 527,660 | 294,210 |
| Trade | | |
| Debentures | | |
| Nil (2004: 740,040) 18% non-convertible debentures of Rs 100 each in Mid-East Integrated Steel Ltd. | — | 74,004 |
| Provision for diminution in value | — | (74,004) |
| | — | — |
| | 3,302,577 | 1,215,215 |
| - Aggregate book value of unquoted investment | 3,302,577 | 1,215,215 |
| Details of investments in and disposal of securities during the year ended 30 September 2005: | | |
| | Quantity | Value |
| Investment in securities | | |
| - Subsidiaries | | |
| Purchases (number of shares) | 14,595,210 | 1,853,912 |
| Sales (number of shares) | — | — |
| - Liquid mutual funds | | |
| Purchases (number of units) | 252,557,073 | 2,515,175 |
| Sales (number of units) | 230,516,239 | 2,281,725 |

| | 2005 | 2004 |
|---|------------------|------------------|
| 10 Deferred tax asset | | |
| Arising on account of timing differences in : | | |
| Provision for doubtful debts | 181,039 | 139,087 |
| Priliminary expenses | 996 | - |
| Other provisions (including provisions for doubtful advances, provisions and other amounts allowable on a payment basis under the Income Tax Act, 1961) | 157,117 | 190,346 |
| | <u>339,152</u> | <u>329,433</u> |
| 11 Deferred tax liability | | |
| Arising on account of timing differences in : | | |
| - Depreciation | <u>188,819</u> | <u>181,251</u> |
| 12 Inventories | | |
| Raw materials | 491,249 | 373,788 |
| Work-in-progress | | |
| - factory related | 202,757 | 247,189 |
| - project related | 1,543,513 | 598,553 |
| Finished goods | 1,046,471 | 478,705 |
| | <u>3,283,990</u> | <u>1,698,235</u> |
| 13 Sundry debtors | | |
| Debts outstanding | | |
| - over six months | 1,478,740 | 905,264 |
| - other debts | 6,292,902 | 3,632,041 |
| | <u>7,771,642</u> | <u>4,537,305</u> |
| Of which | | |
| - considered good | 7,319,803 | 4,172,586 |
| - considered doubtful | 451,839 | 364,719 |
| | <u>7,771,642</u> | <u>4,537,305</u> |
| Provision for doubtful debts | (451,839) | (364,719) |
| | <u>7,319,803</u> | <u>4,172,586</u> |
| Sundry debtors are unsecured and include: | | |
| - Amounts receivable in installments beyond one year | 291,694 | 29,663 |
| - Retentions on project related work-in-progress | 1,219,090 | 693,187 |
| Included in debtors are debts due from companies under the same management as defined under section 370(1-B) of Companies Act,1956: | | |
| - Siemens Public Communication Networks Pvt. Ltd. | 605 | 1,101 |
| - Siemens Information Systems Ltd. | 35,892 | 22,801 |
| - Siemens BPO Services India Pvt. Ltd. | 12,853 | 7,428 |
| - Siemens VDO Automotive Ltd. | 983 | 176 |
| - Siemens Power Engineering Pvt. Ltd. | 7,892 | 6,921 |
| - Powerplant Performance Improvement Ltd. | 20,217 | 24,108 |
| - Osram India Pvt Ltd | - | 23 |
| - Siemens Hearing Instruments Pvt. Ltd. | 475 | 418 |

Schedules to the financial statements (*continued*)
for the year ended 30 September 2005
(Currency : Indian rupees thousands)

| | 2005 | 2004 |
|--|------------------|------------------|
| 14 Cash and bank balances | | |
| Cash in hand | 36,095 | 24,632 |
| Cheques in hand | 751,741 | 217,990 |
| Balances with scheduled banks | | |
| - on current account | 1,407,563 | 1,290,143 |
| - on deposit account | 2,610,691 | 2,683,485 |
| Balances with other banks | 49,049 | 93,602 |
| | <u>4,855,139</u> | <u>4,309,852</u> |
| Bank balances with others in current account includes : | | |
| - Citibank, Colombo | 1,729 | 4,166 |
| - Citibank, Dhaka | 5,457 | 373 |
| - Deutsche Bank, Colombo | — | 104 |
| - Myanmar Economic Bank, Burma | — | 56 |
| - Standard Chartered Bank, Colombo | 74 | 1,000 |
| - Standard Chartered Bank, Dhaka | 1,875 | 2,118 |
| - Standard Chartered Bank, Nepal | 262 | 283 |
| - Standard Chartered Bank, Qatar | 32,615 | 78,398 |
| - State Bank of India, Dhaka | 28 | 32 |
| - The Hongkong & Shanghai Banking Corporation Ltd., Colombo | 2,895 | — |
| - The Hongkong & Shanghai Banking Corporation Ltd., Dhaka | 4,114 | 7,072 |
| | <u>49,049</u> | <u>93,602</u> |
| Maximum amount outstanding at any time during the year : | | |
| - Citibank, Colombo | 81,441 | 6,857 |
| - Citibank, Dhaka | 18,180 | 8,454 |
| - Deutsche Bank, Colombo | 818 | 1,201 |
| - Myanmar Economic Bank, Burma | 56 | 56 |
| - Standard Chartered Bank, Colombo | 1,516 | 1,000 |
| - Standard Chartered Bank, Dhaka | 3,148 | 2,118 |
| - Standard Chartered Bank, Nepal | 283 | 600 |
| - Standard Chartered Bank, Qatar | 721,522 | 249,078 |
| - State Bank of India, Dhaka | 32 | 32 |
| - The Hongkong & Shanghai Banking Corporation Ltd., Colombo | 11,801 | — |
| - The Hongkong & Shanghai Banking Corporation Ltd., Dhaka | 17,079 | 7,499 |
| 15 Loans and advances (Unsecured) | | |
| Advances recoverable in cash or in kind or for value to be received | | |
| - considered good | 1,131,141 | 879,133 |
| - considered doubtful | 134,352 | 135,078 |
| | <u>1,265,493</u> | <u>1,014,211</u> |
| Provision for doubtful advances | <u>(134,352)</u> | <u>(135,078)</u> |
| | 1,131,141 | 879,133 |
| Advance payments of income tax (net of provision for tax Rs 5,005,912,638) | 116,407 | — |
| Balances with customs, port trusts and excise authorities on current account | 135,647 | 53,073 |
| Inter corporate deposits | 425,000 | 865,000 |
| Interest accrued on inter corporate deposits | 2,999 | 4,826 |
| | <u>1,811,194</u> | <u>1,802,032</u> |

| | 2005 | 2004 |
|---|------------------|----------------|
| 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 305,404; 2004: Rs 352,981) | 297 | 305 |
| (b) Amounts due from an officer of the Company (Maximum amount outstanding during the year Rs 128 ; 2004: Rs 24,297) | — | — |
| (c) Inter-corporate deposits given to companies under the same management as defined under section 370(1-B) of Companies Act, 1956 : | | |
| - Osram India Pvt Ltd | 290,000 | 490,000 |
| - Siemens VDO Automotive Ltd | 135,000 | 240,000 |
| - Demag Delaval Industrial Turbomachinery Pvt Ltd | — | 135,000 |
| | <u>425,000</u> | <u>865,000</u> |
| Maximum amount outstanding at any time during the year : | | |
| - Osram India Pvt Ltd | 490,000 | 600,000 |
| - Siemens VDO Automotive Ltd | 245,000 | 240,000 |
| - Demag Delaval Industrial Turbomachinery Pvt Ltd | 135,000 | 135,000 |
| | <u>1,470,000</u> | <u>975,000</u> |

16 Current liabilities

| | | |
|--|-------------------|------------------|
| Sundry creditors | | |
| - payable to small scale industrial undertakings | 295,063 | 140,985 |
| - payable to subsidiary company | 9,610 | 8,735 |
| - other sundry creditors | 9,135,686 | 5,271,497 |
| Advances from customers | 3,312,017 | 1,936,277 |
| Unclaimed dividends* | 6,642 | 5,751 |
| | <u>12,759,018</u> | <u>7,363,245</u> |

*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

| | | |
|--|-----------|-----------|
| | 1,484,796 | 1,625,465 |
|--|-----------|-----------|

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 2005:

| | |
|----------------------------------|-------------------------------------|
| A G Engineering Enterprise | Ampson Engineering Pvt. Ltd. |
| A R Engineering Company | Amtrex Hitachi Appliances Ltd. |
| Aanchalia Industries | Anagha Enterprises |
| Accurate Forge Pvt. Ltd. | Anil Industries |
| Acmi Industries | Anugraha Agencies |
| Aditi Die Cast | Applied Automation Systems (P) Ltd. |
| Aditi Plastics Industries | Applied Electro-magnetics Pvt. Ltd. |
| Aditya Electronics | Appolo Soyuz Electricals Pvt. Ltd. |
| Agarwal Fastners Pvt. Ltd. | APT Controls & Appliances Pvt. Ltd. |
| Aggarwal Engineering Works | APT Pneumatics Private Limited |
| Ajay Industries | Ashida Electronics Pvt. Ltd. |
| Alan Electronic Systems (P) Ltd. | Asr Industries |
| Alankar Pattern Works | Associated Engineers |
| Alpha Communication Ltd. | Astra Metal Systems Pvt. Ltd. |
| Ameya Transmissions | Atlas Catv System |
| Amico Engineers Private Ltd. | Bangalore Metallurgicals (P) Ltd. |

Schedules to the financial statements (*continued*)
for the year ended 30 September 2005
(Currency : Indian rupees thousands)

| | |
|-------------------------------------|---------------------------------------|
| Baroda Conductors Pvt. Ltd. | Crown Paper Products |
| Baroda Bushings & Insulators | D N Engineers |
| Bartakke Electrofab Pvt. Ltd. | Dalal Plastics Corporation |
| Batra Henlay Cables | Dav Industries |
| Beico Industries Limited | DCM Steel Processors Pvt. Ltd. |
| Bemco India Pvt. Ltd. | Debasish Industries |
| Bengal Technocrats Pvt. Ltd. | Deepak Hardware Mart |
| Bharani Electronics | Dev Enterprise |
| B J Industries | Devi Enterprises |
| Blaze Enterprise | Devkishin Holdings Company |
| Bonafide Packers | Dhananjay Metal Ind Pvt. Ltd. |
| Boost Electronics | Dharia Switchgear & Controls P. Ltd. |
| Borvel Industries | Dharia Engineers And Founders |
| Brights Industries | Dol Electric Co. Pvt. Ltd. |
| Brisk Instrumentation | D'square Instruments |
| Buchade Metalcraft Pvt. Ltd. | Durga Packaging Industries |
| Bunts Incorporation | Duro Shox Pvt. Ltd. |
| Bunts Tools Co. | Dwivedi's Steel Fabrication Pvt. Ltd. |
| Buntsons Rubber Pvt. Ltd. | Dyna Hitech Power Systems Ltd. |
| Cabcon India Pvt Ltd. | Dynalog (India) Ltd. |
| Cables And Plastics Industries | Econix Hi-tech Components Pvt. Ltd. |
| Calcutta Electro Engineering Works | Electro Automation |
| Caldyne Automatics Limited | Electro Magnets & Tool Room |
| Cands Electricals Pvt. Ltd. | Electro Services |
| Canopus Instruments | Electrofabric Engineers |
| Ceamtronics | Electronic Switches (I) P. Ltd. |
| Chamunda Construction Co. | Electronic Control Corporation |
| Chayagraphics (india) Pvt. Ltd. | Electrotech |
| Chem Fine | Elektromag Methods |
| Chempromech Engineers | Elmex Controls Pvt. Ltd. |
| Chetna Engg Co. | Elsytec Controls Private Ltd. |
| Chheda Electricals & Electronics | Eltech Electronics & Telecom Ltd. |
| Classic Rubber Industry | Engineering Specialities Pvt. Ltd. |
| CMC Manufacturing Co. Pvt. Ltd. | Enkay Traders |
| Comet Brass Product | EPI Electricals Private Limited |
| Comet Industries | Eswari Electricals Pvt. Ltd. |
| Commando Industrial Security Force | Excel Electric Industries |
| Commercial & Industrial Enterprises | Excel Machines & Tools Pvt. Ltd. |
| Connectwell Industries Pvt. Ltd. | Expert Print |
| Consolidated Dynamics Pvt. Ltd. | F M instrumentation |
| Consul Consolidated P. Ltd. | Fabcon |
| Control Devices | Fibertech Industries |
| Copper Track Industries | Finishvel Engineering |
| Coral Rewinding Industries | FTS Engineering Private Ltd. |
| Cotmac Electronics Pvt. Ltd. | Galaxy Die Works |

Gaytes Information Systems Pvt. Ltd.
Ghaziabad Flopol Insulations P. Ltd.
Global Ceramics
Globe Scott Motors Pvt. Ltd.
Goldy Press Tools Pvt. Ltd.
Gyro Laboratories Private Limited
HDFC Bank A/c Inspros Engineers Pvt. Ltd.
Hitesh Mechanicals
Houghton Hardcastle (India) Ltd.
IAC Electricals Pvt. Ltd.
Ideal Engineering Works
IEC Air Tools Pvt. Ltd.
Ikon Moulders Pvt. Ltd.
I-MAX
Imp Power Limited
Indcoil Transformers Pvt. Ltd.
Indfab
India Insulators
Indian Metals & Alloys Mfg. Co.
Indira Printing & Packaging Pvt. Ltd.
Indo Industries
Indusree
Industrial Perforation (India) Pvt. Ltd.
Industrial Springs Mfg. Co.
Insta Controls
Insulex Industries
Intek Tapes Pvt. Ltd.
Inteltek Automation Pvt. Ltd.
Intra Vidyut Ltd.
J K Tube Co.
Jai Hanuman Industry
Jiva Technologies
Jolly Engineering Industries
Joseph Leslie & Co.
K B Spring Industries
K D Enterprise
K M Engineering Works
Kagaz Packaging
Kalki Communication
Kana Electromechs
Kappa Electricals
Kedarnath Packing Industries
Khole Enterprises
Kiyosh Electronic
Kun-chem Pretreatments Pvt. Ltd.
Kundan Industries Ltd.
Kwality Steel Industries
Labour Laws & Personnel Services
Liberty Moulding Works
M B Control & Systems Pvt. Ltd.
M G Industries
M/s Qualitech
M/s Sinnar Iron And Brass Works
Mac Decor Ltd.
Machine House
Mahadev Manufacturers
Mahalaxmi Constructions
Maharashtra Electro Mechanical Work
Maharashtra Electronic Industries
Maharashtra Foundry
Mahendra Metal Industries
Malti Prints
Manik Industrial Engineering Ltd.
Manjunatha Enggindus
Marine Electricals
Marshal Threading Company
Marut Energy Equipments Pvt. Ltd.
Mascasts
Masibus Process Instruments (P) Ltd.
Mec Shot Blasting Equipment Pvt. Ltd.
Mech Engineers
Meco Instruments Pvt. Ltd.
Medequip Services
Medipharm Equipments Pvt. Ltd.
Mehru Electricals & Mechanical
Mehta Electronics
Mehta Trading Company
Metal Gems
Metal Craft Engrs & Spring Industries
Mhatre Engineering Pvt. Ltd.
Micro Solutions
Mini Iron & Steel (P) Limited
Mini Machine Tools
Minilec (India) Pvt. Ltd.
M J Coaters Pvt. Ltd.
Mobile Telecommunication Ltd.
Model Fasteners Pvt. Ltd.
Mosil Lubricants Pvt. Ltd.
Multi Crafts
Nana Udyog

Schedules to the financial statements (*continued*)
for the year ended 30 September 2005
(Currency : Indian rupees thousands)

| | |
|--|--|
| Nand Composites Pvt. Ltd. | Pragati Switchgears |
| Naraiuran Controls | Prakash Timbers |
| Narayan Powertech Pvt. Ltd. | Pramod Industries |
| Narkhede Udyog | Prashant Castings Pvt. Ltd. |
| Narshima Auto Components Pvt. Ltd. | Precision Engineering Equipment |
| National Pattern Works | Precision Enterprises |
| National Security Services | Precision Forging & Stamping |
| Nexo Industries (P) Ltd. | Precision Power Products (I) Pvt. Ltd. |
| Nikhil Engineering | Precision Spring Works |
| Nilkamal Crates And Bins | Press Metal Company |
| Nitin Fire Protection Industries | Press O Parts Industries |
| Nivam Instruments Pvt. Ltd. | Press-O-Parts Industries |
| Nivo Controls Private Ltd. | Prestige Metal Systems (I) Pvt. Ltd. |
| Nova Glavanofin Pvt. Ltd. | Prestige Electronics |
| Numeric Power Systems Ltd. | Preston Engg. Co. (Delhi) Pvt. Ltd. |
| Nutan Timber Corporation | Prince Metal Works |
| Nylocraft Precision Plastics P. Ltd. | Print Point |
| Okay Tools Pvt. Ltd. | Profab Enginners Pvt. Ltd. |
| Om Enterprises | Prospect Elect. & Engg. Co. |
| Opto Audio Electronic Products | Protocontrol Instruments (India) |
| Oriental Plants & Equipments Pvt. Ltd. | Pyrotech Electronics Pvt. Ltd. |
| Packsale Industries | R K Polymer Industries Pvt. Ltd. |
| Packshield Industries | R N Plastics |
| Panchal Electro Controls Pvt. Ltd. | Radiant Engineers |
| Paper Pack Industries | Rajat Products Pvt. Ltd. |
| Paras Motor Mfg. Co. (unit No. 2) | Rajdeep Engineering |
| Park Fabricators | Ramkrishna Electricals Pvt. Ltd. |
| Parth Industries | Rapid Manufacturing Co. |
| Patel's Analog & Digital | Rasesh Industries |
| Patra & Chanda Mfg & Eng (India) | Rashmi Enterprises |
| Patsons Industries | Raviraj Process Controls |
| Pearl India Industries | Ready Systems |
| Pest Control India Pvt. Ltd. | Realtime Systems Ltd. |
| Ph Medical Centre | Repair Industries |
| Photaray Industry | Reliable Moulders |
| Plascap Industries | Rescon Mfg. Company P. Ltd. |
| Polycab Wires Pvt. Ltd. | Resitech Electricals Private Ltd. |
| Polycom Associates | Revathi Enterprises |
| Polyrub Extrusions India | Rhfounders & Engineers |
| Polytech Engineers | Robotic Equipments |
| Pooja Packaging | Rolliflex Industries |
| Popular Switchgear Pvt. Ltd. | S S Controls |
| Power Electric Company | S S Pakline |
| Powerband | Safex Systems |
| Pradip Engineering Co. | Sai Industries |

Sai Press Metal Components Pvt. Ltd.
 Sameer Linkages Pvt. Ltd.
 Sampat Ceramics (P) Ltd.
 Sangir Plastics Private Limited
 Sanjay Naik
 Sanjit Instruments Pvt. Ltd.
 Sankaranarayan Electrical Service
 Saraswati Forge
 Sarnaik Brothers P. Ltd.
 Satish Engineering Works
 Schiller Healthcare (I) Pvt. Ltd.
 Semikron Electronics Pvt. Ltd.
 Senor Metals Pvt. Ltd.
 Senthil Kumar Cottage Industries
 Senzo Engg & Plastic
 Serval Electronics Pvt. Ltd.
 Serval India Pvt. Ltd.
 Seto Teknolog Pvt. Ltd.
 Shah Packaging Pvt. Ltd.
 Shakti Wire Products
 Shakti Springs Inc.
 Shalaka Enterprises
 Sharma Sales Corporation
 Sheth Fabricators Pvt. Ltd.
 Shilpa Industries
 Shiv Shakti Industries
 Shiv Shakti Industries
 Shrameya Engineers Pvt. Ltd.
 Shree Designs & Assemblers
 Shree Engineering Works
 Shree Surya Coating
 Shweta Print-Pack Pvt. Ltd.
 Siemo Service
 Skantech Laser Machines Pvt. Ltd.
 Skindustries
 Solar Biotronic Laboratories Pvt. Ltd.
 Sophisticated Tool Aids & Machine Manufacturers
 Southern Magnetics Pvt. Limited
 Space Application Cables
 Span Hi-tech Pvt. Ltd.
 Spectrum Paints & Allied Products
 SPM Engineers
 SPM Instruments India Pvt. Ltd.
 Spring Steel Products
 Sri Venkateshwara Gear Wheels
 Star Industries
 Starways Engineers Pvt. Ltd.
 Steel Tech Engineers
 Steel Products Ltd.
 Suheg Rubber Industries Pvt. Ltd.
 Sun Polymers
 Sunny Industrial Sales Pvt. Ltd.
 Sunrise Packaging Industries
 Super Alloys & Metals Pvt. Ltd.
 Suprim Engineering
 Suttatti Enterprises Pvt. Ltd.
 Suvarna Industries
 Swastik Metcast
 Switchgear & Structural
 Switron Devices
 Symatic Engg Pvt. Ltd.
 System Control & Automation Pvt. Ltd.
 Tapac Industries
 Tauro Steel Products
 Technico (India) Pvt. Ltd.
 Techno Fab Manufacturing Limited
 Technocom Marketing
 Tejas Products
 Teleconnectors Limited
 Thermopads Pvt. Ltd.
 Thittanix Instruments
 Tool X Systems
 Toolex Engineers Private Limited
 Transpower India Electronics P. Ltd.
 Tube Masters
 Tushar Industry
 Udey Cables
 Ujwal Industries
 Ujwal Engg & Mfg. Co. Pvt. Ltd.
 UL Automation & Systems Pvt. Ltd.
 Ultra Polymers
 Uniglass Industries Pvt. Ltd.
 Unique Enterprises
 Unistar Galvaniser & Fabricator (P) Ltd.
 Unitech Fabricators & Eng. Pvt. Ltd.
 Unitech Transformers Pvt. Ltd.
 Unity Engineers
 Universal Tours & Travels
 Universal Wire Industries
 Utsav Electro-mech Pvt. Ltd.

Schedules to the financial statements (*continued*)
for the year ended 30 September 2005
(Currency : Indian rupees thousands)

| | |
|---------------------------------------|---------------------------------|
| V. B. M. Enterprises | Voltamp Transformers Pvt. Ltd. |
| Vedant Enterprises | Weldtronics India Pvt. Ltd. |
| Venkatsri Plast Pvt. Ltd. | Well Product Industries Ltd. |
| Venu Electrical & Systems | Whitworth Engineers Pvt. Ltd. |
| Versatek Switchgears Pvt. Ltd. | W. S. Industries (India) Ltd. |
| Vikram Carl & Associates | Yashika Industries |
| Vinarc Engineers | Yesbee Valves Pvt. Ltd. |
| Vinayak Electromech Pvt. Ltd. | Yesh Enterprises |
| Vinayak Transmission Products P. Ltd. | Zeta Industrial Corpn Pvt. Ltd. |
| Vivek Engineering Works | |
| Vmark Automation Mfg. Co. | |
| Vmax Engineers | |

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.

| | | |
|---|------------------|------------------|
| 17 Provisions | | |
| Pension | 170,000 | 159,100 |
| Leave wages | 33,865 | 40,735 |
| Medical benefits | 40,861 | 37,653 |
| Personnel related | 381,556 | 297,343 |
| Gratuity | 5,849 | — |
| Warranty | 497,246 | 358,957 |
| Loss order | 22,470 | 22,675 |
| Liquidated damages | 522,443 | 235,992 |
| Other risk | 372,130 | 296,585 |
| Proposed dividend | 331,384 | 165,692 |
| Tax on proposed dividend | 46,477 | 21,654 |
| Taxation | — | 143,775 |
| Others | 44,420 | 40,847 |
| | <u>2,468,701</u> | <u>1,821,008</u> |
| 18 Interest income, net | | |
| Interest income (includes tax deducted at source Rs 38,987,610; 2004: Rs 21,094,170) | 215,421 | 132,260 |
| Interest expense | (271) | (637) |
| | <u>215,150</u> | <u>131,623</u> |
| 19 Other operating income, net | | |
| Lease rentals | 1,800 | 23,484 |
| Lease equalisation charge | — | (6,400) |
| Depreciation | (714) | (13,479) |
| Lease income, net | 1,086 | 3,605 |
| Export incentives | 87,389 | 15,550 |
| Profit on sale of fixed assets, net | 119,690 | 13,996 |
| Recoveries from subsidiary companies, associates and third parties | 149,326 | 123,081 |
| Profit on sale of Life Support Systems business | — | 65,593 |
| Sales tax set off | 123,744 | 126,929 |
| | <u>481,235</u> | <u>348,754</u> |

| | 2005 | 2004 |
|---|-------------------|-------------------|
| 20 Other income | | |
| Dividend from subsidiary companies | 833,751 | 511,125 |
| Dividend on mutual fund investments | 18,409 | 2,359 |
| Sundries | 28,389 | 12,502 |
| | <u>880,549</u> | <u>525,986</u> |
| 21 Cost of sales and services | | |
| Raw materials consumed | 5,323,526 | 3,671,484 |
| Traded goods consumed | 9,527,109 | 5,816,986 |
| Project bought outs | 5,812,952 | 3,131,513 |
| Change in inventories | (1,270,813) | (463,892) |
| Other costs | 811,941 | 564,552 |
| | <u>20,204,715</u> | <u>12,720,643</u> |
| 22 Personnel costs, net | | |
| Salaries, wages and bonus, net | 1,692,750 | 1,356,706 |
| Contribution to provident and other funds | 148,600 | 119,749 |
| Workmen and staff welfare | 201,390 | 175,418 |
| | <u>2,042,740</u> | <u>1,651,873</u> |
| Salaries, wages and bonus for the year ended 30 September 2004 include a charge of Rs 85,200,000 towards additional leave encashment payable pursuant to a change in the leave policy of the Company for certain categories of employees. | | |
| 23 Other costs, net | | |
| Travel and conveyance | 553,039 | 457,106 |
| External software services and data processing | 243,114 | 326,282 |
| Communications | 251,120 | 172,661 |
| Power and fuel | 167,267 | 142,404 |
| Rates and taxes | 239,550 | 137,090 |
| Repairs and maintenance | | |
| - on building | 98,784 | 73,964 |
| - on machinery | 30,190 | 30,414 |
| - others | 51,215 | 52,214 |
| Rent | 94,639 | 77,724 |
| Research and development expenditure | 72,878 | 46,073 |
| Advertising and publicity | 98,115 | 51,980 |
| Packing and forwarding | 106,740 | 77,146 |
| Legal and professional | 81,066 | 52,177 |
| Exchange losses/ (gains), net | 286,497 | (95,964) |
| Office supplies, printing and stationery | 46,832 | 43,066 |
| Lease rentals | 47,120 | 45,795 |
| Insurance | 44,116 | 37,866 |
| Bank guarantee commission/ bank charges | 39,222 | 15,143 |
| Spares and stores | 63,014 | 29,150 |
| Donation | 5,770 | 2,653 |
| Commission to directors | 7,160 | 8,560 |
| Directors' fees | 390 | 280 |
| Bad debts | 1,866 | 13,568 |
| Provision for doubtful debts and advances, net | 35,607 | 4,985 |
| Miscellaneous | 227,079 | 204,429 |
| | <u>2,892,390</u> | <u>2,006,766</u> |
| 24 Provision for current tax | | |
| Provision for current tax of Rs. 775,000,000 for the year ended 30 September 2004 includes provision of Rs. 126,000,000 for earlier years. | | |

Schedules to the financial statements (*continued*)
for the year ended 30 September 2005
(Currency : Indian rupees thousands)

| | 2005 | 2004 |
|---|-----------------------------|-----------------------------|
| 25 Commitments and contingent liabilities | | |
| a Commitments | | |
| Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) | 544,934 | 56,574 |
| Future lease commitments in respect of operating leases | | |
| - within one year | 44,278 | 36,396 |
| - later than one year and not later than five years | 31,305 | 36,206 |
| Export commitments | 617,929 | 855,944 |
| | <u> </u> | <u> </u> |
| b Contingent liabilities | | |
| Bills discounted | 200,307 | 219,386 |
| 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 disputed further by income tax authorities | 106,166 | 106,166 |
| Excise/sales tax liabilities (net of tax), under dispute | 183,328 | 192,543 |
| Corporate and other guarantees | 36,822 | 24,395 |
| Claims against the Company not acknowledged as debts | 171,199 | 174,315 |
| | <u> </u> | <u> </u> |
| 26 Supplementary statutory information | | |
| (i) Managerial remuneration | | |
| Personnel and other costs include managerial remuneration for directors as set out below: | | |
| Salary | 8,633 | 6,900 |
| Perquisites | 13,231 | 4,689 |
| Commission | 7,160 | 8,560 |
| Performance linked incentive | 15,000 | 8,000 |
| Entitlement to stock linked compensation plan | 2,752 | — |
| Ex-gratia | 9,000 | — |
| Contribution to provident fund | 540 | 461 |
| Contribution to superannuation fund | 675 | 576 |
| | <u> </u> | <u> </u> |
| | 56,991 | 29,186 |
| | <u> </u> | <u> </u> |
| Certain whole time directors are covered under the Company's gratuity scheme along with the other employees of the Company. The gratuity liability is determined for all employees by a independent actuarial valuation. The specific amount of gratuity for such whole time directors cannot be ascertained separately and accordingly the same has not been included in the above note. | | |
| Computation of commission to the Managing Director and other directors: | | |
| Profit as per the Profit and Loss Account | 2,547,506 | 1,513,732 |
| Add: | | |
| Managing and other director's remuneration and commission | 56,991 | 29,186 |
| Depreciation charged in the accounts | 291,550 | 241,815 |
| Profit on sale of fixed assets, net (as per Section 349) | 78,164 | 1,201 |
| Provision for doubtful debts and advances, net | 35,607 | 4,985 |
| Provision for current, fringe benefit and deferred tax | 1,083,546 | 785,230 |
| Provision for wealth tax | (9,430) | 4,738 |
| Profit on sale of Life Support Systems business | — | 65,593 |
| Less: | | |
| Profit on sale of fixed assets, net as per Profit and Loss Account | (119,690) | (13,996) |
| Depreciation as computed under Section 350 of the Companies Act, 1956 (see note below) | (291,550) | (241,815) |
| | <u> </u> | <u> </u> |
| Net profit as per Section 349 of the Companies Act, 1956 | 3,672,694 | 2,390,669 |
| | <u> </u> | <u> </u> |

| | 2005 | 2004 |
|---|--------------|--------------|
| 26 Supplementary statutory information (continued) | | |
| Commission to managing and whole-time directors subject to ceiling of 10% of the net profits as calculated above, provided at | 4,000 | 6,000 |
| Commission to other directors subject to ceiling of 1% of the net profits as calculated above, provided at | 3,160 | 2,560 |
| | <u>7,160</u> | <u>8,560</u> |

The Company depreciates its fixed assets based on estimated useful lives which are lower or equal to the implicit estimated useful lives prescribed by Schedule XIV of the Companies Act, 1956. Thus, the depreciation charged in the books is higher than that prescribed as the minimum by the Companies Act, 1956. Hence, this higher value has been considered as a deduction for the computation of managerial remuneration above.

(ii) Auditors' remuneration

| | | |
|-----------------------------|--------------|--------------|
| - Audit fee | 5,700 | 5,000 |
| - Tax audit fee | 2,300 | 1,600 |
| - Other services | 555 | 509 |
| - Reimbursement of expenses | 480 | 372 |
| | <u>9,035</u> | <u>7,481</u> |

(iii) Earnings and expenditure in foreign exchange

| | | |
|--|-----------|-----------|
| (a) Earnings in foreign currency | | |
| - Exports of goods/software | | |
| Direct on FOB basis | 2,615,093 | 847,073 |
| Under IDA/IBRD/ADB credits | 395,879 | 166,488 |
| - Commission | 387,243 | 287,667 |
| - Service charges and others | 789,179 | 261,773 |
| (b) Expenditure in foreign currency | | |
| - Travelling | 67,888 | 50,142 |
| - Expenditure on contracts at foreign sites | 355,462 | 64,622 |
| - Commission | 31,208 | 31,888 |
| - Service charges | 189,964 | 168,700 |
| - Others | 100,924 | 108,327 |
| (c) Value of imports calculated on CIF basis | | |
| - Raw material | 1,571,194 | 1,061,510 |
| - Components, spare parts and traded goods | 7,221,116 | 4,525,384 |
| - Capital goods | 92,052 | 27,786 |

(iv) Net dividend remitted in foreign exchange

| | | |
|--|----------------------------|----------------------------|
| Final : | | |
| Period to which the dividend relates | 1.10.2003 to 30.09.2004 | 1.10.2002 to 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 | 90,515 | 72,412 |
| Net of tax deducted at source | — | — |
| Interim : | | |
| Period to which the dividend relates | 1.10.2004 to 30.09.2005 | 1.10.2003 to 30.09.2004 |
| 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 | 81,464 | 72,412 |
| Net of tax deducted at source | — | — |

Schedules to the financial statements (*continued*)
for the year ended 30 September 2005
(Currency : Indian rupees thousands)

27 Additional information pursuant to the provisions of paragraphs 3, 4C, and 4D of Part III of Schedule VI to the Companies Act, 1956:

(i) Sales and Services

| Class of goods | 2005 | | 2004 | |
|---|----------|-------------------|----------|-------------------|
| | Quantity | Value | Quantity | Value |
| Refer notes (a) and (d) below | | | | |
| Switchgear items | | 4,306,849 | | 2,986,806 |
| Electric motors/ generators | 57,248 | 2,041,843 | 45,265 | 1,230,505 |
| Switchboards, control boards and miscellaneous accessories | | 2,094,157 | | 1,389,617 |
| X-ray equipment | | 318,221 | | 209,255 |
| Measuring and Control Instruments | | 509,335 | | 192,842 |
| Railway signalling equipment | | 1,817,154 | | 1,533,911 |
| Variable speed AC/DC drive systems, motor control, modules and programmable control systems | | 2,213,934 | | 1,651,661 |
| Protection systems | | 385,390 | | 299,738 |
| Data acquisition, logging and control systems | | 109,783 | | 222,726 |
| EPABX / EPAX / Intercom and key telephone systems | | 989,259 | | 790,220 |
| Medical electronic diagnostic equipment | | 2,815,547 | | 2,091,869 |
| Other engineering project goods | | 6,413,719 | | 3,362,353 |
| Maintenance, repairs and other services | | 1,015,705 | | 987,142 |
| Integrated building management systems | | 433,018 | | 290,816 |
| Industrial turbines | | 1,192,189 | | — |
| Rent recovery | | 441,353 | | 373,089 |
| | | <u>27,097,456</u> | | <u>17,612,550</u> |
| Commission income | | 387,343 | | 287,667 |
| | | <u>27,484,799</u> | | <u>17,900,217</u> |

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

(ii) Raw materials, bought out components and spares parts consumed during the year

Refer note (e) below

| | Unit | 2005 | | 2004 | |
|--|------|----------|------------------|----------|------------------|
| | | Quantity | Value | Quantity | Value |
| Copper flats, strips and profiles | MT | 950 | 111,894 | 255 | 50,406 |
| Enameled copper wire | MT | 582 | 140,841 | 402 | 87,201 |
| Brass sheets and strips | MT | 1,602 | 12,496 | 738 | 6,527 |
| Aluminium ingots, profiles and castings | MT | 3,016 | 21,064 | 481 | 15,762 |
| Iron and steel castings and shafts | MT | 6,260 | 181,022 | 2,954 | 111,202 |
| Dynamo steel sheets, strips and laminations | MT | 3,834 | 259,542 | 3,048 | 161,361 |
| Hot rolled and cold rolled steel sheets, strips, housings etc. | MT | 7,599 | 25,406 | 1,240 | 29,233 |
| Cables and wires | Kms | 17,408 | 49,839 | 11,300 | 20,279 |
| Silver components | Kgs | 4,655 | 79,658 | 3,101 | 46,750 |
| Ball and roller bearings | Nos | 583,005 | 76,435 | 570,443 | 38,154 |
| Thyristors, diodes and transistors | Nos | 173,219 | 38,608 | 485,856 | 31,795 |
| X-ray tubes | Nos | 608 | 19,691 | 701 | 32,781 |
| Amphenol terminals | Nos | 272,924 | 9,122 | 285,113 | 6,804 |
| Vacuum tubes | Nos | 19,125 | 225,605 | 15,003 | 159,392 |
| Integrated circuits | Nos | 47,172 | 3,830 | 136,547 | 7,045 |
| Capacitors and condensers | Nos | 125,849 | 31,851 | 402,508 | 22,715 |
| Printed circuit boards | Nos | 14,179 | 16,400 | 25,612 | 13,012 |
| Aluminium components | | | 150,080 | | 80,382 |
| Steel components | | | 437,675 | | 407,248 |
| Copper and copper alloy components | | | 109,243 | | 113,675 |
| Insulation materials | | | 155,673 | | 208,264 |
| Packing wood and cartons | | | 18,372 | | 8,000 |
| Equipment | | | 668,960 | | 628,393 |
| Turbine components | PCS | 25,832 | 37,923 | | — |
| Forging | PCS | 9,375 | 5,648 | | — |
| Turbine spares | | | 6,846 | | — |
| Others | | | 2,429,802 | | 1,385,103 |
| | | | <u>5,323,526</u> | | <u>3,671,484</u> |

Schedules to the financial statements (*continued*)
for the year ended 30 September 2005
(Currency : Indian rupees thousands)

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

(iii) Imported and indigenous raw materials, components and spares parts consumed

| | 2005 | | 2004 | |
|------------|------------------|------------------------|------------------|------------------------|
| | Value | % of total consumption | Value | % of total consumption |
| Imported | 1,381,954 | 26 | 1,018,884 | 28 |
| Indigenous | 3,941,572 | 74 | 2,652,600 | 72 |
| | <u>5,323,526</u> | <u>100</u> | <u>3,671,484</u> | <u>100</u> |

(iv) Inventories

Finished goods

Refer note (a) below

Class of goods

| Class of goods | 2005 | | 2004 | |
|--|------------|------------------|------------|------------------|
| | Quantity | Value | Quantity | Value |
| Switchgear items | | 252,393 | | 52,975 |
| Electric motors/ generators | 2,639 Nos. | 109,483 | 2,566 Nos. | 46,118 |
| Switchboards, control boards, etc. | | 2,000 | | 4,748 |
| X-ray equipment | | 3,828 | | 20,908 |
| Electromedical equipment | | | | 2,082 |
| CT and other diagnostic equipment | | 197,260 | | 74,264 |
| Railway signalling equipment | | 151,465 | | 87,176 |
| Variable speed AC/DC drive systems, motor control modules and programmable control systems | | 202,552 | | 142,963 |
| Protection systems/ uninterrupted power supply systems | | 2,400 | | 2,408 |
| Others | | 125,090 | | 45,063 |
| | | <u>1,046,471</u> | | <u>478,705</u> |
| Work-in-progress | | | | |
| - factory related | | 202,757 | | 247,189 |
| - project related | | 1,543,513 | | 598,553 |
| | | <u>2,792,741</u> | | <u>1,324,447</u> |

(v) Purchases

Refer note (a) below

Class of goods

| Class of goods | 2005 | 2004 |
|--|-------------------|------------------|
| | Value | Value |
| EPABX/EPAX/ intercom and KTS | 666,948 | 534,716 |
| Medical electronic diagnostic equipment | 2,532,113 | 1,900,321 |
| Others | 6,328,048 | 3,381,949 |
| Towards projects execution (CIF value of imports Rs 4,913,669,870; 2004: Rs 1,101,747,482) | 5,812,952 | 3,131,513 |
| | <u>15,340,061</u> | <u>8,948,499</u> |

27 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 | 2005 | | | 2004 | | |
|---|------|--------------------------|--|--------------------|--------------------------|--|--------------------|
| | | Annual licensed capacity | Annual installed capacity (refer note (c) below) | *Actual production | Annual licensed capacity | Annual installed capacity (refer Note (c) below) | *Actual production |
| Switchgear items | Nos | 11,084,000 | 4,739,700 | 7,564,914 | 11,084,000 | 4,739,700 | 5,344,179 |
| Electric motors/generators | Nos | 14,000 | 15,860 | 10,211 | 14,000 | 15,860 | 10,932 |
| Switch boards, control boards and miscellaneous accessories | Nos | 4,840 | 8,000 | 1,449 | 4,840 | 8,000 | 1,144 |
| X-ray equipment | Nos | 520 | 1,283 | 2,777 | 520 | 1,283 | 1,755 |
| Electromedical equipment | Nos | 245 | 209 | 29 | 245 | 209 | 39 |
| Measuring and control instruments | Nos | 47,677 | 64,900 | 3,139 | 47,677 | 64,900 | 10,717 |
| Railway signalling equipment and static converters for railways | Nos | 58,320 | 72,740 | 885 | 58,320 | 72,740 | 272 |
| Rectifier cubicles and miscellaneous equipment | MW | 64.5 | 64.5 | 0.2 | 64.5 | 64.5 | 10.0 |
| Variable speed AC/DC drive systems, motor control modules and programmable control system | Nos | 6,248 | 6,248 | 876 | 6,248 | 6,248 | 1,225 |
| Data acquisition, logging and control systems | Nos | 50 | 50 | 18 | 50 | 50 | 22 |
| Electronic measurand converter | Nos | 1,277 | 1,277 | 228 | 1,277 | 1,277 | 161 |
| Static Converter for railways | Nos | 610 | 610 | 222 | 610 | 610 | 244 |
| Audio frequency track circuit | Nos | 900 | 900 | 505 | 900 | 900 | 695 |
| Interlocking relays | Nos | 250,000 | 250,000 | 122,771 | 99,000 | 99,000 | 89,806 |
| Auxillary inverter for AR locomotive | Nos | 50 | 50 | 52 | 50 | 50 | 15 |
| Traction converter for diesel locomotive | Nos | 72 | 72 | 45 | 72 | 72 | 53 |
| Electrical control cabinet | Nos | 288 | 288 | 42 | 288 | 288 | 69 |
| Circuit breakers above 1000 volts | Nos | 1,000 | 1,000 | 1,535 | 1,000 | 1,000 | 1,421 |
| Single stage/ multi stage turbines | MW | 200 | 200 | 34.72 | — | — | — |

Notes:

- 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.
- 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.
- Installed capacities are as certified by the Managing Director and have not been verified by the Auditors, as this is a technical matter.
- 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.
- 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.

Schedules to the financial statements (*continued*) for the year ended 30 September 2005 (Currency : Indian rupees thousands)

28 Disclosure relating to Provisions

Provision for warranty

The Company provides for warranty costs based on a technical estimate of the costs required to be incurred for repairs, replacement, material cost, servicing and past experience in respect of warranty costs. It is expected that this expenditure will be incurred over the contractual warranty period.

Provision for liquidated damages

Liquidated damages are provided based on contractual terms when the delivery/ commissioning dates of an individual project have exceeded or are likely to exceed the delivery/ commissioning dates as per the respective contracts. This expenditure is expected to be incurred over the respective contractual terms upto closure of the contract (including warranty period).

Provision for loss orders

Loss order provisions are made when the planned costs for an individual project exceed the order value in the period when the loss is first foreseen. These amounts are expected to be incurred over the duration of the respective contracts.

Personnel related provisions

Personnel related provisions include provisions for variable performance pay. Variable performance pay is expected to be paid in the first quarter of the next financial year. Personnel related provisions do not include expected payouts relating to the pending wage settlement and non-statutory ex-gratia where negotiations are in process and the disclosure of these amounts could prejudicially affect the interests of the Company.

Other risks

The Company has made provisions for known contractual risks, litigation cases and pending assessments in respect of taxes, duties and other levies, the outflow of which would depend on the cessation of the respective events.

The movements in the above provisions are summarised as under :

| | Warranties | Liquidated damages | Loss orders | Personnel related | Other risks |
|--|----------------|--------------------|---------------|-------------------|----------------|
| Opening balance | 358,957 | 235,992 | 22,675 | 297,343 | 296,585 |
| Additions on amalgamation of DDIT (refer Schedule 2) | 56,449 | 123,059 | 3,348 | — | — |
| Additions | 256,148 | 257,426 | 55,120 | 383,532 | 123,994 |
| Utilisations | (51,595) | (21,231) | (54,645) | (280,744) | (12,187) |
| Reversals | (122,713) | (72,803) | (4,028) | (18,575) | (36,262) |
| Closing balance | <u>497,246</u> | <u>522,443</u> | <u>22,470</u> | <u>381,556</u> | <u>372,130</u> |

29 Related party transactions

29.1 Parties where control exists

| | |
|---|---|
| Siemens AG | Holding company (holds 54.63% of the equity share capital as at 30 September 2005) |
| Siemens Information Systems Ltd. ('SISL') | Subsidiary company (100% of whose equity share capital is held by Siemens Ltd as at 30 September 2005) |
| Siemens Public Communication Networks Pvt. Ltd. ('SPCNL') | Subsidiary company (100% of whose equity share capital is held by Siemens Ltd as at 30 September 2005) |
| Siemens BPO Services Pvt. Ltd. ('SBPO') | Subsidiary company (51% of whose equity share capital is held by Siemens Ltd as at 30 September 2005 and the balance 49% is held by SISL) |
| Siemens Industrial Turbomachinery Services Pvt. Ltd. (formerly Pimac Engineering & Services Pvt. Ltd.) | Subsidiary company (51% of whose equity share capital is held by Siemens Ltd as at 30 September 2005) |
| Siemens Nixdorf Information Systems Pvt. Ltd. ('SNISL') | Step-down subsidiary company (100% of whose equity share capital is held by SISL as at 30 September 2005) |

29.2 Other related parties where transactions have taken place during the year

Fellow Subsidiaries

| | |
|---|----------------|
| Acuson Corporation | India |
| Eviop-Tempo A.E. Electrical Equipment Manufacturers | Greece |
| Koncar Power Transformers Ltd. | Croatia |
| Lincas Electro Vertriebsgesellschaft mbH | Germany |
| Mdexx Magnetronic Devices GmbH & Co. KG | Germany |
| Mechanik Center Erlangen GmbH | Germany |
| MWW Metallbearbeitungs-GmbH & Co KG | Austria |
| OSRAM India Pvt. Ltd. | India |
| P.T. Siemens Indonesia | Indonesia |
| SBS Region Deutschland München | Germany |
| Siemens Aktiengesellschaft Österreich | Austria |
| Siemens Algérie S.A.R.L. | Algeria |
| Siemens Bangladesh Ltd. | Bangladesh |
| Siemens Beteiligungsverwaltung GmbH & Co. OHG | Germany |
| Siemens BPO Services Pvt. Ltd. (upto 31 May 2005) | India |
| Siemens Building Technologies Fire & Security Products GmbH & Co. OHG | Germany |
| Siemens Building Technologies Pte. Ltd. | Singapore |
| Siemens Building Technologies, Inc. | USA |
| Siemens Busbar Trunking Systems GmbH & Co. KG | Germany |
| Siemens Busbar Trunking Systems Ltd. | United Kingdom |
| Siemens Busbar Trunking Systems S.L. | Spain |
| Siemens Business Communication Systems Ltd. | China |
| Siemens Business Services GmbH & Co. OHG | Germany |
| Siemens Canada Ltd. | Canada |
| Siemens Communication, Inc. | USA |
| Siemens Communications | United Kingdom |
| Siemens Company Secretariat Ltd. | United Kingdom |
| Siemens d.o.o. | Slovenia |
| Siemens Electrical Apparatus Ltd. | China |
| Siemens Electrical Drives Ltd. | China |
| Siemens Electronic Design and Manufacturing Services GmbH & Co. KG | Germany |
| Siemens Elektromotory s.r.o. | Czech Republic |
| Siemens Energy & Automation, Inc. | USA |
| Siemens Energy Management and Information Systems Pte. Ltd. | Singapore |
| Siemens Factory Automation Engineering Ltd. | China |
| Siemens Hearing Instruments Pvt. Ltd. | India |
| Siemens Industrial Services Ltd. | Thailand |
| Siemens Industrial Turbomachinery B.V. | Netherlands |
| Siemens Industrial Turbomachinery Ltd. | United Kingdom |
| Siemens Ltd. | Australia |
| Siemens Industrial Turbomachinery Services Private Limited (upto 31 March 2005) | India |
| Siemens Ltd. | China |
| Siemens Ltd. | Egypt |
| Siemens Ltd. | Hongkong |
| Siemens Ltd. | Korea |
| Siemens Ltd. | South Africa |
| Siemens Ltd. | South Africa |
| Siemens Ltd. | Taiwan |
| Siemens Ltd. | Thailand |
| Siemens Ltd. for Trading | Egypt |
| Siemens Ltda. | Brazil |

Schedules to the financial statements (*continued*)
for the year ended 30 September 2005
(Currency : Indian rupees thousands)

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

| | | |
|-------------------|--|---------------------|
| | Siemens Magnet Technology Ltd. | United Kingdom |
| | Siemens Malaysia Sdn. Bhd. | Malaysia |
| | Siemens Medical Solutions USA, Inc. | USA |
| | Siemens Medium Voltage Switching Technologies (Wuxi) Ltd. | China |
| | Siemens Nederland N.V. | Netherland |
| | Siemens Pakistan Engineering Co. Ltd. | Pakistan |
| | Siemens plc | United Kingdom |
| | Siemens Power Engineering Pvt. Ltd. | India |
| | Siemens Power Generation | United Kingdom |
| | Siemens Power Generation, Inc. | USA |
| | Siemens Programm-und Systementwicklung GmbH & Co. KG | Germany |
| | Siemens Pte. Ltd. | Singapore |
| | Siemens Public Communication Networks Pvt. Ltd. (upto 31 May 2005) | India |
| | Siemens S.A. | Argentina |
| | Siemens S.A. | Columbia |
| | Siemens S.A. | Spain |
| | Siemens S.A. de C.V. | Mexico |
| | Siemens S.A./N.V. | Belgium |
| | Siemens S.A.S. | France |
| | Siemens S.p.A. | Italy |
| | Siemens s.r.o. | Czec Republic |
| | Siemens Sanayi ve Ticaret A.S. | Turkey |
| | Siemens Schweiz AG | Switzerland |
| | Siemens Schweiz AG, Building Technologies Group, International Headquarters | Switzerland |
| | Siemens Shanghai Medical Equipment Ltd. | China |
| | Siemens Shared Services LLC | USA |
| | Siemens TOO | Kazakistan |
| | Siemens Transportation Systems GmbH & Co KG | Austria |
| | Siemens VDO Automotive AG | Germany |
| | Siemens VDO Automotive Ltd. | India |
| | Siemens Westinghouse Technical Services Pte. Ltd. | Singapore |
| | Siemens, Inc. | Phillipines |
| | Siemens-Elcoma AB | Sweden |
| | SMS Inc.-Customer Solutions Group | USA |
| | SYKATEC Systeme, Komponenten, Anwendungstechnologie GmbH & Co. KG | Germany |
| | Turbocare, Inc. | USA |
| | VVK Versicherungsvermittlungs-und Verkehrskontor GmbH | Germany |
| | Weiss Spindeltechnologie GmbH | Germany |
| | EPCOS AG | Germany |
| | Infineon Technologies AG | Germany |
| | Powerplant Performance Improvement Ltd. | India |
| | Siemens LLC | United Arab Emirate |
| Associates | | |

29.3 *Directors of the Company*

Whole-time Directors

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

Details of remuneration to directors are disclosed at note 26 (i) to the financial statements.
Details of housing loan to directors are disclosed at note 15 (a) to the financial statements.

| | 2005 | 2004 |
|--|-----------|-----------|
| 29.4 <i>Sales to and other recoveries from related parties</i> | | |
| Holding company | 1,534,478 | 1,218,208 |
| Subsidiaries | 426,182 | 304,746 |
| Fellow Subsidiaries | 336,747 | 299,549 |
| Associates | 47,381 | 39,726 |
| 29.5 <i>Purchases/ other services from related parties</i> | | |
| Holding company | 6,087,963 | 4,024,225 |
| Subsidiaries | 35,895 | 23,638 |
| Fellow Subsidiaries | 2,168,966 | 805,681 |
| Associates | 51,417 | 156 |
| 29.6 <i>Interest income from related parties</i> | | |
| Holding company | — | — |
| Subsidiaries | — | — |
| Fellow Subsidiaries | 40,893 | 53,433 |
| Associates | — | — |
| 29.7 <i>Purchase of investments from related parties</i> | | |
| Holding company | 1,639,522 | — |
| Subsidiaries | — | — |
| Fellow Subsidiaries | 491,000 | — |
| Associates | — | — |
| 29.8 <i>Other income from related parties</i> | | |
| Holding company | — | — |
| Subsidiaries | — | — |
| Fellow Subsidiaries | 12,000 | — |
| Associates | — | — |
| 29.9 <i>Dividend paid to related parties</i> | | |
| Holding company | 171,979 | 144,825 |
| Subsidiaries | — | — |
| Fellow Subsidiaries | — | — |
| Associates | — | — |
| 29.10 <i>Dividend received from related parties</i> | | |
| Holding company | — | — |
| Subsidiaries | 833,751 | 511,125 |
| Fellow Subsidiaries | — | — |
| Associates | — | — |
| 29.11 <i>Sale of Fixed assets/ CWIP to related parties :</i> | | |
| Holding company | — | — |
| Subsidiaries | 111,449 | — |
| Fellow Subsidiaries | — | — |
| Associates | — | — |
| 29.12 <i>Outstanding balances</i> | | |
| Debtors | | |
| Holding company | 311,164 | 193,000 |
| Subsidiaries | 58,491 | 22,801 |
| Fellow Subsidiaries | 21,779 | 27,196 |
| Associates | 20,735 | 23,942 |
| Creditors | | |
| Holding company | 2,287,111 | 980,236 |
| Subsidiaries | 9,610 | 8,735 |
| Fellow Subsidiaries | 267,677 | — |
| Associates | — | — |

Schedules to the financial statements (*continued*)
for the year ended 30 September 2005
(Currency : Indian rupees thousands)

| | 2005 | 2004 |
|---|------------|------------|
| Inter Corporate Deposits | | |
| Holding company | — | — |
| Subsidiaries | — | — |
| Fellow Subsidiaries | 425,000 | 865,000 |
| Associates | — | — |
| Advance given: | | |
| Holding company | — | — |
| Subsidiaries | — | — |
| Fellow Subsidiaries | 37,697 | — |
| Associates | — | — |
| 30 Disclosure pursuant to Accounting Standard-7 'Construction Contract' (Revised): | | |
| 30.1 Contract Revenue recognised for the year ended 30 September | 9,193,443 | 4,219,973 |
| 30.2 Aggregate amount of contract costs incurred for all contracts in progress as at year end | 19,279,465 | 12,828,957 |
| 30.3 Recognised profits (less recognised losses) upto 30 September for all contracts in progress as at year end | 2,707,945 | 2,163,435 |
| 31 (i) Information about business segments | | |

| | Revenue | | | | | | Results | |
|-----------------------------------|-------------------|-------------------|-----------------------|-------------|-------------------|-------------------|------------------|------------------|
| | External sales | | Inter segmental sales | | Total | | 2005 | 2004 |
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | | |
| Information and communications | 1,068,817 | 869,585 | 10,046 | 9,765 | 1,078,863 | 879,350 | 109,068 | 108,435 |
| Automation and drives | 7,796,692 | 5,305,263 | 1,041,815 | 1,029,165 | 8,838,507 | 6,334,428 | 593,794 | 376,499 |
| Industrial solutions and services | 2,764,737 | 2,193,522 | 104,224 | 122,216 | 2,868,961 | 2,315,738 | 310,807 | 206,450 |
| Power | 9,460,901 | 4,545,206 | 212,856 | 161,869 | 9,673,757 | 4,707,075 | 772,782 | 361,605 |
| Transport | 1,817,154 | 1,534,479 | — | — | 1,817,154 | 1,534,479 | 225,618 | 193,738 |
| Healthcare and other services | 3,682,082 | 2,771,379 | — | — | 3,682,082 | 2,771,379 | 152,810 | 149,731 |
| Building technologies | 453,064 | 307,694 | 4,753 | — | 457,817 | 307,694 | 29,174 | 12,327 |
| Real estate | 441,352 | 373,089 | — | — | 441,352 | 373,089 | 369,689 | 237,079 |
| Eliminations | — | — | (1,373,694) | (1,323,015) | (1,373,694) | (1,323,015) | — | — |
| Total | 27,484,799 | 17,900,217 | — | — | 27,484,799 | 17,900,217 | 2,563,742 | 1,645,864 |
| Interest expenses | | | | | | | (271) | (637) |
| Interest income | | | | | | | 215,421 | 132,260 |
| Unallocable corporate items | | | | | | | 852,160 | 521,475 |
| Profit before tax | | | | | | | 3,631,052 | 2,298,962 |
| Income tax | | | | | | | (1,034,008) | (775,000) |
| Fringe benefit tax | | | | | | | (31,262) | — |
| Deferred tax | | | | | | | (18,276) | (10,230) |
| Consolidated total | 27,484,799 | 17,900,217 | — | — | 27,484,799 | 17,900,217 | 2,547,506 | 1,513,732 |

| | Non cash expenditure | | | | | | | | | |
|-----------------------------------|----------------------|-------------------|-------------------|------------------|---------------------|----------------|----------------|----------------|----------|--------------|
| | Assets | | Liabilities | | Capital Expenditure | | Depreciation | | Others | |
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| Information and communications | 251,758 | 310,595 | 165,159 | 182,420 | 8,349 | 2,506 | 4,569 | 15,845 | — | 6,400 |
| Automation and drives | 3,411,024 | 1,925,721 | 2,095,629 | 1,428,840 | 157,118 | 42,241 | 74,806 | 75,246 | — | — |
| Industrial solutions and services | 950,095 | 750,091 | 1,706,355 | 954,039 | 5,110 | 4,601 | 4,267 | 4,393 | — | — |
| Power | 6,244,733 | 2,510,349 | 5,057,123 | 2,482,615 | 16,627 | 22,904 | 52,640 | 18,672 | — | — |
| Transport | 684,037 | 441,301 | 834,049 | 741,418 | 9,795 | 11,447 | 4,838 | 2,229 | — | — |
| Healthcare and other services | 1,251,981 | 1,079,073 | 1,044,778 | 766,235 | 12,507 | 92,151 | 45,561 | 31,726 | — | — |
| Building technologies | 257,688 | 157,091 | 192,629 | 92,843 | 7 | — | 700 | 1,094 | — | — |
| Real estate | 1,025,341 | 1,074,131 | 160,664 | 102,565 | 56,805 | 126,600 | 88,915 | 80,181 | — | — |
| Eliminations | — | — | — | — | — | — | — | — | — | — |
| Total | 14,076,657 | 8,248,352 | 11,256,386 | 6,750,975 | 266,318 | 302,450 | 276,296 | 229,386 | — | 6,400 |
| Unallocable corporate items | 9,173,163 | 7,207,582 | 4,185,809 | 2,643,401 | 11,174 | 11,758 | 15,254 | 12,429 | — | — |
| Consolidated total | 23,249,820 | 15,455,934 | 15,442,195 | 9,394,376 | 277,492 | 314,208 | 291,550 | 241,815 | — | 6,400 |

(ii) Secondary segment information

| | Revenues | | Assets | | Capital Expenditure | |
|--------------|-------------------|-------------------|-------------------|-------------------|---------------------|----------------|
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| Domestic | 23,351,382 | 16,598,989 | 22,141,666 | 15,169,882 | 277,492 | 314,208 |
| Exports | 4,133,417 | 1,301,228 | 1,108,154 | 286,052 | — | — |
| Total | 27,484,799 | 17,900,217 | 23,249,820 | 15,455,934 | 277,492 | 314,208 |

(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 the Company 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 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, meters and industrial turbines.
- **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.

32 Prior years comparatives

Pursuant to the amalgamation of erstwhile DDIT effective from 1 April 2005 (as more fully described in Schedule 2) with the Company, 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.

Schedules to the financial statements (*continued*)
for the year ended 30 September 2005
(Currency : Indian rupees thousands)

33 Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

| | | | |
|--------------------|------------|-------------|--------------|
| Registration No. | 10839 | State Code | 11 |
| Balance Sheet Date | 30 Date | 09 Month | 2005 Year |

II. Capital raised during the year (Amount in Rs. thousands)

| | | | |
|--------------|-----|-------------------|-----|
| Public Issue | Nil | Rights Issue | Nil |
| Bonus Issue | Nil | Private Placement | Nil |

III. Position of mobilisation and deployment of funds (Amount in Rs. thousand)

| | | | |
|-----------------------------|-----------|---------------------------|-----------|
| Total Liabilities | 7,833,282 | Total Assets | 7,833,282 |
| Sources of Funds | | | |
| Paid-up Capital | 331,384 | Reserves & Surplus | 7,476,241 |
| Secured Loans | NIL | Unsecured Loans | 25,657 |
| Application of Funds | | | |
| Net Fixed Assets | 2,337,965 | Investments | 3,302,577 |
| Net Current Assets | 2,042,407 | Miscellaneous Expenditure | Nil |
| Accumulated Loss | Nil | Deferred tax asset | 150,333 |

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

| | | | |
|--|--------------------------|-----|-----------------------|
| IV. Performance of Company (Amount in Rs. thousands) | | | |
| | Turnover | | Total Expenditure |
| | 29,061,733 | | 25,430,681 |
| +/- | Profit/Loss before Tax | +/- | Profit/Loss after Tax |
| + | 3,631,052 | + | 2,547,506 |
| (Please Tick appropriate box + for Profit, - for Loss) | | | |
| | Earning per share in Rs. | | Dividend Rate % |
| | 76.88 | | 145% |

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

| | |
|---------------------|---|
| Item No. (ITC Code) | 854800 |
| Product description | Electrical part of machinery or apparatus |
| Item No. (ITC Code) | 903289 |
| Product description | Electronic automatic regulators |
| Item No. (ITC Code) | 902210 |
| Product description | X-Ray apparatus |

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 Jangid
Corporate Secretary

Deepak S. Parekh
J. Schubert
H. Gelis
D. C. Shroff
Y. H. Malegam
N. J. Jhaveri
Dr. O. Schmitt

Chairman
Managing Director
Executive Director

Directors

Mumbai,
24 November 2005

Schedules to the financial statements (*continued*)
for the year ended 30 September 2005
(Currency : Indian rupees thousands)

Statement Regarding Subsidiary Companies Pursuant to Section 212(1) and (3) of The Companies Act, 1956:
(Currency: Indian rupees in thousands)

| Name of the Subsidiary | The net Aggregate of profits (losses) of the subsidiary company for its financial year so far as they concern the members of Siemens Ltd. | | The net Aggregate of profits (losses) of the subsidiary company for its financial year so far as they concern the members of Siemens Ltd. | |
|---|---|--|---|--|
| | a) Dealt with in the account of Siemens Limited for the year ended 30.09.2005 | b) Not dealt within the account of Siemens Limited for the year ended 30.09.2005 | a) Dealt with in the account of Siemens Limited for the year ended 30.09.2004 | b) Not dealt within the account of Siemens Limited for the year ended 30.09.2004 |
| Siemens Information Systems Ltd. [6,815,000 (2004: 6,815,000) equity shares of Rs 10 each fully paid-up, i.e. 100% (2004:100%) of the paid up equity capital] | 831,430 | 419,231 | 511,125 | 292,825 |
| Siemens Public Communication Networks Pvt. Ltd. [12,425,000 (2004: Nil) equity shares of Rs 100 each fully paid-up, i.e. 100% (2004 : nil) of the paid up equity capital] (Acquired on 24th May 2005) | — | 262,523 | — | — |
| Siemens Business Process Outsource Pvt. Ltd. [2,123,800 (2004: Nil) equity shares of Rs 10 each fully paid-up, i.e. 51% (2004 : nil) of the paid up equity capital] (Acquired on 26th May 2005) | — | 22,335 | — | — |
| Siemens Industrial Turbomachinery Services Pvt. Ltd. [46,410 (2004: Nil) equity shares of Rs 100 each fully paid-up, i.e. 51% (2004 : nil) of the paid up equity capital] (Acquired on 1st April 2005) | — | 17,617 | — | — |

Siemens Group
Consolidated Financial Statements
for the year ended 30 September 2005
together with Auditors' Report

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

(Currency: Indian rupees in thousands)

| | Siemens Information Systems Ltd. | | Siemens Nixdorf Information Systems Pvt. Ltd. | | Siemens Public Communication Network Pvt. Ltd. | Siemens Industrial Turbomachinery Services Pvt. Ltd. | Siemens BPO Services Pvt. Ltd. |
|---|----------------------------------|-----------|---|---------|--|--|--------------------------------------|
| | (SISL) | | (SNISL) | | (Acquired on 24 May, 2005) (SPCNL) | (Acquired on 1 April, 2005) (SITS) | (Acquired on 26 May, 2005) (SBPO) |
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2005 | 2005 |
| Capital | 68,150 | 68,150 | 161,210 | 161,210 | 124,250 | 9,100 | 41,643 |
| Reserves | 1,637,580 | 1,332,547 | 328,536 | 328,536 | 958,720 | 137,993 | 101,419 |
| Loans | — | — | — | — | 933,448 | — | 1,552 |
| Total Assets | 1,705,730 | 1,400,697 | 489,746 | 489,746 | 2,016,418 | 147,093 | 144,613 |
| Total Liabilities | 1,705,730 | 1,400,697 | 489,746 | 489,746 | 2,016,418 | 147,093 | 144,613 |
| Details of investments: - 2,040,514 equity shares of Rs 10 each fully paid-up in Siemens BPO Services Pvt. Ltd. (formerly 'Siemens Shared Services Pvt Ltd') | 249,470 | 29,996 | — | — | — | — | — |
| Turnover | 6,441,051 | 4,930,220 | — | — | 2,454,531 | 140,778 | 207,808 |
| Profit before Tax | 1,458,997 | 955,194 | (135) | 2,083 | 387,230 | 28,097 | 22,909 |
| Provision for Tax | (250,000) | (106,000) | — | — | (56,000) | (13,511) | (73) |
| Deferred Tax | 57,363 | (45,244) | — | — | (56,000) | 3,428 | 352 |
| Fringe Benefit Tax | (15,699) | — | — | — | (12,707) | (397) | (852) |
| Profit after Tax | 1,250,661 | 803,950 | (135) | 2,083 | 262,523 | 17,617 | 22,335 |
| Interim Dividend | 831,430 | 511,125 | — | — | — | — | — |
| Dividend Distribution Tax | 114,197 | 66,012 | — | — | — | — | — |

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, Siemens BPO Services Private Limited (formerly Siemens Shared Services Private Limited), Siemens Industrial Turbo machinery Services Private Limited (formerly Pimac Engineering and Services Private Limited) and Siemens Public Communications Networks Private Limited collectively referred to as the Siemens Group, as at 30 September 2005, 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 2005;
- (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.

Chartered Accountants

Akeel Master

Partner

Membership No: 46768

Mumbai

24 November 2005

Consolidated Balance Sheet at 30 September 2005 (Currency : Indian rupees thousands)

| | <i>Schedule</i> | 2005 | 2004 |
|---|-----------------|---------------------|---------------------|
| SOURCES OF FUNDS | | | |
| Shareholders' funds | | | |
| Share capital | 6 | 331,384 | 331,384 |
| Reserves and surplus | 7 | 8,847,123 | 6,671,110 |
| | | <u>9,178,507</u> | <u>7,002,494</u> |
| Minority interest | | | |
| Equity | 8 | 4,459 | - |
| Non-equity | 9 | 67,617 | - |
| | | <u>72,076</u> | <u>-</u> |
| Loan funds | | | |
| Secured loans | 10 | 35,000 | - |
| Unsecured loans | 11 | 925,657 | 28,872 |
| | | <u>960,657</u> | <u>28,872</u> |
| | | <u>10,211,240</u> | <u>7,031,366</u> |
| APPLICATION OF FUNDS | | | |
| Fixed assets | | | |
| Gross block | 12 | 9,378,756 | 6,976,155 |
| Accumulated depreciation | | (5,248,301) | (4,397,577) |
| Net block | | 4,130,455 | 2,578,578 |
| Capital work-in-progress | | 612,710 | 81,453 |
| | | <u>4,743,165</u> | <u>2,660,031</u> |
| Investments | 13 | 847,135 | 407,900 |
| Deferred tax asset | 14 | 624,219 | 460,379 |
| Deferred tax liability | 15 | (196,060) | (191,450) |
| | | <u>428,159</u> | <u>268,929</u> |
| Current assets, loans and advances | | | |
| Inventories | 16 | 3,699,771 | 1,698,235 |
| Sundry debtors | 17 | 10,700,012 | 4,259,184 |
| Cash and bank balances | 18 | 6,745,296 | 6,410,971 |
| Loans and advances | 19 | 2,895,691 | 2,093,813 |
| | | <u>24,040,770</u> | <u>14,462,203</u> |
| Current liabilities and provisions | | | |
| Current liabilities | 20 | (16,428,540) | (8,809,176) |
| Provisions | 21 | (3,419,449) | (1,958,521) |
| | | <u>(19,847,989)</u> | <u>(10,767,697)</u> |
| Net current assets | | <u>4,192,781</u> | <u>3,694,506</u> |
| | | <u>10,211,240</u> | <u>7,031,366</u> |

Significant accounting policies

Notes to the consolidated financial statements

The schedules referred to above form an integral part of the balance sheet

As per our report attached

For BSR & Co.

Chartered Accountants

Ashok Jangid
Corporate Secretary

For Siemens Group

Deepak S. Parekh
J. Schubert
H. Gelis
D. C. Shroff
Y. H. Malegam
N. J. Jhaveri
Dr. O. Schmitt

Chairman
Managing Director
Executive Director

Directors

Akeel Master

Partner

Membership No: 46768

Mumbai,

24 November 2005

Mumbai,

24 November 2005

Consolidated Profit and Loss Account for the year ended 30 September 2005 (Currency: Indian rupees thousands)

| | Schedule | 2005 | 2004 |
|---|----------|-------------|-------------|
| Income | | | |
| Sales and services (gross) | | 37,539,879 | 23,272,215 |
| Excise duty | | (1,601,390) | (1,112,747) |
| Sales and services (net) | | 35,938,489 | 22,159,468 |
| Commission income | | 440,337 | 296,856 |
| | | 36,378,826 | 22,456,324 |
| Interest income, net | 22 | 265,217 | 176,349 |
| Other operating income, net | 23 | 401,830 | 337,235 |
| Other income | 24 | 207,486 | 17,953 |
| | | 37,253,359 | 22,987,861 |
| Expenditure | | | |
| Cost of sales and services | 25 | 23,083,655 | 14,214,549 |
| Personnel costs, net | 26 | 4,833,844 | 3,150,183 |
| Depreciation and amortisations (other than equipment given on lease) | 12 | 684,311 | 476,450 |
| Other costs, net | 27 | 4,145,270 | 2,531,820 |
| | | 32,747,080 | 20,373,002 |
| Share of profit in associate company | | 21,643 | 15,588 |
| Profit before tax | | 4,527,922 | 2,630,447 |
| Provision for current tax | 28 | (1,333,591) | (881,000) |
| Fringe benefit tax | | (60,917) | - |
| Deferred tax (expense)/benefit | | (33,133) | (55,474) |
| Profit after tax | | 3,100,281 | 1,693,973 |
| Minority interest | | (8,632) | - |
| Net profit (A) | | 3,091,649 | 1,693,973 |
| Profit and loss account balances on account of amalgamation of Demag Delaval Industrial Turbomachinery Pvt Ltd | | (3,541) | - |
| Amount available for appropriation | | 3,088,108 | 1,693,973 |
| Appropriations: | | | |
| Interim dividend paid | | 149,123 | 132,554 |
| Proposed dividend | | 331,384 | 165,692 |
| Dividend tax | | 181,588 | 104,989 |
| Net deficit on account of amalgamation of Demag Delaval Industrial Turbomachinery Pvt. Ltd. | | 250,000 | - |
| Transfer to general reserve | | 1,871,133 | 1,256,083 |
| Balance carried forward | | 304,880 | 34,655 |
| | | 3,088,108 | 1,693,973 |
| Weighted average number of equity shares outstanding during the year (B) | | 33,138,403 | 33,138,403 |
| Basic and diluted earnings per share of face value of Rs 10 (A)/(B) | | 93.30 | 51.12 |

Significant accounting policies

1

Notes to the consolidated financial statements

29-37

The schedules referred to above form an integral part of the profit and loss account.

As per our report attached

For BSR & Co.

Chartered Accountants

Ashok Jangid
Corporate Secretary

For Siemens Group

Deepak S. Parekh
J. Schubert
H. Gelis
D. C. Shroff
Y. H. Malegam
N. J. Jhaveri
Dr. O. Schmitt

Chairman
Managing Director
Executive Director

Directors

Akeel Master

Partner

Membership No: 46768

Mumbai,

24 November 2005

Mumbai,

24 November 2005

Consolidated Cash Flow Statement for the year ended 30 September 2005 (Currency: Indian rupees thousands)

| | 2005 | 2004 |
|---|--------------------|------------------|
| Cash flow from operating activities | | |
| Profit before tax | 4,527,922 | 2,630,447 |
| Adjustments for: | | |
| Interest expense | 18,957 | 637 |
| Depreciation and goodwill amotisation | 685,025 | 489,929 |
| Bad debts | 26,828 | 19,105 |
| Provision for doubtful debts and advances, net | 37,958 | 36,847 |
| Profit on sale of fixed assets, net | (102,917) | (16,585) |
| Profit on sale of Life Support Systems business | - | (65,593) |
| Profit on sale of debentures | (15,000) | - |
| Unrealised exchange loss/(gain), net | 183,350 | (153,744) |
| Interest accrued | (311,990) | (179,345) |
| Share of profit in associate companies | (21,643) | (15,588) |
| Lease equalisation charge | - | 6,400 |
| Operating profit before working capital changes | <u>5,028,490</u> | <u>2,752,510</u> |
| (Increase)/ decrease in working capital | | |
| Inventories | (1,171,454) | (406,005) |
| Sundry creditors and other liabilities | 4,686,397 | 2,434,371 |
| Sundry debtors and other receivables | (4,204,077) | (265,961) |
| Provisions | 313,035 | 149,287 |
| Net change in working capital | <u>(376,099)</u> | <u>1,911,692</u> |
| Cash generated from operations | <u>4,652,391</u> | <u>4,664,202</u> |
| Direct taxes paid, net | (1,361,802) | (531,542) |
| Net cash inflow from operating activities | <u>3,290,589</u> | <u>4,132,660</u> |
| Cash flow from investing activities | | |
| Purchase of fixed assets | (1,074,315) | (597,500) |
| Proceeds from sale of fixed assets | 111,868 | 24,874 |
| Purchase of investments, net of cash acquired | (1,817,449) | (70,000) |
| Net investment in mutual fund | (482,920) | (294,210) |
| Consideration from sale of Life Support Systems business | - | 97,600 |
| Interest received | 285,616 | 175,185 |
| Dividend on mutual fund investment | 27,817 | 2,359 |
| Inter corporate deposits refunded/(given) | 305,000 | (90,000) |
| Proceeds from sale of debentures | 15,000 | - |
| Net cash used in investing activities | <u>(2,629,383)</u> | <u>(751,692)</u> |
| Cash flow from financing activities | | |
| Interest paid | (18,957) | (637) |
| Decrease in short term borrowings | (8,098) | - |
| Dividend paid (including tax thereon) | (392,312) | (363,927) |
| Decrease in long term borrowings | 135,285 | (2,130) |
| Net cash used in financing activities | <u>(284,082)</u> | <u>(366,694)</u> |
| Net increase in cash and cash equivalents | <u>377,124</u> | <u>3,014,274</u> |
| Cash and cash equivalents at beginning of the year | <u>6,410,971</u> | <u>3,363,589</u> |
| Effect of exchange gain on cash and cash equivalents | <u>(42,799)</u> | <u>33,108</u> |
| Cash and cash equivalents at the end of the year (Schedule 18) | <u>6,745,296</u> | <u>6,410,971</u> |

As per our report attached
For BSR & Co.

Chartered Accountants

Akeel Master

Partner

Membership No: 46768

Mumbai,

24 November 2005

Ashok Jangid

Corporate Secretary

For Siemens Group

Deepak S. Parekh

J. Schubert

H. Gelis

D. C. Shroff

Y. H. Malegam

N. J. Jhaveri

Dr. O. Schmitt

Chairman

Managing Director

Executive Director

Directors

Mumbai,

24 November 2005

Schedules to Consolidated Financial Statements for the year ended 30 September 2005 (Currency: Indian rupees thousands)

1 Significant 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 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 ('ICAI') to the extent applicable.

The financial 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.

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' or 'the 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. Goodwill arising on consolidation is amortised over its estimated useful life i.e. 5 years.

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.

Minority interest's share of net profit is adjusted against the income to arrive at the net income attributable to shareholders. Minority interest's share of net assets is presented separately in the balance sheet.

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 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.

1.4 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.

Schedules to Consolidated Financial Statements (*Continued*) for the year ended 30 September 2005 (Currency: Indian rupees thousands)

Depreciation is provided on the straight-line method ('SLM'). The depreciation rates prescribed in Schedule XIV to the Companies Act, 1956 are considered as the minimum rates. If the management's estimate of the useful life of a fixed assets at the time of acquisition of the assets or of the remaining useful life on a subsequent review is shorter than that envisaged in the aforesaid schedule, depreciation is provided at a higher rate based on the managements estimate of useful life/remaining life.

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 | - |
| 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% |

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.

Leases under which the Group assumes subsequently all the risks and rewards of ownership are classified as finance leases. Such assets acquired on or after 1 April 2001 are capitalised at fair value of the asset or present value of the minimum lease payments at the inception of the lease, whichever is lower.

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.

Capital work-in-progress includes the cost of fixed assets that are not ready for use at the balance sheet date and advances paid to acquire fixed assets before the balance sheet date.

Intangible assets

Intangible assets comprises technical know-how, customers contracts, goodwill and software. These intangible assets are depreciated on straight line basis based on the following useful lives, which in management's estimate represent the period during which economic benefits will be derived from their use:

| Intangible asset | Useful life |
|-------------------------|--------------------|
| Goodwill | 60 months |
| Technical know-how | 60 months |
| Customer contracts | 18 months |
| Software | 36 months |

1.5 Impairment of assets

The Group assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost.

1.6 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.

1.7 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 over their estimated useful lives which range between 1-3 years.

1.8 Revenue recognition

Revenue from sales of products is recognised when the risk and rewards of ownership of the products are passed on to the customers, which are generally on despatch of goods. Sales are stated exclusive of sales tax.

Sales representing amounts due on takeover certificates and validation in respect of the various switching orders executed by Siemens Public Communication Networks Pvt Ltd for two of its customers are recognised in the period it is reasonably certain that ultimate collection of the same can be made from the respective customers. Where ultimate collection from the customer is not reasonably certain, revenue recognition is postponed. Sales to certain customers are recognised, based on the capacity added which is in accordance with the contract.

Service income is recognised as per the terms of the contract with the customer when the related services are performed.

Income from fixed price construction 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.

Revenues under cost plus contracts are recognised as services are rendered on the basis of an agreed mark-up on costs incurred in accordance with arrangement entered.

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

Unbilled revenues represent costs incurred and revenue recognised on contracts to be billed in subsequent periods as per the terms of the contract.

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.

Export incentives receivable are accrued for when the right to receive the credit is established and there is no significant uncertainty regarding the ultimate collection of export proceeds.

1.9 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

Schedules to Consolidated Financial Statements (*Continued*) for the year ended 30 September 2005 (Currency: Indian rupees thousands)

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.

1.10 Retirement benefits

The Group'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 for the Company and the Life insurance Corporation (LIC) for Siemens Information Systems Ltd, Siemens BPO Services Pvt Ltd, Siemens Industrial Turbomachinery Services Pvt Ltd and Siemens Public Communication Networks Pvt Ltd 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 in respect of provident fund and superannuation schemes, which are defined contribution schemes, are charged to the profit and loss account monthly.

1.11 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 imported 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 premium or the discount on forward exchange contracts not relating to firm commitments or highly probably forecast transactions and not intended for trading or speculation purpose is amortised as expense or income over the life of the contract.

Gain or loss on forward exchange contracts relating to firm commitments or highly probable forecasts transactions is computed by multiplying the foreign currency amount of the forward exchange contract by the difference between the forward rate available at the reporting date for the remaining maturity of the contract and the contracted forward rate and booked to the profit and loss account.

Previously, the premium or discount on all forward exchange contracts was amortised as expense or income over the life of the contract. Pursuant to the Accounting Standard 11 'The Effects of Change in Foreign Exchange Rates' being applicable effective from 1 April 2004 the Company changed its accounting policy relating to premium/ discount on forward exchange contracts not relating to firm commitments or highly probable transactions. Had the accounting policy not been changed, the profit for the year would have been higher by Rs 3.4 million.

1.12 Research and development

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

1.13 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.

1.14 Taxation

Income-tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the income-tax law), deferred tax charge or credit (reflecting the tax effect of timing differences between accounting income and taxable income for the period) and Fringe Benefit Tax (computed in accordance with the relevant provision of the Income Tax Act, 1961).

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 in respect of timing differences which originate during the tax holiday period but reversed after the tax holiday period is recognized in the year in which the timing differences originate. For this purpose the timing differences, which originate first are considered to reverse first.

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 Company offsets on a year on year basis the current tax assets and liabilities where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

1.15 Provisions for contingencies

A provision is recognized when:

- the Group has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

Pursuant to Accounting Standard 29 'Provisions, Contingent Liabilities and Contingent Assets' becoming applicable effective 1 October, 2004, the Company revised its accounting policy relating to losses on onerous contracts relating to its product business. Previously, the Company recognised losses on onerous contracts relating to product business. Had the change in accounting policy not been made, the profit for the year would have been lower by Rs 35 million.

1.16 Description of the Group

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

| Entity | Country of incorporation | % holding 2005 | % holding 2004 |
|---|--------------------------|----------------|----------------|
| Subsidiaries | | | |
| Siemens Information Systems Ltd ('SISL') | India | 100% | 100% |
| Siemens Public Communication Networks Pvt. Ltd. (SPCNL) (acquired on 24 May 2005) | India | 100% | - |
| Siemens BPO Services Pvt. Ltd. ('SBPO') (formerly Siemens Shared Services Pvt. Ltd) (51% of the equity was acquired on 26 May 2005) (the balance 49% is held by SISL) | India | 100% | 49% |
| Siemens Industrial Turbomachinery Services Pvt. Ltd. ('SITS') (formerly Pimac Engineering & Services Private Ltd) (acquired on 1 April 2005) | India | 51% | - |
| Step-down subsidiaries | | | |
| Siemens Nixdorf Information Systems Pvt Ltd ('SNISL') | India | 100% | 100% |

2 Amalgamation of Demag Delaval Industrial Turbomachinery Pvt. Ltd. with the Company

Pursuant to the Scheme of Amalgamation ('the scheme') of the erstwhile Demag Delaval Industrial Turbomachinery Pvt. Ltd. ('DDIT') with the Company as approved in the Board Meeting held on 25 April 2005 and subsequently sanctioned by the Hon'ble High Court of Mumbai on 30 September 2005, the assets and liabilities of the erstwhile DDIT were transferred to and vested in the Company effective 1 April 2005. Accordingly, the scheme has been given effect to in these accounts.

The operations of DDIT include executing projects for Industrial Turbines and servicing industrial turbines.

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 DDIT at 1 April 2005 have been taken over at their book values.

Net deficit of Rs. 250 million being the difference between the share capital issued of DDIT and the value of investment in DDIT by the Company, has been debited adjusted in reserves through the profit and loss appropriation account.

In view of this amalgamation effective 1 April 2005 the figures for the current year are not strictly comparable to the prior year.

Schedules to Consolidated Financial Statements (*Continued*) for the year ended 30 September 2005 (Currency: Indian rupees thousands)

3 *Amalgamation of Siemens VDO Automotive Ltd. with the Company*

At the Board Meetings held on 25 November 2004, the Board of Directors of the Company and Siemens VDO Automotive Ltd. ('SVDO') approved the merger of SVDO with the Company effective 1 October 2004, subject to the approval of Mumbai and Karnataka High Courts. Pending receipt of all the relevant Court approvals, the financial results of the Company do not include the results of SVDO.

4 *Amalgamation of Siemens Building Technologies Pvt. Ltd with the Company*

Pursuant to the Scheme of Amalgamation ('the scheme') 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 23 February 2004, the assets and liabilities of the erstwhile SBT were transferred to and vested in the Company with effect from 1 October 2003.

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

5 *Acquisitions during the year*

The effect of the acquisition of subsidiaries on the financial position of the Group at 30 September 2005 and the results for the year then ended are set out below:

| | SPCNL | SBPO | SITS |
|---|-----------|---------|---------|
| Purchase consideration | 1,639,522 | 111,000 | 103,390 |
| Goodwill arising on consolidation | 819,075 | 49,309 | 35,036 |
| Impact on consolidation (excluding inter-company eliminations) | | | |
| Total assets | 2,016,418 | 144,613 | 147,093 |
| Total liabilities | 2,016,418 | 144,613 | 147,093 |
| Turnover | 2,454,531 | 207,808 | 140,778 |
| Net profit after tax | 262,523 | 22,335 | 17,617 |

| | 2005 | 2004 |
|---|------------------|------------------|
| 6 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 |
| | <u>2,000,000</u> | <u>2,000,000</u> |
| Issued | | |
| 33,311,256 (2004: 33,311,256) Equity shares of Rs 10 each | 333,113 | 333,113 |
| Subscribed and fully paid-up | | |
| 33,138,403 (2004: 33,138,403) Equity shares of Rs 10 each fully paid-up | 331,384 | 331,384 |

Equity shares

18,103,087 (2004: 18,103,087) Equity shares are held by the holding company, Siemens AG, Germany.
11,100,000 (2004: 11,100,000) Equity shares have been allotted as fully paid-up bonus shares by capitalisation of the general reserve; and 150,000 (2004: 150,000) Equity shares have been allotted as fully paid-up for consideration received other than in cash.

| | 2005 | 2004 |
|--|------------------|------------------|
| 7 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 | 4,101,048 | 2,844,965 |
| - Transfer from profit and loss account | 1,871,133 | 1,256,083 |
| | <u>5,972,181</u> | <u>4,101,048</u> |
| Profit and loss account | | |
| - Balance brought forward | 742,034 | 707,379 |
| - Transfer from profit and loss appropriation account | 304,880 | 34,655 |
| | <u>1,046,914</u> | <u>742,034</u> |
| | <u>8,847,123</u> | <u>6,671,110</u> |
| 8 Minority interest in equity | | |
| Siemens Industrial Turbomachinery Services Private Ltd | | |
| 44,590 (2004: Nil) equity shares held by minority interest (49% holding; 2004: Nil holding) | 4,459 | - |
| | <u>4,459</u> | <u>-</u> |
| 9 Minority interest in Non-equity | | |
| Siemens Industrial Turbomachinery Services Private Ltd | | |
| On purchase of stake | 58,985 | - |
| Share of profit for the year | 8,632 | - |
| | <u>67,617</u> | <u>-</u> |
| 10 Secured loans | | |
| From Banks | | |
| - Short term | 1,552 | - |
| Finance lease obligation | 33,448 | - |
| | <u>35,000</u> | <u>-</u> |
| The Group has availed of short term working capital loans from banks which are secured by hypothecation by way of a first charge on inventories, including stores and spares, book debts and other receivables, both present and future. | | |
| 11 Unsecured loans | | |
| Long term | | |
| - sales tax deferral | 25,657 | 28,872 |
| - working capital demand loan from banks | 900,000 | - |
| | <u>925,657</u> | <u>28,872</u> |
| The loan under the sales tax deferral scheme is payable till 2011 | | |
| - Amounts payable within one year | 5,625 | 3,215 |

Schedules to Consolidated Financial Statements (*Continued*) for the year ended 30 September 2005 (Currency: Indian rupees thousands)

12 Fixed assets

| | Intangible assets | | | | Tangible assets | | | | | | | Total | Previous year |
|---------------------------------|-------------------|-------------------|-------------------|---------------|-----------------|------------------|---------------------|--------------------------------|----------------|-------------------------|--------------------------|------------------|---------------|
| | Goodwil | Technical knowhow | Customer Contract | Software | Land | Buildings | Plant and Machinery | Furniture and Office Equipment | Vehicles | Vehicles taken on lease | Equipment given on lease | | |
| Gross block | | | | | | | | | | | | | |
| At 1 October 2004 | 529,312 | - | - | - | 117,236 | 1,659,442 | 3,118,787 | 1,027,034 | 98,456 | - | 425,888 | 6,976,155 | 6,818,123 |
| Additions on acquisition | 1,009,523 | 48,520 | 72,080 | 62,499 | 60,950 | 18,290 | 846,868 | 252,133 | 19,708 | 76,445 | - | 2,467,016 | - |
| Additions | - | - | - | 3,510 | - | 63,005 | 421,842 | 108,611 | 28,025 | 418 | - | 625,411 | 536,928 |
| Disposals | - | - | - | (11,041) | - | (9,573) | (209,478) | (15,895) | (7,757) | (13,194) | (422,888) | (689,826) | (378,896) |
| At 30 September 2005 | 1,538,835 | 48,520 | 72,080 | 54,968 | 178,186 | 1,731,164 | 4,178,019 | 1,371,883 | 138,432 | 63,669 | 3,000 | 9,378,756 | 6,976,155 |
| Accumulated depreciation | | | | | | | | | | | | | |
| At 1 October 2004 | 150,848 | - | - | - | 27,416 | 381,268 | 2,454,314 | 900,645 | 59,198 | - | 423,888 | 4,397,577 | 4,280,319 |
| Additions on acquisition | 26,525 | 12,130 | 60,067 | 54,719 | 12,497 | 7,073 | 493,117 | 135,625 | 8,276 | 42,716 | - | 852,745 | - |
| Charge for the year | 170,737 | 4,852 | 12,013 | 1,475 | 3,240 | 49,324 | 326,210 | 83,151 | 22,280 | 4,858 | 714 | 678,854 | 487,865 |
| Disposals | - | - | - | (11,041) | - | (2,612) | (206,895) | (17,345) | (7,645) | (12,449) | (422,888) | (680,875) | (370,607) |
| At 30 September 2005 | 348,110 | 16,982 | 72,080 | 45,153 | 43,153 | 435,053 | 3,066,746 | 1,102,076 | 82,109 | 35,125 | 1,714 | 5,248,301 | 4,397,577 |
| Net block | | | | | | | | | | | | | |
| At 30 September 2005 | 1,190,725 | 31,538 | - | 9,815 | 135,033 | 1,296,111 | 1,111,273 | 269,807 | 56,323 | 28,544 | 1,286 | 4,130,455 | 2,578,578 |
| At 30 September 2004 | 378,464 | - | - | - | 89,820 | 1,278,174 | 664,473 | 126,389 | 39,258 | - | 2,000 | 2,578,578 | |

Included in the gross block of land at 30 September 2005 is freehold land of Rs 6,607,804 (2004: Rs 6,607,804) and buildings includes Rs 179,780,721 (2004: Rs 192,534,986) representing 816 (2004: 1,237) shares of Rs 50/- each in various co-operative housing societies Buildings with a net book value of Rs 22,461,000 (2004: Rs 25,242,000) are held for sale at 30 September 2005.

Future lease payments receivable under operating leases not later than one year aggregate Rs 1,800,000 (2004: Rs 1,800,000) and later than one year and not later than five years aggregate Rs 1,800,000 (2004: Rs. 1,800,000).

Depreciation has been disclosed as follows :

- Depreciation of Rs 714,285 (2004: Rs 13,478,665) on equipment given on lease is reduced from lease income at note 19 to the financial statements.
- The balance depreciation and amortisation of goodwill arising on acquisition of associates of Rs 684,311,715 (2004: Rs 476,450,000) has been separately disclosed in the profit and loss account.

| | 2005 | 2004 |
|--|----------------|----------------|
| 13 Investments | | |
| Non-Trade, long term (unquoted) | | |
| In government securities | | |
| National Savings Certificates | 5 | 5 |
| Rural Electrification Corporation Limited 54EC Bonds (7,000 bonds of Rs 10,000 each) | 70,000 | 70,000 |
| Trade | | |
| Shares in other companies | | |
| Nil (2004: 2,040,514) Equity shares of Rs 10 each fully paid-up in Siemens Shared Services Pvt Ltd held by SISL (Nil holding; 2004: 49% holding) | 19,676 | 19,676 |
| Unamortised goodwill | 10,320 | 10,320 |
| | <u>29,996</u> | <u>29,996</u> |
| Goodwill amortised | (10,320) | (4,149) |
| | <u>19,676</u> | <u>25,847</u> |
| Share of profit | 39,481 | 17,838 |
| | <u>59,157</u> | <u>43,685</u> |
| Conversion to subsidiary pursuant to additional stake purchased by the Company | (59,157) | - |
| | <u>-</u> | <u>43,685</u> |
| Current Investments, at lower of cost or market value | | |
| In Mutual Funds (unquoted) | | |
| 23,880,675 (2004: 9,545,393) units of HSBC Cash Fund-Institutional-Daily Dividend | 238,940 | 99,655 |
| Nil (2004: 8,933,441) units of HDFC Cash Management Fund-Daily Dividend | - | 95,020 |
| 12,294,026 (2004: Nil) units of Prudential ICICI Liquid Plan | 145,703 | - |
| 10,069,315 (2004: Nil) units of Grindlays Cash Fund Institutional Plan | 100,693 | - |
| 9,263,738 (2004: Nil) units of DSP Merilly Lynch Liquidity Fund- Daily Dividend | 92,730 | - |
| 19,867,619 (2004: 9,934,165) units of Deutsche Insta Cash Plus Fund-Daily Dividend | 199,064 | 99,535 |
| | <u>777,130</u> | <u>294,210</u> |
| Debentures | | |
| Nil (2004: 740,040) 18% non-convertible debentures of Rs 100 each in Mid-East Integrated Steel Ltd. | - | 74,004 |
| Provision for diminution in value | - | (74,004) |
| | <u>-</u> | <u>-</u> |
| | <u>847,135</u> | <u>407,900</u> |
| The aggregate book value and market value of quoted investments, and book value of unquoted investments, are as follows : | | |
| - Aggregate book value of unquoted investment | 847,135 | 407,900 |

Schedules to Consolidated Financial Statements (*Continued*)
for the year ended 30 September 2005
(Currency: Indian rupees thousands)

| | 2005 | 2004 |
|---|-------------------|------------------|
| 14 Deferred tax asset | | |
| Arising on account of timing differences in : | | |
| - Provision for doubtful debts | 211,665 | 171,840 |
| - Other provisions (including provisions for doubtful advances, restructuring provisions and other amounts allowable on a payment basis under the Income Tax Act, 1961) | 411,558 | 288,539 |
| - Fixed assets and Carry forwards losses | 996 | - |
| | <u>624,219</u> | <u>460,379</u> |
| 15 Deferred tax liability | | |
| Arising on account of timing differences in : | | |
| - Depreciation | 196,060 | 191,450 |
| 16 Inventories | | |
| Raw materials | 527,263 | 373,788 |
| Work-in-progress | | |
| - factory related | 255,790 | 247,189 |
| - project related | 1,759,968 | 598,553 |
| Finished goods | 1,156,750 | 478,705 |
| | <u>3,699,771</u> | <u>1,698,235</u> |
| 17 Sundry debtors | | |
| Debts outstanding | | |
| - Over six months | 2,884,593 | 983,665 |
| - Other debts | 8,374,710 | 3,712,952 |
| | <u>11,259,303</u> | <u>4,696,617</u> |
| Of which | | |
| - Considered good | 10,700,012 | 4,259,184 |
| - Considered doubtful | 559,291 | 437,433 |
| | <u>11,259,303</u> | <u>4,696,617</u> |
| Provision for doubtful debts | <u>(559,291)</u> | <u>(437,433)</u> |
| | <u>10,700,012</u> | <u>4,259,184</u> |
| 18 Cash and bank balances | | |
| Cash in hand | 36,386 | 24,632 |
| Cheques in hand | 928,030 | 217,990 |
| Balances with scheduled banks | | |
| - on current account | 1,701,564 | 1,850,442 |
| - on deposit account | 4,030,267 | 4,224,305 |
| Balances with other banks | 49,049 | 93,602 |
| | <u>6,745,296</u> | <u>6,410,971</u> |
| 19 Loans and advances (Unsecured) | | |
| Advances recoverable in cash or in kind or for value to be received | | |
| - considered good | 2,222,819 | 1,131,208 |
| - considered doubtful | 176,453 | 151,871 |
| | <u>2,399,272</u> | <u>1,283,079</u> |
| Provision for doubtful advances | <u>(176,453)</u> | <u>(151,871)</u> |
| | <u>2,222,819</u> | <u>1,131,208</u> |
| Unbilled receivables | 105,176 | 39,706 |
| Balances with customs, port trusts and excise authorities on current account | 139,313 | 53,073 |
| Inter corporate deposits | 425,000 | 865,000 |
| Interest accrued on inter corporate deposits | 3,383 | 4,826 |
| | <u>2,895,691</u> | <u>2,093,813</u> |

| | 2005 | 2004 |
|--|-------------------|------------------|
| 20 Current liabilities | | |
| Sundry creditors | 13,068,997 | 6,863,964 |
| Advances from customers | 3,352,901 | 1,939,461 |
| Unclaimed dividends* | 6,642 | 5,751 |
| | <u>16,428,540</u> | <u>8,809,176</u> |
| *Investor Protection and Education Fund is being credited by the amount of unclaimed dividend after seven years from the due date. | | |
| 21 Provisions | | |
| Pension | 450,415 | 159,100 |
| Leave wages | 89,522 | 64,937 |
| Medical benefits | 40,861 | 37,653 |
| Personnel related | 381,556 | 297,343 |
| Gratuity | 16,935 | - |
| Warranty | 525,053 | 358,957 |
| Loss order | 51,767 | 22,675 |
| Liquidated damages | 675,192 | 235,992 |
| Other risk | 405,252 | 296,585 |
| Proposed dividend | 331,384 | 165,692 |
| Tax on proposed dividend | 46,477 | 21,654 |
| Tax on interim dividend | 81,243 | - |
| Taxation | 278,482 | 253,553 |
| Others | 45,310 | 44,380 |
| | <u>3,419,449</u> | <u>1,958,521</u> |
| 22 Interest income, net | | |
| Interest income | 284,174 | 176,986 |
| Interest expense | (18,957) | (637) |
| | <u>265,217</u> | <u>176,349</u> |
| 23 Other operating income, net | | |
| Lease rentals | 2,400 | 23,484 |
| Lease equalisation charge | - | (6,400) |
| Depreciation | (714) | (13,479) |
| | <u>1,686</u> | <u>3,605</u> |
| Lease income, net | 1,686 | 3,605 |
| Export incentives | 87,389 | 15,550 |
| Profit on sale of fixed assets, net | 102,917 | 16,585 |
| Recoveries from subsidiary companies, associates and third parties | 86,094 | 108,973 |
| Profit on sale of Life Support Systems business | - | 65,593 |
| Sales tax set off | 123,744 | 126,929 |
| | <u>401,830</u> | <u>337,235</u> |
| 24 Other income | | |
| Profit on prepayment of sales tax deferral loan | 11,203 | - |
| Write back of liquidated damages and other risk provisions | 120,969 | - |
| Dividend on mutual fund investment | 27,817 | 2,359 |
| Sundries | 47,497 | 15,594 |
| | <u>207,486</u> | <u>17,953</u> |

Schedules to Consolidated Financial Statements (*Continued*)
for the year ended 30 September 2005
(Currency: Indian rupees thousands)

| | 2005 | 2004 |
|---|-------------------|-------------------|
| 25 Cost of sales and services | | |
| Raw materials consumed | 5,472,266 | 3,671,484 |
| Traded goods consumed | 11,150,559 | 7,223,211 |
| Project bought outs | 6,912,402 | 3,131,513 |
| Change in inventories | (1,266,696) | (376,211) |
| Other costs | 815,124 | 564,552 |
| | <u>23,083,655</u> | <u>14,214,549</u> |
| 26 Personnel costs, net | | |
| Salaries, wages and bonus, net | 4,201,636 | 2,689,364 |
| Contribution to provident and other funds | 277,726 | 184,615 |
| Workmen and staff welfare | 354,482 | 276,204 |
| | <u>4,833,844</u> | <u>3,150,183</u> |
| Salaries, wages and bonus for the year ended 30 September 2004 include a charge of Rs 85,200,000 towards additional leave encashment payable pursuant to a change in the leave policy of the Company for certain categories of employees. | | |
| 27 Other costs, net | | |
| Travel and conveyance | 808,103 | 586,476 |
| External software services and data processing | 341,821 | 375,245 |
| Communications | 400,759 | 275,404 |
| Power and fuel | 244,593 | 142,404 |
| Rates and taxes | 259,003 | 144,533 |
| Repairs and maintenance | | |
| - on building | 225,361 | 106,000 |
| - on machinery | 46,696 | 45,801 |
| - others | 77,562 | 55,061 |
| Rent | 164,862 | 107,045 |
| Research and development expenditure | 72,878 | 46,073 |
| Advertising and publicity | 132,471 | 71,899 |
| Packing and forwarding | 106,740 | 77,146 |
| Legal and professional | 229,562 | 109,685 |
| Exchange losses/ (gains), net | 327,132 | (136,831) |
| Office supplies, printing and stationery | 56,898 | 43,066 |
| Lease rentals | 47,120 | 45,795 |
| Insurance | 56,737 | 44,227 |
| Bank guarantee commission/ bank charges | 40,171 | 15,143 |
| Spares and stores | 85,642 | 29,150 |
| Commission to directors | 10,112 | 12,088 |
| Directors' fees | 390 | 280 |
| Donation | 12,600 | 2,653 |
| Bad debts | 26,828 | 19,105 |
| Provision for doubtful debts and advances, net | 37,958 | 36,847 |
| Miscellaneous | 333,271 | 277,525 |
| | <u>4,145,270</u> | <u>2,531,820</u> |

During the current year, SPCNL has revised the provisioning requirements on overdue receivables and percentages used for not due and overdue receivables has been reduced based on passed history of write-off of bad debts. As a result of this change in the provisioning norm the profit before tax for the current year is higher by Rs. 28,146,980.

28 Provision for current tax

Provision for current tax of Rs 881,000,000 for the year ended 30 September, 2004 includes a provision of Rs 126,000,000 for earlier years.

The profits of the units of SISL which are Export Oriented Unit ('EOU') or part of Software Technology Part ('STP') are exempt from Indian income taxes (Tax Holiday Scheme). Under this Tax Holiday Scheme, the taxpayer can avail an exemption of tax on profits from income for a period of ten consecutive years. Provision for current tax is made on the taxable profits earned by non STP/EOU units adjusted for the tax holiday available to the applicable STP and EOU units.

- 29** SPCNL recognises revenue on one of its projects on the basis of capacity added and accepted by the customer on a monthly basis. The related agreement has been prematurely terminated on 30 September 2005, by mutual consent. Consequent to such termination, the capacity added during the month of September 2005 is yet to be accepted by the customer. In view of the uncertainties arising from the delay in customer acceptance, revenue relating to capacity added during the aforesaid month has not been recognised in these financial statements. Aforesaid revenue, estimated at Rs. 60,254,457 will be recognised on customer acceptance of such additions. Under the terms of aforesaid contract, the Company is entitled to additional revenues on periodic capacity addition, based on customer requirements. In case such addition falls short of the contracted capacity addition for that period, such shortfall, if any, for the quarter ended 30 September 2005 will be determined as part of the final settlement under the contract. Pending such determination, the amount of additional revenue cannot be reliably determined and hence not recognised in this financial statements.
- 30** Sales and services recognised by SPCNL during the current year includes and amount of Rs. 117,816,398 (Previous Year Rs. 75,623,621) due on commissioning of certain customers orders executed by the Company in the previous year which had been on certain of ultimate collection. The related sales revenue has been recognised by the Company during the current year and significant amount has also been collected.

31 Commitments and contingent liabilities

| | 2005 | 2004 |
|--|----------------|-------------|
| a Commitments | | |
| Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) | 637,962 | 67,156 |
| Future lease commitments in respect of operating leases | | |
| -within one year | 60,594 | 36,396 |
| -later than one year and not later than five years | 54,277 | 36,206 |
| Export commitments | 617,929 | 855,944 |
| | <hr/> <hr/> | <hr/> <hr/> |
| b Contingent liabilities | | |
| Bills discounted | 200,307 | 219,386 |
| 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 disputed further by income tax authorities | 205,933 | 106,166 |
| Excise/sales tax liabilities (net of tax), under dispute | 225,272 | 192,543 |
| Corporate and other guarantees | 102,247 | 32,310 |
| Custom duty demands under dispute | 41,938 | - |
| Claims against the Company not acknowledged as debts | 177,641 | 182,547 |
| | <hr/> <hr/> | <hr/> <hr/> |

Schedules to Consolidated Financial Statements (*Continued*)
for the year ended 30 September 2005
(Currency: Indian rupees thousands)

| | 2005 | 2004 |
|---|--------|--------|
| 32 Supplementary statutory information | | |
| (i) Managerial remuneration | | |
| Personnel and other costs include managerial remuneration for directors as set out below: | | |
| Salary | 19,592 | 9,840 |
| Perquisites | 15,583 | 7,260 |
| Commission | 10,112 | 12,088 |
| Performance linked incentive | 15,000 | 8,000 |
| Entitlement to stock linked compensation | 2,752 | - |
| Ex-gratia | 9,000 | - |
| Contribution to provident fund | 1,780 | 813 |
| Contribution to superannuation fund | 675 | 1,017 |
| | 74,494 | 39,018 |
| (ii) Auditors' remuneration | | |
| Audit fee | 8,321 | 5,826 |
| Tax audit fee | 4,636 | 2,166 |
| Other services | 1,210 | 675 |
| Reimbursement of expenses | 785 | 422 |
| | 14,952 | 9,089 |

33 Related party transactions

33.1 Parties where Control exists :

Siemens AG Holding company (holds 54.63% of the Equity share capital as at 30 September 2005)

33.2 Other related parties where transactions have taken place during the year

| Fellow Subsidiaries | | |
|---|--|----------------------|
| Acuson Corporation | | India |
| ADB S.A./N.V. | | Belgium |
| COMPEX - IT Plant Solutions N.V. | | Belgium |
| Dasan Networks Inc. | | Korea |
| Demag Delaval Desoil Services PJSC, | | Iran |
| Demag Delaval Industrial Turbo Machinery S. T. O. | | Czech Republic |
| Demag Delaval Industrial Turbo Machinery GmbH | | Germany |
| Demag Delaval Industrial Turbo Machinery | | Sweden |
| Eviop-Tempo A.E. Electrical Equipment Manufacturers | | Greece |
| Flender Power Transmission Inc. | | Canada |
| Fujitsu Siemens Computers GmbH | | Netherlands |
| Koncar Power Transformers Ltd. | | Croatia |
| Lincas Electro Vertriebsgesellschaft GmbH | | Germany |
| mdexx Magnetronic Devices GmbH & Co. KG | | Germany |
| Mechanik Center Erlangen GmbH | | Germany |
| MWW Metallbearbeitungs-GmbH & Co KG | | Austria |
| OSRAM India Pvt. Ltd. | | India |
| P.T. Siemens Indonesia | | Indonesia |
| SBS Region Deutschland München | | Germany |
| SD (Middle East) LLC,Utd | | United Arab Emirates |
| Seabridge Ltd., | | Israel |

33.2 Other related parties where transactions have taken place during the year (Continued)

Fellow Subsidiaries

| | |
|---|----------------|
| Siemens A/S | Denmark |
| Siemens AB | Sweden |
| Siemens Aktiengesellschaft Österreich | Austria |
| Siemens Algérie S.A.R.L. | Algeria |
| Siemens Automotive Systems Corp., | South Korea |
| Siemens Bangladesh Ltd. | Bangladesh |
| Siemens Building Technologies Fire & Security Products GmbH & Co. OHG | Germany |
| Siemens Building Technologies Pte. Ltd. | Singapore |
| Siemens Building Technologies, Inc. | USA |
| Siemens Busbar Trunking Systems GmbH & Co. KG | Germany |
| Siemens Busbar Trunking Systems Ltd. | United Kingdom |
| Siemens Busbar Trunking Systems S.L. | Spain |
| Siemens Business Communication Systems Ltd. | China |
| Siemens Business Services (Pty.) Ltd., | Africa |
| Siemens Business Services A/S, | Denmark |
| Siemens Business Services AB, | Sweden |
| Siemens Business Services GmbH & Co | Austria |
| Siemens Business Services GmbH & Co. OHG | Germany |
| Siemens Business Services Ltd. | Ireland |
| Siemens Business Services Ltd., | United Kingdom |
| Services Pte. Ltd., | Singapore |
| Siemens Business Services S.A. | Belgium |
| Siemens Business Services Sistem Hizmetleri A.S. | Turkey |
| Siemens Business Services, Inc. | USA |
| Siemens Canada Ltd. | Canada |
| Siemens Communication Networks Ltd, | China |
| Siemens Communication, Inc. | USA |
| Siemens Communications | United Kingdom |
| Siemens Company Secretariat Ltd. | United Kingdom |
| Siemens Corporate Research, Inc. | USA |
| Siemens Corporation | USA |
| Siemens d.o.o. | Slovenia |
| Siemens Electrical & Electronic Services K.S.C., | Kuwait |
| Siemens Electrical Apparatus Ltd. | China |
| Siemens Electrical Drives Ltd. | China |
| Siemens Electronic Design and Manufacturing Services GmbH & Co. KG | Germany |
| Siemens Elektromotory s.r.o. | Czech Republic |
| Siemens Energy & Automation, Inc. | USA |
| Siemens Energy Management and Information Systems Pte. Ltd. | Singapore |
| Siemens Factory Automation Engineering Ltd. | China |
| Siemens Financial Services, | Hongkong |
| Siemens Hearing Instruments Pvt. Ltd. | India |
| Siemens Industrial Services Ltd. | Thailand |
| Siemens Industrial Turbomachinery B.V. | Netherlands |
| Siemens Industrial Turbomachinery Ltd. | United Kingdom |
| Siemens Informatica S.p.A. | Italy |
| Siemens Limited, | Atea |
| Siemens Logistics and Assembly Systems, | USA |

Schedules to Consolidated Financial Statements (*Continued*) for the year ended 30 September 2005 (Currency: Indian rupees thousands)

33.2 Other related parties where transactions have taken place during the year (*Continued*)

Fellow Subsidiaries

| | |
|---|----------------|
| Siemens Ltd. | Australia |
| Siemens Ltd. | Bangkok |
| Siemens Ltd. | China |
| Siemens Ltd. | Egypt |
| Siemens Ltd. | Hongkong |
| Siemens Ltd. | Korea |
| Siemens Ltd. | Saudi Arabia |
| Siemens Ltd. | South Africa |
| Siemens Ltd. | Taiwan |
| Siemens Ltd. | Thailand |
| Siemens Ltd. for Trading | Egypt |
| Siemens Ltda. | Brazil |
| Siemens Magnet Technology Ltd. | United Kingdom |
| Siemens Malaysia Sdn. Bhd. | Malaysia |
| Siemens Medical Solutions USA, Inc. | USA |
| Siemens Medium Voltage Switching Technologies (Wuxi) Ltd. | China |
| Siemens Mobile Communication, | Milano |
| Siemens Multimedia, | Malaysia |
| Siemens Nederland N.V. | Netherland |
| Siemens Osakeyhtiö | Finland |
| Siemens Pakistan Engineering Co. Ltd. | Pakistan |
| Siemens plc | United Kingdom |
| Siemens Power Engineering Pvt. Ltd. | India |
| Siemens Power Generation | United Kingdom |
| Siemens Power Generation, Inc. | USA |
| Siemens Power Transmission & Distribution, Inc. | USA |
| Siemens Programm- und Systementwicklung GmbH & Co. KG | Germany |
| Siemens Pte. Ltd. | Singapore |
| Siemens S.A. | Argentina |
| Siemens S.A. | Columbia |
| Siemens S.A. de C.V. | Mexico |
| Siemens S.A., | Spain |
| Siemens S.A./N.V. | Belgium |
| Siemens S.A.S. | France |
| Siemens S.p.A. | Italy |
| Siemens s.r.o. | Czec Republic |
| Siemens SA, | Belgium |
| Siemens Sanayi ve Ticaret A.S. | Turkey |
| Siemens Schweiz AG | Switzerland |
| Siemens Schweiz AG, Building Technologies Group, International Headquarters | Switzerland |
| Siemens Shanghai Medical Equipment Ltd. | China |
| Siemens Shared Services LLC | USA |
| Siemens SPA, | Warszaw |
| Siemens Telecommunication Systems Ltd, | Taiwan |
| Siemens Telecommunications (Pty.) Ltd., | South Africa |
| Siemens TOO | Kazakistan |
| Siemens Transportation Systems GmbH & Co KG | Austria |
| Siemens Transportation Systems, Inc. | USA |

33.2 Other related parties where transactions have taken place during the year (Continued)

| | | |
|----------------------------|--|----------------------|
| Fellow Subsidiaries | Siemens VDO Automotive AG, | Switzerland |
| | Siemens VDO Automotive AG | Germany |
| | Siemens VDO Automotive Corp. | USA |
| | Siemens VDO Automotive Ltd. | India |
| | Siemens VDO Automotive S.A.S. | France |
| | Siemens VDO Trading Ltd., | United Kingdom |
| | Siemens Westinghouse Technical Services Pte. Ltd. | Singapore |
| | Siemens Ltd. | Indonesia |
| | Siemens Ltd. | Norge |
| | Siemens, Inc. | Philippines |
| | Siemens-Asahi Medical Technologies Ltd. | Japan |
| | Siemens-Elema AB | Sweden |
| | SMS Inc. - Customer Solutions Group | USA |
| | SYKATEC Systeme, Komponenten, Anwendungstechnologie GmbH & Co. KG | Germany |
| | Turbocare, Inc. | USA |
| | VVK Versicherungsvermittlungs- und Verkehrskontor GmbH | Germany |
| | Weiss Spindeltechnologie GmbH | Germany |
| Associates | EPCOS AG | Germany |
| | Infineon Technologies AG | Germany |
| | Powerplant Performance Improvement Ltd. | India |
| | Siemens LLC | United Arab Emirates |

33.3 Directors of the Group

| | | |
|-----------------------------|--------------------|------------------|
| Whole-time Directors | J. Schubert | W. Schachermeier |
| | H. Gelis | J. Meyer-Seipp |
| | Harinder Singh | M. Grenzhaeuser |
| | A. B. Nadkarni | Dr. D. K. Ghosh |
| | O. P. Narula | M. N. Rao |
| | A. R. Laud | Naveen Mohan |
| | A. S. Vishwanathan | |

Details of remuneration to directors are disclosed at note 32 (i) to the financial statements.

| | 2005 | 2004 |
|--|-----------|-----------|
| 33.4 Sales to and other recoveries from related parties | | |
| Holding company | 3,771,749 | 2,264,214 |
| Fellow Subsidiaries | 4,251,263 | 3,385,923 |
| Associates | 56,795 | 40,460 |
| 33.5 Purchases/ other services from related parties | | |
| Holding company | 6,769,299 | 4,029,015 |
| Fellow Subsidiaries | 3,215,618 | 1,341,059 |
| Associates | 104,679 | 68,363 |
| 33.6 Interest income from related parties | | |
| Holding company | - | - |
| Fellow Subsidiaries | 40,893 | 53,433 |
| Associates | - | - |
| 33.7 Dividend paid to related parties | | |
| Holding company | 171,979 | 144,825 |
| Fellow Subsidiaries | - | - |
| Associates | - | - |
| 33.8 Purchase of investments from related parties | | |
| Holding company | 1,639,522 | - |
| Fellow Subsidiaries | 491,000 | - |
| Associates | - | - |

Schedules to Consolidated Financial Statements (*Continued*)
for the year ended 30 September 2005
(Currency: Indian rupees thousands)

| | 2005 | 2004 |
|---|-------------------|------------|
| 33.9 Sale of Fixed assets/CWIP to related parties : | | |
| Holding company | - | - |
| Fellow Subsidiaries | 18,770 | - |
| Associates | - | - |
| 33.10 Other income | | |
| Holding company | - | - |
| Fellow Subsidiaries | 12,496 | - |
| Associates | 24 | - |
| 33.11 Outstanding balances | | |
| Debtors | | |
| Holding company | 743,119 | 194,443 |
| Fellow Subsidiaries | 527,599 | 33,066 |
| Associates | 25,918 | 23,942 |
| Creditors | | |
| Holding company | 3,386,118 | 987,642 |
| Fellow Subsidiaries | 432,353 | 77,291 |
| Associates | 11,283 | - |
| Inter Corporate Deposits | | |
| Holding company | - | - |
| Fellow Subsidiaries | 425,000 | 865,000 |
| Associates | - | - |
| Advances given | | |
| Holding company | 101,907 | - |
| Fellow Subsidiaries | 42,171 | - |
| Associates | - | - |
| 34 Disclosure pursuant to Accounting Standard - 7 (Revised) | | |
| 34.1 Contract Revenue recognised for the year ended 30 September | 9,322,368 | 4,219,973 |
| 34.2 Aggregate amount of contract costs incurred for all contracts in progress as at year end | 19,360,539 | 12,828,957 |
| 34.3 Recognised profits (less recognised losses) upto 30 September for all contracts in progress as at year end | 2,755,796 | 2,163,435 |

35 Disclosure relating to Provisions

Provision for warranty

The Company provides for warranty costs based on a technical estimate of the costs required to be incurred for repairs, replacement, material cost, servicing and past experience in respect of warranty costs. It is expected that this expenditure will be incurred over the contractual warranty period.

Provision for liquidated damages

Liquidated damages are provided based on contractual terms when the delivery/ commissioning dates of an individual project have exceeded or are likely to exceed the delivery/ commissioning dates as per the respective contracts. This expenditure is expected to be incurred over the respective contractual terms upto closure of the contract (including warranty period).

Provision for loss orders

Loss order provisions are made when the planned costs for an individual project exceed the order value in the period when the loss is first foreseen. These amounts are expected to be incurred over the duration of the respective contracts.

Personnel related provisions

Personnel related provisions include provisions for variable performance pay. Variable performance pay is expected to be paid in the first quarter of the next financial year. Personnel related provisions do not include expected payouts relating to the pending wage settlement and non-statutory ex-gratia where negotiations are in process and the disclosure of these amounts could prejudicially affect the interests of the Company.

Other risks

The Company has made provisions for known contractual risks, litigation cases and pending assessments in respect of taxes, duties and other levies, the outflow of which would depend on the cessation of the respective events.

The movements in the above provisions are summarised as under :

| | Warranties | Liquidated damages | Loss orders | Personnel related | Other risks |
|---|-------------------|---------------------------|--------------------|--------------------------|--------------------|
| Opening balance | 358,957 | 235,992 | 22,675 | 297,343 | 296,585 |
| Additions on acquisitions of stake | 88,257 | 349,486 | 83,959 | - | 58,782 |
| Additions | 264,772 | 279,531 | 211,543 | 383,532 | 141,494 |
| Utilisations | (52,144) | (37,984) | (217,941) | (280,744) | (13,409) |
| Reversals | (134,789) | (151,833) | (48,469) | (18,575) | (78,200) |
| Closing balance | 525,053 | 675,192 | 51,767 | 381,556 | 405,252 |

32 (i) Information about business segments

| | Revenue | | | | | | Results | |
|--|-----------------------|-------------------|------------------------------|-------------|-------------------|-------------------|------------------|------------------|
| | External sales | | Inter segmental sales | | Total | | 2005 | 2004 |
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | | |
| Building technology services | 451,424 | 307,640 | 4,752 | - | 456,176 | 307,640 | 28,846 | 12,327 |
| Information technology services | 6,409,817 | 4,823,503 | 31,233 | - | 6,441,050 | 4,823,503 | 1,628,530 | 1,007,896 |
| Information and communications | 3,558,538 | 869,580 | 12,066 | 9,765 | 3,570,604 | 879,345 | 513,159 | 107,600 |
| Automation and drives | 7,794,647 | 5,305,270 | 1,041,815 | 1,029,165 | 8,836,462 | 6,334,435 | 591,037 | 378,932 |
| Industrial solutions and services | 2,763,621 | 2,193,520 | 104,224 | 122,216 | 2,867,845 | 2,315,736 | 309,769 | 208,628 |
| Power | 9,599,310 | 4,545,210 | 212,856 | 161,869 | 9,812,166 | 4,707,079 | 782,574 | 363,821 |
| Transport | 1,817,154 | 1,534,480 | - | - | 1,817,154 | 1,534,480 | 224,900 | 194,358 |
| Healthcare and other services | 3,681,859 | 2,771,427 | - | - | 3,681,859 | 2,771,427 | 149,978 | 152,438 |
| Real estate | 94,649 | 105,694 | - | - | 94,649 | 105,694 | 124,758 | 130,332 |
| Business process outsourcing | 207,807 | - | - | - | 207,807 | - | 35,401 | - |
| Eliminations | - | - | (1,406,946) | (1,323,015) | (1,406,946) | (1,323,015) | - | - |
| Total | 36,378,826 | 22,456,324 | - | - | 36,378,826 | 22,456,324 | 4,388,952 | 2,556,332 |
| Interest expenses | | | | | | | (18,957) | (637) |
| Interest income | | | | | | | 284,174 | 176,986 |
| Share of profit from associate companies | | | | | | | 21,643 | 15,588 |
| Unallocable corporate items | | | | | | | (147,890) | (117,822) |
| Profit before tax | | | | | | | 4,527,922 | 2,630,447 |
| Minority interest | | | | | | | (8,632) | - |
| Income tax | | | | | | | (1,333,591) | (881,000) |
| Fringe benefit tax | | | | | | | (60,917) | - |
| Deferred tax | | | | | | | (33,133) | (55,474) |
| Consolidated total | 36,378,826 | 22,456,324 | - | - | 36,378,826 | 22,456,324 | 3,091,649 | 1,693,973 |

Schedules to Consolidated Financial Statements (*Continued*)
for the year ended 30 September 2005
(Currency: Indian rupees thousands)

36 (i) Information about business segments (*continued*)

| | Assets | | Liabilities | | Capital Expenditure | | Non cash expenditure | | | |
|-----------------------------------|-------------------|-------------------|-------------------|-------------------|---------------------|----------------|----------------------|----------------|----------|--------------|
| | | | | | | | Depreciation | | Others | |
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| Building technology services | 257,688 | 157,091 | 192,629 | 92,843 | 7 | - | 700 | 1,094 | - | - |
| Information technology services | 3,996,632 | 3,037,770 | 2,173,552 | 1,620,067 | 256,070 | 222,720 | 154,067 | 117,860 | - | - |
| Information and communications | 4,088,563 | 309,400 | 3,025,652 | 181,963 | 66,269 | 2,506 | 55,037 | 15,845 | - | 6,400 |
| Automation and drives | 3,410,924 | 1,919,900 | 2,095,630 | 1,426,610 | 157,118 | 42,241 | 74,806 | 75,246 | - | - |
| Industrial solutions and services | 950,095 | 748,071 | 1,706,354 | 953,265 | 5,110 | 4,601 | 4,267 | 4,393 | - | - |
| Power | 6,469,157 | 2,505,048 | 5,103,838 | 2,480,584 | 17,362 | 22,904 | 55,086 | 18,672 | - | - |
| Transport | 684,037 | 439,819 | 834,049 | 740,850 | 9,795 | 11,447 | 4,838 | 2,229 | - | - |
| Healthcare and other services | 1,251,981 | 1,072,597 | 1,044,778 | 763,754 | 12,507 | 92,151 | 45,561 | 31,726 | - | - |
| Real estate | 1,082,344 | 1,073,626 | 151,054 | 102,371 | 56,805 | 126,600 | 88,915 | 80,181 | - | - |
| Business process outsourcing | 327,635 | - | 176,215 | - | 33,192 | - | 20,197 | - | - | - |
| Eliminations | - | - | - | - | - | - | - | - | - | - |
| Total | 22,519,056 | 11,263,322 | 16,503,751 | 8,362,307 | 614,235 | 525,170 | 503,474 | 347,246 | - | 6,400 |
| Unallocable corporate items | 7,736,233 | 6,727,191 | 4,500,955 | 2,625,712 | 11,176 | 11,758 | 15,254 | 12,429 | - | - |
| Minority interest | - | - | 72,076 | - | - | - | - | - | - | - |
| Consolidated total | 30,255,289 | 17,990,513 | 21,076,782 | 10,988,019 | 625,411 | 536,928 | 518,728 | 359,675 | - | 6,400 |

(ii) Secondary segment information

| | Revenues | | Assets | | Capital Expenditure | |
|----------|-------------------|-------------------|-------------------|-------------------|---------------------|----------------|
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| Domestic | 25,713,959 | 17,065,150 | 27,720,594 | 17,207,736 | 625,411 | 536,928 |
| Exports | 10,664,867 | 5,391,174 | 2,534,695 | 782,777 | - | - |
| | 36,378,826 | 22,456,324 | 30,255,289 | 17,990,513 | 625,411 | 536,928 |

(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 Group 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 & call centers, networking, mobility, teleworking and multimedia CRM. Also provides mobile and fixed line telecommunication business including the related trading and software activities.
 - **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, meters and industrial turbines.
 - **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.
- Business process outsourcing** :- Provides back office support services to group companies and other external customers.

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

37 Prior years comparatives

Prior years figures have been reclassified where necessary to conform with the current year's presentation. In view of the acquisitions/ amalgamations during the year, current year figures are not strictly comparable to the previous year.

Ashok Jangid
Corporate Secretary

For Siemens Group
Deepak S. Parekh
J. Schubert
H. Gelis
D. C. Shroff
Y. H. Malegam
Dr. O. Schmitt
N. J. Jhaveri

Chairman
Managing Director
Executive Director

Directors

Mumbai,
24 November 2005

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