

※ The new Siemens is helping shape the future of the country with new ideas, together with its competent workforce and satisfied customers. ※

SIEMENS

Annual Report 2002
India

Siemens is a global network of innovations. 400,000 employees from 190 countries make this network lively through new ideas and information sharing. With this immense bank of knowledge and vast experience in India, Siemens is able to serve India in innovative ways, helping build a modern infrastructure through Energy, Industry, Information and Communication, Transportation, Lighting and Healthcare businesses.

In the last 10 years, we grew six times in size. The economy did not support us but to achieve this growth we built up a new portfolio, a new organization, a new work philosophy and a new culture. In other words, we built a brand new Siemens group in India with a truly unique portfolio for India. This new Siemens is currently shaping the future of the country with new ideas, together with its competent workforce and satisfied customers.

With the focus of our Principals on India and a new portfolio together with motivated employees, Siemens in India is well set to provide value added solutions for helping create today, the India of tomorrow.

Siemens

New Ideas - Shaping the Future together

New Ideas



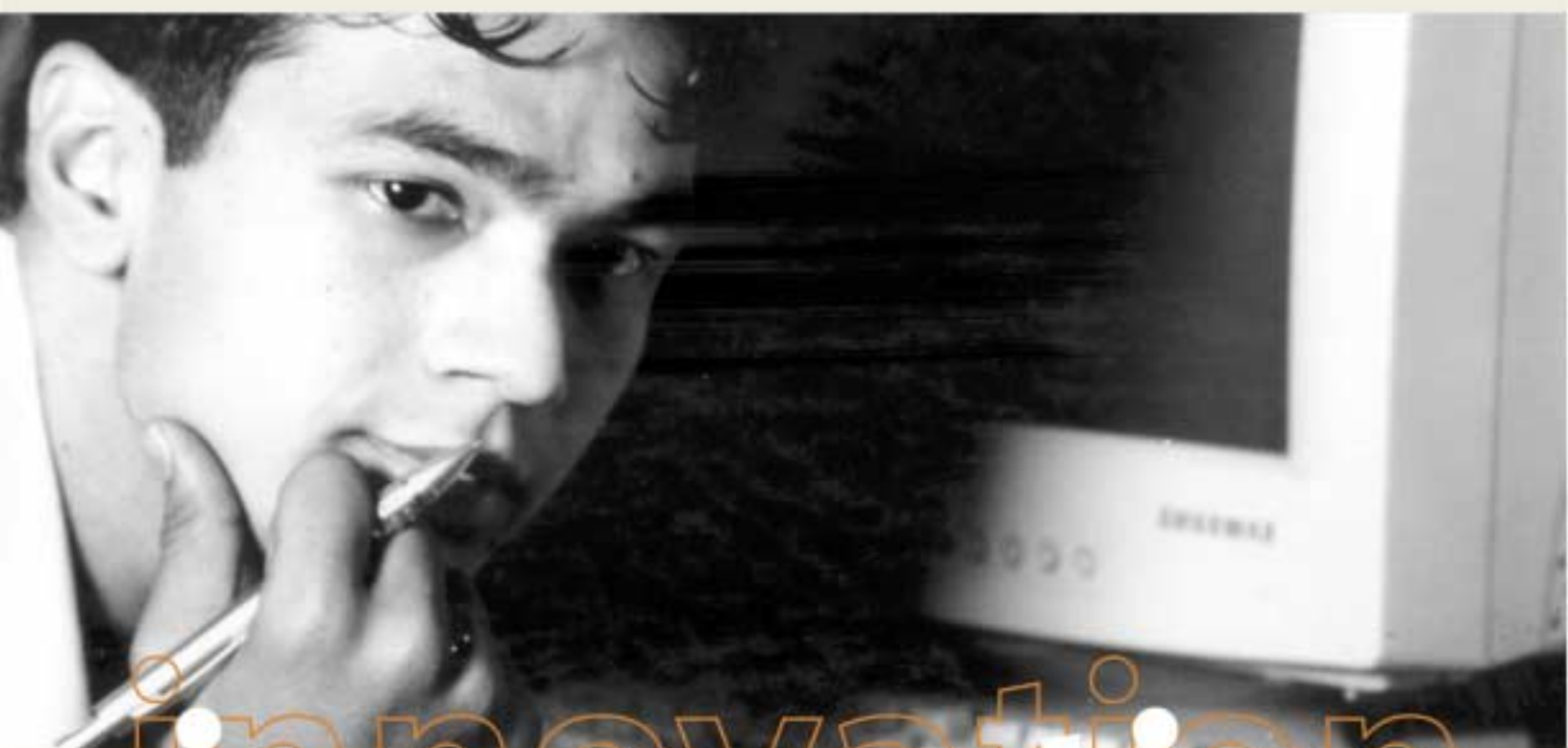
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Highlights

Siemens Ltd.

	1997-98	1998-99	1999-00	2000-01	2001-02
○ Orders Received	8383	12740	12071	10836	11547
○ Sales	9959	10506	11157	11572	12905
○ Profit before Tax	-466	381	946	964	1304
As % of Sales	-5%	4%	9%	8%	10%
○ Profit After Tax	-560	351	840	687	865
As % of Sales	-6%	3%	8%	6%	7%
* Net Worth per Share	63.55	68.50	79.89	95.46	114.58
* Earning per share	-19.73	12.37	24.11	19.49	26.10
○ Dividend	–	–	224	133	182
Dividend %	–	–	65%	40%	55%
Debt/Equity Ratio	1.3:1	0.52:1	0.15:1	0.01:1	0.02:1
○ Investment in Fixed Assets	342	317	86	119	117
No. of Employess	5228	4604	4342	4167	3896
No. of Shareholders	44012	46434	50796	49188	43791
○ Rupees in Millions					
* Rupees					



innovation



At Siemens, new ideas are a way of life; an inbred culture, innovating not just products but the way we work, think, communicate and live.

New Ideas

He who walks in another's tracks leaves no footprints.

Joan L Brannon

commitment



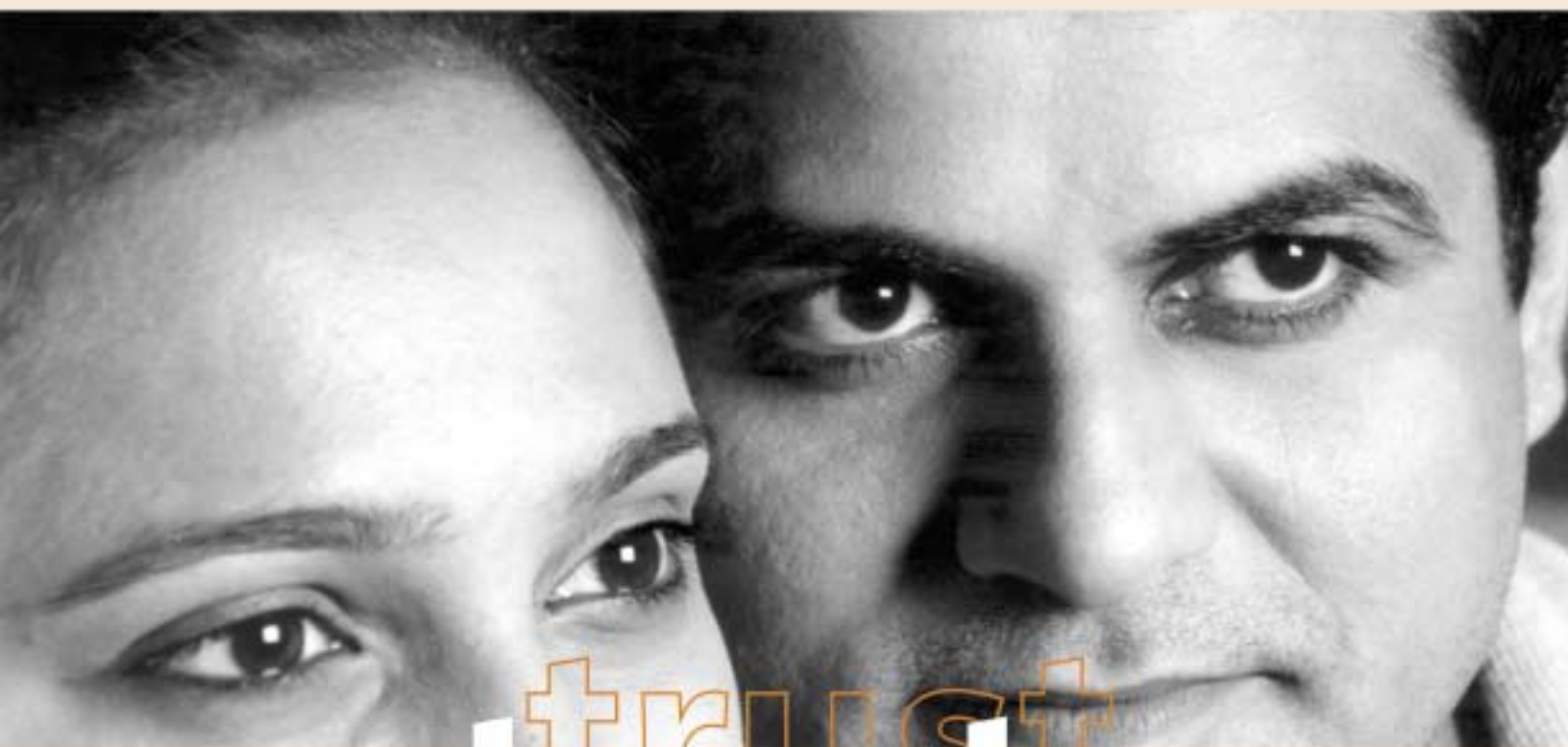
Anticipation itself can transform possibility into reality.

Samuel Smiles

Shaping the Future



A sense of purpose is a must for meaningful existence. Over 4,00,000 people across Siemens worldwide are motivated to think beyond today; to shape a better tomorrow.



trust
trust

Together

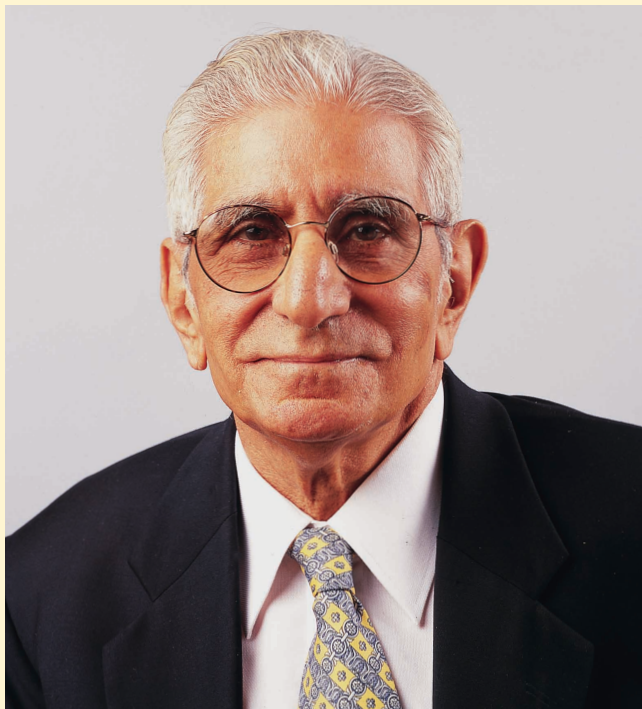
To the world you are just one person but to one person you could mean the world.

- Anon

Trust is everything, without partnership there is nothing. In India over 8 decades Siemens has been building relationships with employees, channel partners, associates, shareholders and most important the society.



Chairman's Statement



Our fiscal year was not at all a good year for the Indian economy; it was a nightmarish year for the world economy, but it was a glorious year for our own Company. Our profits before tax rose by 35% this year over that of last year. Our earnings per share, partly due to our Buy-back Scheme and largely due to our own achievements, rose from Rs.19.50 to Rs.26.10 this year. In celebration and appreciation of which the Board of Directors are pleased to recommend a dividend of 55% as against 40% last year.

Shareholders will be even more delighted to know that there has been an all round improvement in the performance of the Company, and a number of records have been achieved, an achievement rendered all the more praiseworthy by a year of overall recession for the 5th year in succession. For the first time in six years, all the business divisions are in the black; and it is for the first time in 19 years that the profit before tax is in excess of 10% of the Sales Turnover! Looking at absolute numbers, you will see that New orders intake has improved 7% to Rs.11,547 million and Sales Turnover has improved by 12% to Rs.12,905 million. In consequence, the Profit before Tax has jumped by 35% over the previous year, whereas the Profit after Tax also increased by 26% to Rs.865 million, and in sharp contrast

to our position 3 years ago, we are now a cash surplus Company with relatively little borrowings.

The consistent and effective implementation of our 4-Point Program over the last years, across all business areas, culminated in the superior performance posted by your company. Our policy to take only profitable orders combined with our strategy to penetrate markets with innovative offerings, helped to improve both the top-line and bottom-line. But what helped the most were internal improvements that entailed optimizing all processes across the entire customer-to-customer value chain.

This all-round achievement was inspite of the investment famine, which has plagued the Indian economy since 1996/97. Truly it has been said that what the Indian economy now needs is not just a Cabinet Minister for Disinvestment; it needs a Cabinet Minister for Investment itself. It is true that the last six months of our fiscal year did see an appreciable improvement in the rate of growth of Industrial Production, but significantly this was not due to an investment boom but due to a better utilisation of the excess capacities installed in Indian Industry. Year in and year out, our investment levels, most sadly in the infrastructure area, continue to decline with fearful consequences for the future.

Matters are not improved by the fact that even when an improvement does take place, major impediments immediately arise to stall its further growth. Thus the acceleration in the index of industrial production now threatens to be stymied by the fall in agricultural incomes; and at the policy level, the gallop which Privatisation took in our country to the great enthusiasm of all investors both in India and abroad, has also now come to be stymied.

It is in this atmosphere that we shall have to continue to operate, and it reinforces the theory of Creative Pessimism which we expounded last year - that all in Siemens, from the top to the very bottom, will have to rely not on any improvement in the external environment, but on improvements wrought from within. It would be excellent if the overall investment climate in India improved with its enormously beneficial impact on our Company, since our Company is best fitted to deal with the opportunities thrown up by the investments, both in Industry and the Infrastructure; but this is a hope on which we cannot build our schemes of profitability. We have to repeat once again to rely on ourselves.

It is this continuous improvement wrought from within that makes us congratulate and thank our Management even more than we should normally do. For the achievement of last year was no trick of magic, but sheer perseverance and handwork of the entire organisation and its people led by Mr. Schubert, the Managing Director, who in the last year, re-charted the Company's course of direction from "Consolidation" towards "Profitable Growth". And closely supporting him on every business issue, Mr. Gelis, the exemplary financial engineer, monitored with a microscopic eye, the financial health of the Company. But the real credit of the performance goes to the rest of the Corporate Management and the Business Heads whose plans and strategies were successfully executed by their dedicated team of competent and motivated employees. It is to all of them that we all owe our gratitude and congratulations.

The biggest landmark of this year for Siemens India was the visit of the entire Executive Committee of the Central Board of Siemens AG to India. This was not by accident, but as a result of the persuasion of our Management Team which convinced them that the Indian Operations were worthy of their special attention. The eminent members of this Executive Committee came; they saw and they were "conquered" - conquered by seeing for themselves how well the Company has bounced back to glory on its own; by seeing the capabilities of the people, products and processes; and by seeing the potential India has presently, as well as a market of future growth. As Dr von Pierer beautifully observed:- "One visit where one sees with ones' eyes can be worth more than the reading of several Reports".

Greeted with this achievement of Siemens in India, Dr. von Pierer announced an investment of US\$500 million in the coming years for supporting our Company's business and for participating in projects of interest to Siemens. This amply demonstrates our parent Company's long-term commitment to India. Your own Company, in addition to its existing businesses, has taken a unique position, that of an infrastructure partner and is committed to support India in her march towards a modern and progressive society.

Having re-built a solid foundation and having the strong backing of Siemens AG, the entire Siemens Group in India,* not only Siemens Ltd., is now on the threshold of assuming a much enhanced role as an active partner in the global network.

Last year, your company enunciated a charter which more closely describes its business philosophy, which is - "To set the benchmark by being the 'Best in Class' in our businesses fields, to create value for our customers, wealth for our stakeholders and a future for our employees while giving back graciously to society a piece of our success." And truly did your company live up to each word of this statement.

Not only did the EVA increase some three fold over the previous year, but the company was once again able to look the humane side of business. Following the devastating earthquake in Gujarat, your company and its employees came forward and generously donated Rs. 1.5 crores which will be deployed for setting-up a hospital for children, undertaken as a joint initiative with the German Business community. And not forgetting our Alma Mater of technical excellence, we donated Rs. 5 million for setting up a high voltage laboratory at the Veermata Jijabai Technological Institute (VJTI), Mumbai.

Looking ahead, the global trends continue to point towards a difficult economy in the current fiscal. The Indian economy too shows no signs of revival, and the markets are expected to remain sluggish with competitive pressures increasing day by day. To combat this situation, your company has put in place a clear strategy, as recently articulated by Mr. Schubert - that will hopefully see it through the rough weather. It states :

- We will, even in tough market conditions, endeavor to gain market shares but with the clear objective of only taking orders that bring us profits.
- We will differentiate ourselves from competition by introducing a pallet of new products and services. We will also create more value for our customers by improving the organization's reliability & speed. As a solutions provider, we will strengthen our portfolio to address new segments and markets – both domestically and globally. (This will help us to grow healthily.)
- We will play a much larger role in the Siemens global network. The key focus areas identified by Siemens include:- Leveraging the IT capabilities of the Indian operations to support worldwide projects; increasing hardware sourcing from India to enhance the value chain; using local manufacturing facilities and resources to cater to the export market; enhancing local skills by increased investment in training

programs.

- We will, as a Group in India, re-align our approach to the market by entering into new vertical market clusters as a single entity with 'one face and one offering, under one umbrella brand – Siemens.'
- We will look at ways of further reducing our overall cost structure of our entire operations in India, to be more competitive in the domestic and global markets by further reviewing all our processes to make them more time, quality and cost efficient. Here, two focus areas are factories and purchasing.

The Company has consistently worked along a dual strategy of sustaining growth and simultaneously shrinking costs. The areas enunciated above is a road-map aimed at achieving profitable growth, undeterred by the unfavourable market conditions.

Directors references

Our shareholders should be re-assured that your Company is run by a highly competent Management who together with the entire Board of Directors, have endowed the decision making process with their individual wisdom in the best interest of the organization. The Directors, in spite of their many other pressing professional duties, have devoted extensive time and rendered valuable advice on critical issues. Many thanks to them.

Also, a very special thanks to Mr. Thampi, whose term as a director is due to expire on account of retirement by rotation at the forthcoming Annual General Meeting to be held in January 2003. Mr. Thampi has however conveyed to the Company that he does not wish to be re-appointed due to other commitments. Consequently, Mr. Thampi will cease to be a Director of the Company with effect from 21st January 2003.

Mr. Thampi has been a Director of the Company since 1st April 1998 and has given us valuable support and insight over these years. I would like to place on record our sincere gratitude and appreciation for the contribution made by him in the professional governance of the Company's operations.

Mr. A.B. Nadkarni completed his tenure of 5 years as a Whole-time Director on 19th February 2002. During this

period, he played a significant role in the company's restructuring efforts, particularly in the area of Human Resources. The entire re-alignment was executed cordially without disrupting the workflow. In parallel, a workforce with new skills and competencies has created a new work culture. In view of his outstanding contribution and performance, Mr. Nadkarni was re-appointed as a Whole time director for a further period of five years from 20th February 2002.

Mr. O.P. Narula and I retire by rotation and are eligible for re-appointment.

The proposals for the re-appointment of Mr. Nadkarni, Mr. Narula and that of myself are included in the notice of the Annual General Meeting for your kind consideration and approval.

Corporate Governance

Corporate Governance is an issue of paramount importance, specially in the current global market environment where a company's business ethics and practices are constantly under scrutiny. Indeed for a Company like Siemens, having a history of over 150 years, Governance is no new subject. Transparency has been an integral part of our code of conduct since time memorial. And it is only natural that this continues to form the basis of all our business actions and interactions with all our stakeholders – including investors, business partners, employees and the public. The Company has detailed policy guidelines that extend to all its employees with regards to business ethics and conduct. It has also adopted the Code of Conduct and Policy for Corporate Disclosure Practices for the prevention of Insider Trading and has fully complied with all the applicable mandatory requirements.

To conclude, on behalf of the entire Siemens Management, I thank you, our shareholders for your support and trust placed in us. We have undertaken the best of efforts to give you a good return on your investment. And we look forward to your sustained support and understanding for us to continue doing the same.

*Mumbai
November 22, 2002*


Dr. F. A. Mehta
Chairman

The Siemens Group in India is a unique player in the electrical and electronics engineering sector. It offers 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, 11 manufacturing plants and a wide network of Sales and Service offices across the country, providing direct employment to over 8,500 persons. The Group's businesses are represented by various companies as given below:

Company	Equity stake	Brief Description
Siemens Ltd.	Siemens AG 54.63% Others 45.37%	<ul style="list-style-type: none"> ❖ Portfolio consists of products, systems, solutions & services in Power Generation, Power Transmission and Distribution, Automation & Drives, Industrial Solutions & Services, Transportation Systems, Enterprise Communications, Mobile Phones and Medical Solutions ❖ Seven factories — 3 at Kalwa, Thane; 2 at Aurangabad; 1 each at Goa & Nashik ❖ 3,896 employees
Siemens Information Systems Ltd (SISL)	Siemens Ltd 74.8%; Siemens Nixdorf Informationssysteme GmbH 25.2%	<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 ❖ 1,440 employees
Siemens Public Communication Networks Pvt. Ltd. (SPCNL)	Siemens AG 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 ❖ 843 employees
Osram India Pvt. Ltd.	Osram AG 100% (Osram AG is 100% Siemens AG company)	<ul style="list-style-type: none"> ❖ Product portfolio includes incandescent, fluorescent and compact fluorescent lamps ❖ Manufacturing plant at Sonapat, Haryana ❖ 659 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 ❖ 32 employees
Siemens Building Technologies Pvt. Ltd. (SBT)	Siemens Building Technologies, Switzerland 100%	<ul style="list-style-type: none"> ❖ Offers Building Controls and Automation, Fire Alarm Systems, Closed Circuit Television (CCTV) Systems and Access Control Systems, as well as Integrated Building Management Systems ❖ 73 employees
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 ❖ 37 employees
Siemens Power Engineering Pvt. Ltd.	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 worldwide ❖ 143 employees
Siemens VDO Automotive Ltd.	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 mechanics ❖ A listed company ❖ Manufacturing plant at Bangalore ❖ 731 employees
Siemens Shared Services Pvt. Ltd.	Siemens Shared Services, LLC, USA.	<ul style="list-style-type: none"> ❖ Provides a range of back office services such as accounting, HR services, customer contact centers, etc. ❖ 59 employees
Siemens Metering Ltd.* (SML)	Siemens AG 74% Siemens Ltd 26%	<ul style="list-style-type: none"> ❖ Portfolio includes electro-mechanical single phase and poly-phase meters for residential & commercial applications. Earlier Landis & Gyr, the company's name changed to SML in 2001 ❖ Manufacturing plant at Joka, West Bengal ❖ 883 employees

* As per a decision taken by the Board of Directors on September 17, 2002, Siemens Ltd. has decided to divest its holding in SML as part of global portfolio optimization, subject to all statutory approvals.

Board of Directors

Non-Executive Directors



Dr. F. A. Mehta
Chairman
Economist and Director of the Company since June, 1980. Chairman of the Board of Directors since June, 1988.



D. C. Shroff
Solicitor and Senior Partner of Crawford Bayley & Co. Director of the Company since February, 1997.



Y. H. Malegam
Chartered Accountant and Senior Partner of S. B. Billimoria & Co. Director of the Company since April, 1998.



N. J. Jhaveri
Economist and Director of the Company since November, 2000.



Dr. K. Wucherer
Member of the Managing Board of Siemens AG and over 30 years of experience. Nominee Director of Siemens AG since October, 2000.



Dr. O. Schmitt
Alternate Director for Dr. K. Wucherer since December, 2000. Over 17 years of experience with Siemens AG. Presently in Corporate Finance.



P. M. Thampi
Chemical Engineer, Ex-CMD of BASF India Ltd. Director of the Company since April, 1998.

Organisation

Business Segments

Information and Communication

Information and Communication Enterprise Networks (ICN EN) 1

P. Gartenberg

Information and Communication Mobile Devices (ICM MP)

J. Schubert

Industry

Automation and Drives (A&D) 5

A. Herrmann

Industrial Solutions and Services (I&S) 5

A. H. Advani

Power

Power Generation (PG)

Harminder Singh

Power Transmission and Distribution (PTD)

Harminder Singh

Transportation

Transportation Systems (TS) 1

V. B. Parulekar

Corporate Resources

PER 3

Personnel Division

A. B. Nadkarni

PER/ORG 3

Organisation Planning

P. V. Pai

PER/HRD 3

Human Resource

Development

A. B. Nadkarni (Acting)

PER/IR 3

Industrial Relations

G. D'Silva

MOH 3

Medical & Occupational Health

Dr. S. Sivaramakrishnan

OSE 3

Occupational Safety & Environment

K. K. Kanchan

CF 2

Corporate Finance

R. Rangarajan

ACC 2

Accounts & Taxation

K. Wittmer

IT 2

Information Technology

Ms. S. D'Mello

IMP ADM 2

Import/Export Admin

S. K. Kini

CL 2

Corporate Legal

F. N. Katgara

IA 2

Internal Audit

Ms. S. Kaushal

Whole-time Directors



<p>J. Schubert 1 Managing Director Engineer with over 28 years of experience with Siemens. Managing Director since October, 1996.</p>	<p>H. Gelis 2 Executive Director Electronics Engineer and MBA with over 26 years of experience with Siemens. Executive Director since January, 2001.</p>	<p>A. B. Nadkarni 3 Mechanical Engineer with over 29 years of experience with the Company. Whole-time Director since February, 1997.</p>	<p>Harminder Singh 4 Electronics Engineer with over 22 years of experience with the Company. Whole-time Director since April, 1998.</p>	<p>O. P. Narula 5 Electronics Engineer with over 40 years of experience with the Company. Whole-time Director since January, 2000.</p>
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Ashok P. Jangid

Corporate Secretary and Compliance Officer.

Medical

Medical Solutions (MED) 1

H. von Wulfen

Real Estate

Siemens Real Estate (SRE) 2

S. D. Tare

Key Account Management (KAM)

O. P. Narula

CSD 2
 Corporate Security
P. Khemani

COP 2
 Corporate Organisation and Processes
P. Khemani

CP 1
 Corporate Planning
B. Mandal

top* 1
 top* Projects
B. Mandal

SP 1
 Strategic Purchase
Sunil Kishore

CC 1
 Corporate Communication
K. Ghatge

CQP 1
 Corporate Quality and Projects
S. Ramaswamy

CS 1
 Corporate Secretariat
A. Jangid

Committees of Directors under Corporate Governance Code

Audit Committee
 Y. H. Malegam (Chairman)
 Dr. F. A. Mehta
 Dr. K. Wucherer / Dr. O. Schmitt
 Ashok P. Jangid (Corporate Secretary)

Investors Grievance Committee
 D. C. Shroff (Chairman)
 P. M. Thampi
 J. Schubert
 Ashok P. Jangid (Corporate Secretary)

Remuneration Committee
 N. J. Jhaveri (Chairman)
 D. C. Shroff
 P. M. Thampi (up to 22.11.02)
 Dr. F. A. Mehta (from 22.11.02)
 Ashok P. Jangid (Corporate Secretary)

Siemens Ltd.
Forty-fifth Annual Report
for the year ended 30 September 2002

The Directors have pleasure in presenting the 45th Annual Report of your Company and the Audited Accounts for the year ended on 30th September, 2002.

Financial Performance

	Rs. in Millions	
	2001-02	2000-01
Gross Profit before Interest, Depreciation and Restructuring (write back)/charge	1480.67	1389.30
Less : Interest	27.32	17.12
Depreciation	257.81	294.58
Restructuring (write back)/charge	(108.84)	113.37
Profit before Tax	1304.38	964.23
Less : Provision for current Tax	417.00	236.43
Deferred Tax	21.78	40.59
Net Profit after Tax	865.60	687.21
Appropriations:		
General Reserve	683.34	541.14
Interim Dividend paid	99.41	-
Proposed Final Dividend	82.85	132.55
Tax on Dividend	-	13.52

Dividend

Considering the Company's performance and profitability, the Board of Directors at the Board Meeting held on 23rd April, 2002 declared an interim dividend of Rs.3 per Equity Share (30%). 15th May, 2002 was the 'Record Date' for this purpose and the interim dividend was paid on 22nd May, 2002.

In view of the better overall performance for the year and the financial position of the Company, the Board of Directors is happy to recommend a final dividend of Rs.2.50 per Equity Share (25%). Thus, the total dividend for the year ended 30th September, 2002 amounts to Rs.5.50 per Equity Share (55%) as compared to Rs.4 per Equity Share (40%) paid last year. As the present Paid-up Equity Share Capital is Rs.331,384,030, the payment of final dividend will entail a cash outflow of Rs.82,846,007. The same shall be subject to deduction of tax as may be applicable.

Operations

During the year, the Company received New Orders amounting to Rs.11,547 million as compared to Rs.10,836 million last year. The major volume contributors to new orders were Automation & Drives, Medical Solutions, Power Transmission & Distribution and Industrial

Solutions & Services Divisions. Turnover increased by 12% to Rs.12,905 million as compared to Rs.11,572 million last year. This growth was achieved against a backdrop of depressed market conditions, which was also characterised by severe price erosion. Major contributors to the Turnover were Automation & Drives, Power Transmission & Distribution and Medical Solutions Divisions. The Company posted a steady performance with Profit before Tax increasing from Rs.964 million to Rs.1,304 million thus registering a jump of 35% over the previous year. The improvement in result can be attributed to productivity gains accrued through process optimisation and effective asset management measures practiced by the Company in the course of the last year. The Profit after Tax stood at Rs.865 million as against Rs.687 million last year registering an increase of 26%.

During the year under review, the Company closed down its Works located at Joka, District 24 Parganas, West Bengal, since no manufacturing operations were being carried on. Joka Works was catering to the requirements of the Low Voltage Distribution Systems Division of the Company. All the employees have either been redeployed or have opted for voluntary retirement.

Finance and Investment

a. Buyback of Shares

At the Extra-ordinary General Meeting held on 15th June, 2001, the Shareholders had given their consent for Buyback by the Company of its Equity Shares under the 'Open Market through Stock Exchange' method not exceeding 8,873,549 Equity Shares of Rs.10 each at a price not exceeding Rs.250 per Equity Share for an aggregate consideration not exceeding Rs.805,252,859.

The Buyback Programme closed on 13th June, 2002. Under the Programme, in all, 2,355,794 Equity Shares of Rs.10 each were bought back for an aggregate consideration of Rs.465,234,569 at an average price of Rs.197.49 per Share. Consequently, the Paid-up Equity Share Capital has reduced from the pre-Buyback amount of Rs.354,941,970 to Rs.331,384,030. As a result of the Buyback, the Shareholding of the parent company, Siemens AG, has gone up from 51% (pre-Buyback) to 54.63% (post-Buyback).

b. Divestment from Siemens Public Communication Networks Pvt. Ltd. (SPCNL)

During the previous year ended on 30th September, 2001, the Company had partially divested its stake in SPCNL of 2,200,000 Equity Shares of Rs.10 each @ Rs.61 per Share aggregating to Rs.134,200,000 pursuant to the 1st Buyback Offer from SPCNL. During the year under review, pursuant to the

2nd Buyback Offer from SPCNL, your Company divested its balance stake of 3,125,000 Equity Shares of Rs.10 each @ Rs.67 per Share aggregating to Rs.209,375,000. With this, the investment of the Company in SPCNL has been reduced to nil.

c. Divestment from Siemens Metering Ltd. (SML)

During the year under review, your Company decided to divest its stake of 8,320,000 Equity Shares of Rs.10 each (26%) in SML for a total consideration of Rs.250,000,000. This transaction is subject to all statutory / regulatory approvals, which are awaited.

This decision to divest was part of global portfolio optimisation programme of our parent company, Siemens AG. During the year ended on 30th September, 2002, Siemens AG sold several business activities, including metering business, to a private equity house Kohlberg Kravis Roberts & Co. L. P. (KKR). According to the terms of the agreement, the divested business activities will be owned by a new holding company called Demag Holding s.a.r.l. (Luxemburg), in which KKR will have 81% stake and Siemens AG 19% stake.

Foreign Exchange Earnings & Expenditure

Details concerning Foreign Exchange Earnings and Expenditure have been given under Note No. 22 (iii) of the Notes to the Accounts.

Conservation of Energy & Technology Absorption

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

Management's Discussion and Analysis

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

Subsidiary Company - Siemens Information Systems Ltd. (SISL)

Your Company's holding in SISL is 74.8% and the balance 25.2% is held by Siemens Nixdorf Informationssysteme GmbH, Germany. For the year ended on 30th September, 2002, SISL has shown a very good performance. It recorded a total income of Rs.2,586 million (2001: Rs. 2,257 million) and Net Profit of Rs.459 million (2001: Rs.305 million). Total dividend declared by SISL

for the year 2001-02, was 350% as against 225% for the year 2000-01. For details, refer to the attached Annual Report of SISL.

Consolidation of Accounts

Since 1997, the Company has voluntarily been publishing the consolidated accounts in the Annual Report under the section 'Siemens Ltd. Group' comprising of Siemens Ltd. and its subsidiary company/ies. Disclosure of consolidated accounts in the Annual Report has now been made mandatory by the Listing Agreements entered into with the Stock Exchanges. Accordingly, the audited consolidated accounts, comprising of Siemens Ltd. and its subsidiary company, Siemens Information Systems Ltd., appear in this Report in the section 'Siemens Ltd. Group'.

Fixed Deposits

The Company discontinued its Fixed Deposit Scheme in March, 1997. A sum of Rs.1,887,500 relating to 206 deposits remained unclaimed as on 30th September, 2002. No interest is payable on such unclaimed deposits after the maturity date.

In accordance with the provisions of Section 205C of the Companies Act, 1956, an amount of Rs.1,045,500 in respect of unclaimed deposits that had matured on or before 31st October, 1995 and lying with the Company was transferred by the Company on 20th November, 2002, to the Investor Education and Protection Fund set up by the Central Government.

Employees

The Board of Directors wishes to express its sincere appreciation to all the employees for their valuable service and support during the year.

During the year under review, 91 employees opted for voluntary retirement. The total number of employees as on 30th September, 2002 was 3,894.

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

Corporate Governance

As required by Clause 49 of the Listing Agreements entered into with the Stock Exchanges, a detailed report on Corporate Governance is given as Annexure IV to this Report along with the Auditors' Certificate on its compliance by the Company.

General Shareholder Information is given as Annexure V to this Report. A copy of the Statement of Audited

Financial Results and Segmentwise Revenue, Results and Capital Employed for the year ended on 30th September, 2002, as submitted to the Stock Exchanges and published in the newspapers, is also given in this section.

Directors' Responsibility Statement

Pursuant to 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, 2002 and of the profit of the Company for the year ended on 30th September, 2002;
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.

Directors

At the 41st Annual General Meeting held on 18th January, 1999, the Shareholders appointed Mr. P. M. Thampi as a Director liable to retire by rotation with effect from 1st April, 1998. The term of Mr. Thampi as Director is due to expire on account of retirement by rotation at the forthcoming 45th Annual General Meeting to be held on Tuesday, 21st January, 2003. However, Mr. Thampi has conveyed to the Company that, due to his other commitments, he does not wish to be re-appointed. Consequently, Mr. Thampi will cease to be a Director of the Company with effect from 21st January, 2003. The Board would like to take this opportunity to place on record its appreciation for the contribution and support

given by Mr. Thampi during his association with the Company.

Mr. O. P. Narula and Dr. F. A. Mehta also retire by rotation and, being eligible, offer themselves for re-appointment. A brief profile of these Directors is appearing in the section 'General Shareholder Information' (Annexure V hereto). Their re-appointments form part of the Notice of the 45th Annual General Meeting and the Resolutions are recommended for your approval.

Auditors

M/s. Bharat S Raut & Co., Chartered Accountants, retire at the conclusion of the 45th Annual General Meeting and offer themselves for re-appointment. A Certificate from the Auditors has been received to the effect that their re-appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

Cost Auditors

The Central Government's Cost Audit Order dated 17th March, 1993 requires audit of the Cost Accounting Records of the Company for the product "Electric Motors", for every financial year. M/s. R. Nanabhoy & Co., Cost Accountants, Mumbai, conducted this audit for the financial year 2001-02.

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, bankers and other business associates.

On behalf of the Board of Directors



Dr. F. A. Mehta
Chairman

Mumbai
Friday, 22nd November, 2002

Annexure I to the Directors' Report

Particulars of Employees u/s 217(2A)

Information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, and forming part of the Directors' Report for the year ended on 30th September, 2002.

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

Name	Age (Years)	Designation/Nature of duties	Gross Remuneration (Rs.)	Qualification	Date of commencement of employment	Experience (Years)	Last employment held Name of the Company	Designation
Schubert J.	58	Managing Director	4,022,975	Dip Ing.	1/8/96	28	Representative SAG Jakarta	
Gelis H.	43	Executive Director	3,452,046	BS / BA , BS / EE	1/12/00	26	Siemens AG	
Nadkarni A..B.	55	Whole-time Director	3,805,136	BE (M), Dip.in Oper. Mgt.	26/6/73	29	—	—
Narula O.P.	62	Whole-time Director	3,009,311	B.Sc. Engg.(E)	1/9/62	40	—	—
Singh Harminder	54	Whole-time Director	3,701,403	B.Sc. Engg.(E)	1/10/80	32	Instrumentation Ltd.	Deputy Manager
Venkatraman V*	55	General Manager - Marketing	2,814,272	BE Electrical	23/10/72	30	—	—
Godbole M. M.*	53	General Manager - Service & Support	3,013,021	B Tech Elec./M.Tech Inst.	1/2/74	29	—	—
Phadnis V. R.*	50	Chief Manager - Marketing	3,051,330	DEE, DELE	28/7/80	23	Koradi Thamal	Jr. Engg

B. Names of employees employed for part of the financial year and who were in receipt of remuneration at a rate which, in the aggregate, was not less than Rs.200,000 p.m. in terms of Section 217 (2A)(a)(ii):

Kraus Ronald	54	Vice President	1,214,559	Dip Kaufmann	1/1/97	35	Siemens AG	Dy. Director, Group Chief Accountant
Chatterjee D.*	51	Sr. Manager - Central Project	1,376,048	BE(Mech), DPE, MSc	2/5/79	24	American Refrigeration Ltd	Trainee Development Engg Electrical Engg
Goswamy Sailes *	50	Chief Manager - Regional Marketing	992,680	BE (Electrical)	20/1/76	27	Transformers & Elec. Ltd.	—
Mukherjee T.K.	60	General Manager - F & A	623,520	B Com	1/4/63	42	Bengal Chemicals	Assitant
Roy Deo Nath *	56	Maintenance Electrician	811,257	—	1/7/65	37	—	—
Chakraborty Sankar *	58	Sr. Executive - Logistics	833,645	DEE, M Com	1/4/65	37	—	—
Bag Milan Chandra*	55	Wireman	823,161	VII	1/7/66	36	—	—
Sarkar Dipankar *	51	Junior Executive	842,961	B Sc, DEE	5/10/75	30	Ordance Factory	Trainee
Bhattacharjee A.N.*	49	Scheduling Asst	955,684	HSC, ITI	13/8/77	27	Union Carbide	Apprentice
Das Saral Kumar *	47	Electrical Fitter	881,343	SSC, ITI	13/8/77	25	New India Enterprise	Fitter
Mukherjee Alope Kumar *	50	Electrical Fitter	852,401	HSC, ITI	13/8/77	27	Scindia Workshop Ltd	Sheet Metal Worker Apprentice
Ghosh Kali Pada *	50	Operator / Specialist	873,531	SSC, ITI	13/8/77	30	Nath & Nath Construction	—
Mulo Ashoke Kumar *	49	Fabricator	879,471	HSC, ITI	13/8/77	27	B.E. Pumps	Apprentice
Das Hemanta Kumar *	49	Electrical Fitter	894,639	SSC, ITI	13/8/77	25	Vitoria Jute Works	Apprentice
Mukherjee Dipak Kumar*	47	Wireman	876,146	VII, ITI	1/4/78	25	Debika Electronics	Wireman
Barick Panchu Gopal *	47	Painter	853,051	VII	1/1/80	23	—	—
Nandi Biswa Bikash *	57	Chief Manager - QA	2,012,124	BE (Electrical)	22/8/66	36	—	—
De Apurba Narayan *	51	Executive - Technical	946,099	LEE	7/10/73	29	—	—
Paul Dipankar *	54	Sr. Executive - Marketing	915,765	BA, DME	25/6/78	34	Philips India Limited	Technical Asistant Supervisor
Burman Tushar Kanti *	53	Engineer - QA	921,572	LME	16/7/78	29	Inspectorate of Armaments	—
Basu Biplab Kumar *	54	Junior Executive	929,959	B Com	10/6/80	34	Karusree	Accountant
Mitra Raj Kumar	34	Junior Executive	594,067	B Sc, DEE	17/1/93	12	L & T	Computer Coordinator
Sen Atindra Nath *	47	Chief Manager - Personnel	2,693,438	BSW, MBA	26/11/93	24	Asian Paints	Personnel Manager
Baidya Kamal Kumar*	43	Wireman	800,797	SSC, ITI	17/1/80	23	—	—
Choudhury Swapan Pal*	47	Wireman	879,746	SSC, ITI	17/1/80	23	Shalimar Steel Works	Helper
Chakraborty Tarun Kanti*	44	Electrical Fitter	838,392	SSC, ITI	4/8/81	21	—	—
Mondal Nihar Kanti *	48	Electrical Fitter	872,814	SSC, ITI	4/8/81	21	—	—
Ghosal Anup Kumar*	45	Setter	872,909	SSC, ITI	4/8/81	24	Tapan Engg Co.	Fitter
Ghosh Nemai *	46	Fitter	884,472	SSC, ITI	17/9/81	21	—	—
Patil S. N.*	51	Chief Manager - Security Ser	1,881,037	BSc/Master In Adm Mgmt.	1/12/95	7	—	—
Shirsekar V. V. *	56	Sr Personnel Asst.	840,886	B Com	12/10/69	32	—	—
Samuel P. T. *	43	Vendor	600,393	Below SSC	1/10/84	18	—	—
Deshpande A. V.*	50	Senior Executive - Logistics	802,019	B Com LLB	5/7/78	24	—	—
Pradhan P. D.*	54	General Manager - Personnel	2,858,744	BE Electrical	30/10/79	23	—	—
Khadilkar J. G.*	53	Chief Manager - Logistics	2,236,902	BE Electrical, DIM, DIIS	16/4/81	22	—	—
Sarkar Suryansu *	49	Manager - Eng & Software	1,287,056	B Tech Electrical	15/2/77	25	—	—

- * VRS cases, including early retirement.
- All appointments are contractual. Other terms and conditions are as per Rules of the Company.
- None of the above employees is / was related to any of the Directors of the Company.
- Gross Remuneration includes Salary, Allowances, VRS compensation and Perquisites (valued as per Income Tax Rules) but excludes Company's contribution to Gratuity Fund and Pension Provision.

On behalf of the Board of Directors



Dr. F. A. Mehta
Chairman

Mumbai
Friday, 22nd November, 2002

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

1. Measures undertaken (implemented):
 - Restructuring of floor layout for optimum utilization of energy.
 - Installation of Diesel filtration plant.
 - Commissioning of Logo based PLC system for floor lighting control.
 - Installation of transparent acrylic sheets on the roof in the shopfloor.
 - Installation of controlled timer to switch off lights on the shopfloor automatically during lunch breaks and after office hours.
 - Installation of Light Dependent Switch.
2. Impact of measures undertaken:
 - Lighting is improved.
 - Substantial saving in consumption of electricity.

B) Research & Development (R&D)

1. Specific areas in which R&D was carried out:
 - Improvement in the availability, efficiency and safety of power plants.
 - Development of software based real-time control system.
 - Integrated intelligent CAE tools for plant-wide engineering of control logic and field systems.
 - Sequence of Event Recorder with remote I/O system.
 - Development of data communication gateway servers.
 - Operation and monitoring systems based on emerging operating system platform LINUX.
 - Development of 12kV, 1250A, 31.5KA-3AH5 VCB.
 - Development of 1.25 MW (2 speed) induction generators for wind turbine application.
 - Development of ceramic enclosed resistor.

2. Benefits derived as a result of the above R&D:
 - Upgraded, cost effective products and services to customers.
 - Maximisation of energy generation.
 - Increase in export business.
3. Expenditure on R&D:
 - a) Capital : Rs. 700,000
 - b) Revenue : Rs. 23,061,495

C) Technology Absorption & Innovation

1. Efforts undertaken:
 - Migrating to emerging platforms such as LINUX.
 - Integrating imbedded architecture.
 - Establishment of a digital technology testing facility.
2. Benefits derived from the above:
 - Enhanced acceptability due to increased product spectrum and meeting of customers' specifications.
 - Systems can operate in harsh industrial environments without any deterioration or interruption.
 - Localised design and material cost reduction.
3. Imported Technology:
 - a) Technology imported: 1) HiPath 3000 – The next generation EPABX-KTS.
2) SF6 High Voltage breakers of 145KV range.
 - b) Year of Import : 1) 2001-02.
2) 1998-99.
 - c) Has the technology been fully absorbed: 1) Yes.
2) Yes.

On behalf of the Board of Directors



Dr. F. A. Mehta
Chairman

Mumbai
Friday, 22nd November, 2002

Annexure III to Directors' Report

Management's Discussion and Analysis

General Performance Review

The impact of the recession in the world economy had a dampening effect on the Indian economy. The Government of India's 'second generation of reforms' which was intended to provide an impetus, received a setback as home-made political and social issues got higher accord over the economic agenda. The depreciation of the Rupee against the Euro and the poor monsoons in most parts of India, also had a negative effect on the Economy. The Centre for Monitoring the Indian Economy (CMIE) has scaled down GDP growth estimates for 2002-03 to 3.1%, the third worst growth rate since 1991-92.

In the Infrastructure area, the power generation sector continued to experience flat growth for the 7th consecutive year. The acute power situation remains unresolved and to address this, Ministry of Power has declared a rhetoric 'Vision 2012', rather than outlining a concrete action driven agenda. New investments in this sector continue to be hampered by the poor financial health of the utilities. In this situation, improving plant efficiency and retrofitting were the only viable alternatives to spur growth in the sector. In the Transmission and Distribution sector, the Government's Accelerated Power Development and Reforms Programme (APDRP) even in the initial phase is running behind schedule as sanctioned financial allocations remain under-utilized. However, APDRP did boost marginal demand in the Medium Voltage and Energy Management Systems segments. In the Railways sector,

reduced budgetary support further curtailed investments in rolling stock modernization and new projects. However, there is emphasis on improving passenger safety.

Siemens too had similar trends in its infrastructure businesses with Power Generation's order inflow improving, supported by its Power Plant Automation Group's performance. The order inflow position of Power Transmission and Distribution suffered since expected High Voltage projects did not materialize. On the other hand, the Transportation Systems order intake grew substantially mainly on account of business from safety systems. Business volume has grown by an average 26% in the Infrastructure businesses and profits have been satisfactory.

The Industrial segment saw mixed fortunes. Although fresh investments fell by about 33% in the last fiscal, industrial production grew by 4.9% in the Apr-Aug 02 period against 2.4% during the same period of the previous year. The pick-up is seen as an indication of the better utilization of excess capacities that industry is beleaguered by. However, some sectors such as buildings, construction and highways grew appreciably. Overall, the market showed a shift towards smaller sized orders and was characterized by continued competitive price pressures. Several key players in this segment further restructured their businesses in order to optimize capacities and reduce costs. As a consequence of lower demand, new projects suffered. Yet, in this lackluster market, Siemens succeeded in gaining market shares

Dr. Abdul Kalam, the President of India inaugurates the Mobile Hospital developed and supplied by Siemens to the State of Uttaranchal.



in most areas, while improving its overall profitability position through the launch of innovative products, systems, solutions and services, as well as improving the cost structure.

On the other hand, the telecommunications and healthcare segments in the economy were upbeat. The pressures on businesses to be productive and cost competitive in a difficult market environment boosted demand for enterprise communication solutions. Besides, the legalization of Voice over Internet Protocol (VoIP) marked a paradigm shift in enterprise communication. The lowering of customs duty, as part of Budget 2002 and launch of new cellular services across India, boosted mobile phones sales. Overall, Siemens' business in Enterprise Networks and Mobile Phones was upbeat.

The healthcare market grew by a healthy 15%. The surge in demand for medical equipment and solutions had a positive effect on the performance posted by the Medical Solutions business. The success of corporate healthcare service providers in India had a catalytic influence in making high quality diagnostic and therapeutic services accessible to a wider public. This spurred the business of the Medical Solutions Division that grew well in line with the market trends.

The information technology sector in general and software exports in particular, faced the wrath of the US slowdown. Siemens Information Systems Ltd., Siemens' IT arm, was partly insulated due to its policy

of catering to both the domestic and export markets. With its specialization in the areas of high-end technology and focus on key verticals, it introduced several new solutions in diverse fields. The company posted good growth and achieved satisfactory results.

Although the economy was not conducive for growth, Siemens' market and customer-focussed approach saw it improve its financial position. The Company launched numerous innovative products, systems, solutions and services that met with customer expectations. This enabled it to get a stronger foothold in the market in most of its areas of operations. Marked improvement in productivity, effective asset management and sharing of services across Siemens companies in India gave the Company an improved cost structure, boosting its bottom-line. Overall, the Company's top-line has shown a steady increase and the quality of its results improved substantially, bringing it to a healthier and more stable position.

Further reviews on each of Siemens' businesses are as follows:

Energy Segment

Power Generation Division (PG)

In the last fiscal, growth and investments in the power generation sector in India continued to be affected due to poor financial position of SEBs. Faced with acute shortfall of energy supply, the government initiated the "Vision – 2012" program, effects of which are yet to be

Power Plant Automation Systems installed at Gujarat Industries Power Company Ltd. - Surat Lignite Power Project.



seen. No greenfield projects were announced in the private sector and nearly all foreign IPPs have wound up operations.

The Power Generation Division (PG) performed well despite the depressed market conditions, buoyed mainly by the performance of its Power Plant Automation group. The Division recorded significant increase in both New Order intake and Turnover, which increased by 105% and 42% respectively, as compared to the previous year. However, profits reduced compared to the previous year.

The success of the Automation group can be attributed to the introduction of technically superior yet competitive products and a focussed marketing approach. Among the important orders received last year by the group is from Rashtriya Ispat Nigam worth Rs.49 million for the control of turbo-blowers at its Vizag plant. This group also executed the Renovation & Modernisation of three separate units of NTPC's Badarpur Power Plant, in a record time of 45 days, as against typical execution time of 3-6 months. The Automation group's service business witnessed strong growth with significant orders from Lanco and Durgapur Projects Ltd.

The PG Division also successfully completed the ongoing project orders namely, 430 MW Faridabad Combined Cycle Power Plant (jointly with BHEL); Hindalco, Renukoot (30 MW); Reliance Patalganga (25 MW Replacement Turbine); Durgapur Projects Ltd.; APGENCO, Kothagudam and ACC, Chanda.

The most significant development for the Division was Siemens AG's decision to make India a hub for software development for new control systems. With significant long-term prospects, PG has decided to set up a Development Center India (DCI) at Gurgaon. The Power Generation Group of Siemens AG has extended its technical collaboration agreement with BHEL on steam turbines by another 10 years and has signed another Business Co-operation Agreement whereby the public sector utility will source critical industrial steam turbine parts from Siemens AG.

Outlook: The power generation market is expected to remain flat for the next two to three years. In these circumstances, the thrust areas for the PG Division will continue to be the Automation and Service businesses, which have high levels of local value addition. Further, the Design group is also being strengthened to participate in the global operations of Siemens. The impact of the agreements with BHEL on the business in India will be seen in the coming years.

Power Transmission and Distribution Division (PTD)

The transmission & distribution (T&D) sector continued to emanate mixed signals last year. The ambitious Accelerated Power Development and Reforms Programme (APDRP) that aimed at improving the financial health of SEBs and reforming this sector has allocated Rs.35 billion for FY 02/03. Although most of this remains unutilized during the first seven months of the current year, it has provided an impetus to the

Installation of 220 kV breakers for KPTCL at Neelamangala, Karnataka.



Medium Voltage and Distributed Management Systems segments.

The Power Transmission and Distribution (PTD) Division's strategy to evolve from a medium voltage to a broad-based T&D player over the last five years has yielded results. PTD stabilized its fiscal position through restructuring that entailed resource adjustment across all processes, particularly in manufacturing. Its turnover improved by 50% compared to the previous year, mainly due to a comfortable order backlog position of the prior period. However, new orders position declined by 14%, reflecting the slow take off in reforms and investments.

The Division successfully designed a new 12kV Outdoor Vacuum Circuit Breaker at Kalwa Works that helped take on low priced products from competitors. In fact, this factory has been recognized by Siemens AG as a Centre of Competence and Technology and is today being designated a global source for the product. The High Voltage Switchgear group successfully designed its second product, the 72.5 kV circuit breaker at the Aurangabad factory, which also supplies parts of the breaker on a global basis.

PTD successfully commissioned and handed over Karnataka Power Transmission Corporation Ltd's (KPTCL) Neelamangala 400/220 kV substation project, one of the largest of its kind in India. The High Voltage Systems Group executed India's largest HV DC project connecting Orissa and Karnataka. Some major orders bagged by the Division in the last year include those from L&T, KPTCL and Kochi Refinery.

The new 1.25 MW generator (inset) for windmill turbines manufactured at our Kalwa works.

Outlook: The Government's power reforms program envisages formation of a National Grid that promises opportunities for High Voltage Systems, Power Automation and Energy Management segments. With T&D gaining priority, increased demand for substations, transmission lines and metering equipment is expected to provide greater business opportunities. Notwithstanding the challenging market situation, the Division is keen on increasing participation in utility segments, SEBs and corporatised entities and continue its thrust on industry. The financial health of utility companies however remains the main area of concern for this Division.

Industry Segment

Automation & Drives Division (A&D)

The Industry segment showed a marginal improvement in the last year after witnessing a downward trend during the prior fiscal. The overall market for the Automation & Drives Division increased marginally by 4% registering growth in sectors such as machinery, infrastructure and chemicals-pharmaceuticals.

The Automation & Drives (A&D) business grew in line with the market, with Order Value increasing by 4% and Turnover by 2%, despite severe price pressure from established competitors and the negative effects of the appreciation of the Euro against the Rupee. Numerous process improvement measures vigorously implemented by the Division helped to significantly enhance the bottomline over the previous year.



During the year, A&D introduced new products such as micro-processor-based air circuit-breakers that complement the existing range to enhance the portfolio. It also developed complete solutions for applications in the machinery and process control sectors. A new service initiative for customers was successfully launched. A&D also acquired the status of preferred supplier for induction generators ranging upto 1.25 MW from major windmill turbine manufacturers in India.

Among the major orders received during the year were for generators from Suzlon Engineering Ltd. and other wind turbine manufacturers, valued at a total Rs.120 million. Others include a Rs.55 million order for drives for expansion of Hindalco's Alumina plant, a Rs.25 million order for 1000 KW drives from BPCL, a Rs.27 million order from BPCL's Bongaigaon refinery for automation of its acrylic fiber line and crane controls from Chennai Container Terminal and Tuticorin port worth Rs.15 million.

Outlook: The market in which A&D operates is expected to remain flat in the year ahead. The appreciation of the Euro against the Rupee and import of low price products from China remain constant threats. In order to strengthen its position in this situation, the Division has worked out a strategy comprising of a combination of actions such as launch of new state-of-the-art products, improved service capability and increased sales volume through optimum utilization of free capacity.

Control Centre of the Highway Traffic Management System installed at Shahapura (Rajasthan) on National Highway No. 8 on the Kotputli Amer Section of the Delhi-Jaipur Highway.

Industrial Solutions & Services Division (I&S)

Despite early signs of slow industrial recovery, investments in new industrial projects remain sluggish. During the last fiscal, fresh investment proposals declined by 33% between August 2001 and July 2002, except in some sectors like construction and highways.

Anticipating this slowdown in investments in new projects, the Industrial Solutions & Services Division (I&S) shifted its focus to serve the growing construction and highways sectors and take up smaller retrofit and revamp projects. This supported the new order intake position which increased by 6%, whereas turnover declined by 24% due to lower order backlog from the previous year. Profits, though healthy, were under pressure due to severe competitive forces, as well as the appreciation of the Euro.

In the last year, I&S developed the innovative "Digicon" solution for conversion of analog DC drives to digital. In the area of exports, the Division received the mandate for export of cold rolling mills and processing lines to select countries, apart from continuing with engineering exports to Siemens AG.

Amongst the highlights last year was the commencement of operations of India's first Highway Traffic Management System (HTMS) on the Delhi-Jaipur Highway. I&S successfully commissioned an information management system for Blast Furnace 'G' at TISCO and an inventory management system for the Municipal Corporation of Greater Mumbai, as also



supply and installation for Nalco's 220 kV conversion sub-station package.

Major orders bagged by I&S in the last year include a fourth repeat order of Rs.250 million from Moser Baer India; two orders valued at Rs.130 million from the Institute of Plasma Research, Ahmedabad; Rs.75 million order from TRF Ltd, Jamshedpur and a Rs.53 million order from Mahanadi Coalfields Ltd. In the meanwhile, the shareholders' agreement for the US \$ 230 million (Rs.11,500 million) Bangalore International Airport was signed earlier this year. Siemens Ltd. will provide onshore supplies and services to this project, which is co-promoted by a Siemens-led consortium.

Outlook: With declining new investments, the market sentiment is expected to remain damp. In this situation, I&S foresees continued investments in highways as a potential area of opportunity. Engineering exports to Siemens AG and export of solutions for cold rolling mills and processing lines will help boost volumes and improve profitability. In addition to expanding into new market segments, the Division intends to profitably maintain its market share in existing segments. This would be achieved through improved productivity measures and streamlining of processes. Participation in the proposed Bangalore International Airport project, will help boost the Division's order book with sales in subsequent years.

Low Voltage Distribution Systems Division (CDDM)

Last year, the overall market for Low Voltage Distribution Systems Division (CDDM) remained stagnant and was characterized by intense competition, putting prices under tremendous pressure. As a consequence, the Low Voltage Distribution business posted a 40% drop in both, Turnover and Order Value. Notably, the Division returned to profitability against several odds.

The twin initiatives of closing down the high cost manufacturing operations at Joka and implementing a completely new business process of deploying a lean cost structure whilst maintaining high quality standards, supported the Division's turnaround. The entire business restructuring was achieved in a short time horizon of less than two years.

As a result of a focused market approach, the Division achieved an increase in the marketshare. Customer loyalty and satisfaction was evidently demonstrated as it received six orders totally valued at Rs.70 million from Hindalco alone for its Renusagar and Renukoot plant renovation and expansion projects. CDDM also received a significant order worth Rs.25 million for Kochi Refineries through BSES.

In the last year, the Division developed the non-compartmentalized Distribution Boards, to cater to the rising demand in the building sector. This product has met with good success.

Siemens Low Voltage Switchboards installed at Baan IT Park at Hyderabad.



The concentrated focus on its spares and service business, group helped it record a four-fold increase in turnover in this line of business over the last three years. To further augment its service network, CDDM has entered into a franchising arrangement with a Kolkata-based company, which utilizes the services of former employees of Joka Works.

Outlook: Having stabilized its new processes during the last fiscal, the Division plans to aggressively strengthen its entry into the building and infrastructure industry with new products manufactured at Goa. It also plans to take advantage of the opportunities likely to be provided by the revival in demand in the petroleum and power generation sectors. CDDM has also noticed a good potential for its 'power factor correction panels'.

Healthcare Segment

Medical Solutions Division

The Indian medical equipment market grew at a robust 15% driven by demand in metro centers and pick up for high-end equipment demand in non-metros. With leading hospitals and institutes buying world-class products, the overall business development for the Medical Solutions Division was positive.

The Medical Solutions Division, which had embarked upon an aggressive growth path in fiscal 2001, returned a combined business volume growth in line with the market and it posted a good profit in the last fiscal year.

The state-of-the-art factory at Goa manufacturing world-class medical equipment. Inset : Multimobil 2.5 high frequency X-ray generator recently acquired the CE certification.

During the last year, the Division achieved success in the routine diagnostics and high-end super-speciality segments. It introduced new products in the Cardiac Cathlab, Magnetic Resonance Imaging (MRI), Ultrasound and Critical Care segments. While the new Cardiac Cathlab product, Axiom Artis, helped the Division secure a market leadership position in this segment, the new "Maestro" range of products consolidated its leadership in the MRI segment. In fact, Siemens Medical is India's first to receive 100 orders for MRI units.

The Division marked its first foray into the complete hospital solutions segment, by "integrating" diagnostics and intensive care products with SISL's Hospital Information Systems. To be more customer-centric and improve customer satisfaction in interactions, the Division launched a toll-free service that helps handle 50% more calls per month. It also tied up with three leading financial institutions to offer financial solutions to customers for medical equipment investments.

The Division's Goa factory had a significant achievement when two of its products received the CE certification and started the export registration in five Asian countries. The Goa unit, which is already identified as a Global Competence Center by Siemens AG, today provides mobile X-Ray units for Siemens' international requirements.

Outlook: The outlook for the Healthcare sector in India continues to be positive. The Division is well-placed to capitalize on the impending boom in investments in non-metro centers and districts, with the goal to achieve



an appreciable growth in the current year. It will continue to introduce new products in its segments and leverage its service and support set-up to achieve its growth objective for the current year.

Transportation Segment

Transportation Systems Division

In the face of a severe resource crunch over the last two years, the Indian Railways have put new investment programs on hold. Procurement of all rolling stock items such as EMUs, Wagons, Metro Coaches, Diesel & Electric Locomotives have been curtailed and there are no fresh projects in the pipeline. However, investments in the area of safety systems have taken off.

Despite this tough environment, the Transportation Systems (TS) Division registered an impressive increase of 30% in order value, whereas Turnover remained flat as compared to the previous fiscal. The Division's focus on productivity improvement and effective asset management, resulted in its posting a healthy profit as compared to the previous fiscal.

Continuous technology upgradation and emphasis on quality have helped the Division compete in international markets, giving it added volumes. This has been a key factor in improving the Division's performance. Service was another thrust area for the Division, which helped it improve customer satisfaction and gain loyalty. Last year, TS extended its service network to five more locations, in addition to the existing facilities.

During the last fiscal, the TS Division has secured a Rs.700 million order for Siemens AG from Diesel Locomotive Works for diesel locomotive sets. The Division received a Rs.204 million order for Auxiliary Inverters from Railway Board, apart from a Rs.118 million order from Rail Coach Factory, Kapurthala.

Outlook: Indian Railways' continued emphasis on safety improvements will see higher investments in this segment in the future with a projected 6% growth in Signalling and 2% growth in miscellaneous electricals.

To retain its leadership position, TS will seek opportunities that may so arise and will also venture into newer segments such as rolling stock upgradation, multiple units etc. Backed by its strength in localizing state-of-art German technology, the Division also plans to introduce new technologies that will improve safety, passenger comfort and speed.

Information & Communication Segment

Enterprise Networks Division (ICN EN)

Relaxation of regulations governing convergence communication and the buoyancy arising out of the expected ratification of the 'Convergence Bill' were positive trends in the modernization of communication infrastructure in the enterprise market that grew at 16-18% last year mainly concentrated in lower and mid market segments.

Information & Communication - Enterprise Networks

Indian Railway's first three-phase 4000 HP diesel electric loco with traction electrics from Siemens.



Division (ICN EN) was in a unique position to benefit from this shift to convergence with the launch of its HiPath 3000, the Next Generation EPABX/KTS, the most advanced convergence platform in the world. This product achieved record sales at system and line unit volume levels and ensured ICN EN's dominance in the high and mid-market segments.

The Division had its most successful year ever with substantial top line and bottom line growth. While orders grew by 25% and revenues were up 24% over the previous year, profits improved substantially. The Division gained substantial market share and became the top provider of converged communication solutions in India.

Apart from HiPath 3000, ICN EN launched several new offerings such as the HiPath Procenter, a Call Center suite and the new Optipoint 500 - the Next Generation Workpoints family. Additionally, the Division re-entered the analog phone market with the 'Euroset 2005' and 'Euroset 2015'.

ICN EN also forged alliances to provide comprehensive solutions with Polycom in the area of video-conferencing solutions and with Talisma in the Call Center segment. A partnership with Avhan was also established to offer Call Center Customer Relations Management (CRM) solutions to be integrated into the Siemens Procenter Call Center suite. To enhance customer delight, the Division launched several service and add-on sales programs, including 'Telecare', a telephone cleaning service.

Outlook: ICN EN's future outlook is very positive. ICN EN's comprehensive solutions portfolio and market coverage should allow the Division find offsetting growth opportunities despite the sluggishness in certain sectors of the economy. The network solutions offered by the Division assist enterprises in coping with the current economic climate by improving their productivity, lowering costs and providing tools to enhance their competitive advantage. The Division's sales and service network is growing substantially with manpower additions to both the Direct and Indirect channels. Furthermore, ICN EN will continue to introduce a number of highly innovative products and solutions in the area of call centers, cordless mobility and convergent voice, data and video communications.



euroset 2015 - the latest phone from Siemens with hands-free facility.

Mobile Phones Division (ICM – MP)

The overall market for mobile phones last year has grown by a substantial 70% in terms of number of subscribers. The reduction in customs duty in the Union Budget 2002 helped reduce the impact of the "grey" market. However, the advantages of duty reduction were partially negated as 'parallel' imports drove sales away from official channels. The last year saw major players launch several new products in the market, with brand wars reaching a new high.



The most trendy C45 Mobile handset launched in keeping with consumers' lifestyle preferences

In this backdrop, the Information and Communication – Mobile Phones Division (ICM MP) has achieved a commendable 300% growth in total sales units in the country during the last fiscal. Correspondingly, profits surged substantially over the previous year. This was achieved as a result of the Division's aggressive distribution and marketing efforts.

Market penetration efforts initiated in the previous fiscal, including appointment of a nationwide distributor, have stabilized and begun to show results. During the last year, to increase market penetration and reach, ICM MP appointed 12 new stockists. To strengthen the sales and services set-up, ICM MP also signed an MoU with Agrani Convergence Limited to operate "Siemens Customer Care

Centers". ICM MP also made investments to enhance repair levels of Authorized Service Providers.

Demand for a mobile phone in India is fueled by preference for lifestyle-oriented features, rather than merely new technology. Therefore, most mobile handset vendors launched products that reflected consumers' lifestyle preferences and supported these with aggressive marketing, sustained advertising and brand promotion programs. In keeping with this market trend, ICM MP launched two new models, the trendy C45 and M50 and backed them with focussed advertising and promotion.

Outlook: In the current fiscal, the mobile phones market is expected to register a growth momentum of 5.5 million handsets or 65% growth. Added to this, the expected roll-out of the CDMA-WILL technology will see a new trend in mobile telephony.

To partake in the high growth mobile phones market, ICM MP too has set itself aggressive growth targets. To support this, it has chalked out a retail visibility program to further strengthen the distribution and dealer network in order to boost 'point-of-sale' in major cities. In line with fast emerging trends, ICM MP will launch models with local language interface.

Siemens Information Systems Limited

The Indian software sector took the full brunt of the global technology meltdown, with growth plummeting

from 57% in fiscal '01 to 23% in the last fiscal. The domestic software sector, which rides on a smaller base, grew at a slower pace of 12%.

Reflecting the slowdown, Siemens Information Systems Ltd's (SISL) New Order intake grew marginally by 4% over the previous year, whereas turnover improved by 16% and profits registered a handsome increase. This Company's three-pronged strategy of focusing on exports and domestic markets, in addition to Siemens globally, gave it steady performance. In its preparedness to pre-empt the negative effects of the global IT slowdown, it embarked on programs for cost reduction, asset management and productivity improvement, which saw it reap higher profits in the last year.

SISL's unique strength is to combine its domain expertise across various segments and create its own solutions. Besides, acquiring expertise in banking and finance through partnerships, SISL expanded its presence in segments like media, healthcare, biometrics (security), telecom and SAP implementation.

A highlight of SISL's performance in the last year was achieving a pioneer status in SAP implementation and consulting. With the largest domestic marketshare, SISL set up its third SAP training center in Hyderabad, apart from those in Chennai and Delhi, to reinforce this position. It also successfully implemented an Integrated Media Solution, SAP IS Media, for The Times of India Group, a first in the Asia Pacific region.

Last year, SISL increased its collaboration with various

SISL - creating value through people.



Siemens Group companies in India as well as globally, which saw it receive several orders. It also launched Business Process Outsourcing (BPO) services, in collaboration with Siemens Shared Services Pvt Ltd. Besides, this, SISL was very active domestically and bagged some very prestigious orders from key customers like ITI, Bangalore and Reliance Telecom, and Novartis, Bangladesh.

Outlook: With the Government of India's plans to increase IT spending, SISL has an edge due to its expertise in domestic markets. SISL's focus on high growth segments, such as media, healthcare and security systems for both domestic and export markets, is the key for future growth. SISL plans to set up its next international liaison office in Northern Europe to expand its geographical presence and explore new export markets. It is aggressively promoting the offshoring model, to implement projects for Siemens Business Solutions (SBS) globally.

Real Estate Segment

Siemens Real Estate Division (SRE)

The Siemens Real Estate (SRE) Division was formed to optimize the utilization of Siemens Ltd's real estate across the country. It also handles the Facility Management Services for all locations across India and rents premises that are not in use.

During the last fiscal, the Division played a crucial role in supporting the Company's bottom-line. It successfully implemented several new systems that have helped optimize real estate assets and save substantial costs. The Division also earned revenues by offering its expertise and services to third parties.

Internal control systems and their adequacy

The company has adequate internal control systems, which foster reliable financial reporting, safeguard assets, encourage adherence to management policies and promote ethical conduct. Moreover, the company has appointed an audit committee, which regularly reviews, with management, external and internal audits and the adequacy of internal control systems. Integrity guides the company's conduct toward its business partners, colleagues, shareholders and the general public. This corporate philosophy constitutes the foundation of the Business Conduct Guidelines, which have been adopted by the employees from the current year.

Material developments on the Human Resources / Industrial Relations front

Siemens Ltd. currently employs 3896 employees, which

comprises of persons well-qualified in technical and managerial skills, both in factories as well as in the sales and service functions. The Company's 4-Point Program for Growth envisages building a team of competent and motivated employees. It is the Company's first priority to enrich its employees by promoting learning and enhancing their knowledge. Siemens also continuously strives to create an environment of cooperation and trust, that is built on mutual respect and a high degree of personal integrity.

To achieve this, the Company has launched a number of programs that enhances employee competence at all levels, including both technical skills and leadership abilities. The Company has invested in a state-of-the-art Technical Skills Development Centre at the Kalwa premises which provides technical training to employees. To recognize and reward good performance, Siemens Ltd. has successfully introduced the concept of performance-based variable compensation.

The Industrial Relations scenario continues to be very cordial and the company is in the process of finalizing the long-term wage settlements with the Unions. The operations of the Company's Joka factory have ceased and all employees at that location have taken voluntary retirement, or have been relocated.

Outlook for Siemens Ltd.

In the backdrop of continued slow pace of economic growth, the Infrastructure sector in India is expected to remain flat during the current year. The Government's ambitious plans to reform the power sector needs to be accompanied by improvement in the financial health of SEBs. The Power Generation Division will continue to focus on Automation and Services to leverage the limited opportunities presented by the power generation sector.

The Power Transmission & Distribution sector is expected to provide growth opportunities if power reforms take off and financial issues of SEBs are resolved in a time-bound manner. This would boost demand for the high voltage, energy management, and safety and automation equipment segments. Siemens Power Transmission and Distribution business is well-positioned to garner business opportunities as a key participant in the development of this sector.

The Indian Railways' emphasis on improving passenger safety will see higher Government investments in this segment in future. Based on its strength in adapting state-of-the-art technology for Indian requirements, Siemens' Transportation Systems business plans to retain its leadership position in this sector and venture into newer segments, as opportunities arise.

With continued overcapacity, stagnant demand and lower levels of new investment, the Industrial sector is expected to remain dampened during the current year. The Industry Group Divisions, i.e. Automation and Drives, Industrial Solutions and Services and Low Voltage Distribution businesses are looking at entering hitherto untapped market segments and introducing new offerings for existing ones to help tide over this situation. These Divisions will continue to improve in productivity and streamline processes to maintain profitability.

The telecommunications sector, in particular for Enterprise Networks, is on the upswing. New business opportunities will further emerge in this sector if the Convergence Bill is ratified. Siemens plans to strengthen its sales channels and improve service capability to take advantage of this growth potential. In doing so, it plans to introduce newer products and variants that meet customer needs and help them become more efficient. In the fast growing mobile phones business, Siemens plans to further improve distribution and reach beyond metros, increase retail visibility through special programs and bring in products with local adaptations to boost point-of-sale volumes, apart from creating preference for the Siemens brand.

Entry of private service providers and efforts of the healthcare insurance sector will make access to healthcare services easier and continue to boost the healthcare sector. Here, Siemens is strongly poised to leverage these emerging opportunities and plans to launch top-of-line products and services, as called for by the market.

Information Technology will continue to be a key focus area for Siemens, as an independent business serving the market directly, as well as for Siemens' own developmental activities, domestically and globally. As such, Siemens Information Systems Ltd., the IT arm of Siemens, plans to enhance its presence in the market, with an added thrust on exports.

Overall, based on the trends of the world economy and domestic developments, the market during the current fiscal is expected to be sluggish. Given this situation, Siemens has already put in place a strategy for attaining profitable growth based on its 4-Point Program. This will be achieved through a series of actions that includes the introduction of an array of new products and services making the offerings basket more comprehensive. The company expects to participate more actively in the Siemens global network offering its strengths in manufacturing, R&D, hardware and software. Simultaneously, it will further improve its

overall cost structure to enhance its competitive position in the market.

On behalf of the Board of Directors



Dr. F. A. Mehta
Chairman

Mumbai
Friday, 22nd November, 2002

Note:

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

Annexure IV to the Directors' Report

Corporate Governance Report

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

I. Company's philosophy and Corporate Principles

Responsible and transparent Company management and oversight structures - focused on achieving sustainable growth in Company value - are indispensable if Siemens is to earn and maintain the trust of investors, business partners, employees and the society. That is why good Corporate Governance forms the basis of all our decision-making and monitoring processes. This applies particularly to our co-operation with Shareholders.

Respect for and protection of Shareholder rights, the transparency and timeliness of Company communications, and close and effective co-operation between the Management and the Board of Directors, all have a long tradition at Siemens. Both, the Management and the Board of Directors are obligated to promote the welfare of the Company and to drive sustainable growth in Company profitability.

The Company is fully committed to and continues to practice good Corporate Governance. It endeavors to act on the basic principles of transparency, accountability, trusteeship and integrity on an on-going basis. The purpose of high standards of Corporate Governance is to increase the Company's overall value by efficiently and effectively meeting its financial, social, environmental, legal and statutory obligations. Siemens has complied with all the relevant Corporate Governance standards.

In addition, the Company adheres to the seven Corporate Principles briefly described below:

1. Customers govern our actions
2. Our innovations shape the future
3. Business success means: we win from profits
4. Excellent leadership fosters top results
5. Learning is the key to continuous improvement
6. Our co-operation has no limits
7. Corporate citizenship is our global commitment

II. Board of Directors (Board)

During the year 2001- 02, five Board Meetings were held on:

22nd November, 2001

18th January, 2002

5th March, 2002

23rd April, 2002

16th July, 2002

All the relevant items of information, including information as specified by Annexure 1 to Clause 49, are being made available to the Board.

Details of the composition of the Board and changes therein during the year, category of the Directors and their attendance at Board Meetings and last Annual General Meeting, number of their other directorships and committee memberships are given below:

Sr. No.	Name of the Director	Category of Directorship@	No. of Board Meetings attended out of 5 held	Attended last AGM held on 17.01.02	No. of other Directorships as on date #	No. of other Committee Memberships as on date	
						Member	Chairman
1	Dr. F. A. Mehta (Chairman)	NED (I)	5	Yes	8	4	3
2	Mr. J. Schubert (Managing Director)	WTD	4	Yes	4	1	Nil
3	Mr. H. Gelis (Executive Director)	WTD	5	Yes	2	1	Nil
4	Mr. A. B. Nadkarni	WTD	4	Yes	Nil	Nil	Nil
5	Mr. Harminder Singh	WTD	5	Yes	2	Nil	Nil
6	Mr. O. P. Narula	WTD	4	Yes	1	Nil	Nil
7	Mr. D. C. Shroff	NED (I)	5	Yes	19	6	4
8	Mr. Y. H. Malegam	NED (I)	5	Yes	13	5	5
9	Mr. P. M. Thampi	NED (I)	4	Yes	4	4	2
10	Dr. K. Wucherer *	NED	1	No	Nil	Nil	Nil
11	Mr. N. J. Jhaveri	NED (I)	4	Yes	11		
12	Dr. O. Schmitt * (Alternate for Dr. Wucherer)	NED	1	No	Nil	Nil	Nil
13	Mr. S. K. Thackersey \$	NED (I)	1	N.A.	N.A.	N.A.	N.A.

* nominee and in the whole-time employment of the parent company, Siemens AG.

@ Category of Directorship:

WTD - Whole-time Director

NED - Non-Executive Director

NED (I) - Non-Executive and Independent Director

includes Alternate Directorships and Directorships in Private Companies.

\$ Resigned with effect from 17th January, 2002.

III. Audit Committee of Directors (Audit Committee) Composition

The Board of Directors constituted the Audit Committee in December, 2000. The present composition, as per Clause 49 II (A), is as follows:

Name	Designation	Category
Mr. Y. H. Malegam	Chairman	Non-Executive and Independent Director
Dr. F. A. Mehta	Member	Non-Executive and Independent Director
Dr. K. Wucherer / Dr. O. Schmitt	Member	Non-Executive Director
Mr. Ashok P. Jangid	Secretary	Corporate Secretary

The Executive Director and Heads of Account and Internal Audit Department are permanent invitees to the Committee Meetings. The Statutory Auditors are also invited to attend the Meetings.

Terms of Reference

The Powers and Terms of Reference of the Audit Committee are as mentioned in Clause 49 (D) and Section 292A of the Companies Act, 1956. The Terms of Reference are briefly described below:

- a. Oversight of the Company's financial reporting process and disclosure of financial information.
- b. Recommend the appointment and removal of external auditor, fixation of audit and other fees.
- c. Review with management the annual financial statements before submission to the Board.
- d. Review with management, external and internal auditors, the adequacy of internal control systems.
- e. Review the adequacy of internal audit function.
- f. Discussions with internal auditors of any significant findings and follow-ups thereon.
- g. Review the findings of any internal investigations by the internal auditors.
- h. Discussion with external auditors before the audit commences, of the nature and scope of audit as well as have post-audit discussion to ascertain any area 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 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 2001-02, four Meetings of the Audit Committee were held on:

21st November, 2001

18th January, 2002

22nd April, 2002

16th July, 2002.

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

Member	Attendance at Audit Committee Meetings held on			
	21 st November, 2001	18 th January, 2002	22 nd April, 2002	16 th July, 2002
Mr. Y. H. Malegam	Yes	Yes	Yes	Yes
Dr. F. A. Mehta	Yes	Yes	Yes	Yes
Dr. O. Schmitt	Yes	No	No	No

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

The Chairman of the Audit Committee was present at the 44th Annual General Meeting held on 17th January, 2002.

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 address the shareholders' and investors' grievances. The present composition of the Investors Grievance Committee is as follows:

Name	Designation	Category
Mr. D. C. Shroff	Chairman	Non-Executive and Independent Director
Mr. P. M. Thampi (from 22.11.01)	Member	Non-Executive and Independent Director
Mr. N. J. Jhaveri (up to 04.10.01)	Member	Non-Executive and Independent Director
Mr. J. Schubert	Member	Managing Director
Mr. Ashok P. Jangid	Secretary and Compliance Officer	Corporate Secretary

Terms of reference

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

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

Meetings and attendance during the year

During the financial year 2001-02, two Meetings of the Investors Grievance Committee were held i.e. on 23rd October, 2001 and 23rd April, 2002.

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

Members	Attendance at Investors Grievance Committee Meetings held on	
	23rd October, 2001	23rd April, 2002
Mr. D. C. Shroff	Yes	Yes
Mr. P. M. Thampi (from 22.11.01)	Not applicable	Yes
Mr. N. J. Jhaveri (up to 04.10.01)	Not applicable	Not applicable
Mr. J. Schubert	Yes	Yes

The Corporate Secretariat Department of the Company under the supervision of Mr. Ashok P. Jangid, Corporate Secretary, who is also nominated by the Company as the "Compliance Officer" as required under SEBI Regulations / Listing Agreement, and the Registrar and Share Transfer Agent, MCS Ltd., attend to all grievances of the shareholders and investors received directly or through SEBI, Stock Exchanges, Department of Company Affairs and Registrar of Companies.

Barring certain cases pending in Courts / Consumer Forums, relating to disputes over the title to shares, in which the Company has been made a party, the Company / MCS Ltd. has attended to all the investor grievances / correspondences within a period of 10-15 days from the date of their receipt.

A comparative statement of the various complaints received and redressed by the Company and MCS Ltd. during the last two years is given below:

Nature of Complaints	2001 - 02		2000 - 01	
	Received	Cleared	Received	Cleared
Non-receipt of Share Certificates duly transferred	38	38	50	48*
Non-receipt of dividend warrants	131	131	161	160*
Letters from SEBI	4	4	4	4
Letters from Stock Exchanges	2	2	2	2

*cleared since then.

The Company and MCS. Ltd. are making further attempts to ensure that grievances are expeditiously addressed and redressed to the full satisfaction of the investors.

V. Remuneration Committee of Directors (Remuneration Committee)

Composition

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

Name	Designation	Category
Mr. N. J. Jhaveri	Chairman	Non-Executive and Independent Director
Mr. D. C. Shroff	Member	Non-Executive and Independent Director
Mr. S. K. Thackersey (up to 17.01.02)	Member	Non-Executive and Independent Director
Mr. P. M. Thampi (from 18.01.02 up to 22.11.02)	Member	Non-Executive and Independent Director
Dr. F. A. Mehta (from 22.11.02)	Member	Non-Executive and Independent Director
Mr. Ashok P. 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, retivals 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 each Whole-time Director.
- Periodically review and suggest revision of the total remuneration package of the Whole-time Directors keeping in view the performance of the Company, standards prevailing in the industry, statutory guidelines, etc.

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

Meetings and attendance during the year

During the financial year under review, the Remuneration Committee met twice i.e. on 23rd October, 2001 and 16th July, 2002 where all the Members were present.

The Chairman of the Remuneration Committee was present at the 44th Annual General Meeting held on 17th January, 2002.

Remuneration Policy**a. For Whole-time Directors**

The Board of Directors / the Remuneration Committee of Directors is authorised to decide the remuneration of the Whole-time Directors, subject to the approval of the Shareholders and the Central Government, if required. The remuneration structure comprises salary, perquisites, retirals, performance linked incentive and commission. Expatriate Directors are also 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. Performance linked incentive and commission are the only components of remuneration that are not fixed. Performance linked incentive is based on the performance criteria laid down by the Remuneration Committee. Commission is calculated 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.

Whole-time Directors are not entitled to Sitting Fees.

The details of the remuneration payable to the Whole-time Directors for the year 2001-02 are as under:

in Rs.

Name	Salary	Perqui-sites*	Performance Linked Incentive** (maximum)	Comm-ission** (maximum)	Total	Period of contract (from – to)
Mr. J. Schubert	1,500,000	1,227,555	1,050,000	350,000	4,127,555	3 years 01.10.01 - 30.09.04
Mr. H. Gelis	1,200,000	1,050,660	1,050,000	350,000	3,650,660	5 years 01.01.01 - 31.12.05
Mr. A. B. Nadkarni	1,200,000	1,320,874	1,050,000	350,000	3,920,874	5 years 20.02.02 - 19.02.07
Mr. Harminder Singh	1,140,000	1,369,783	1,050,000	350,000	3,909,783	5 years 01.04.98 - 31.03.03
Mr. O. P. Narula	900,000	1,012,912	1,050,000	350,000	3,312,912	2 years 01.10.01 - 30.09.03
Total	5,940,000	5,981,784	5,250,000	1,750,000	18,921,784	

* Includes Company's contribution to Provident and Superannuation Funds for Indian Directors and Overseas Allowance for Expatriate Directors.

** Actual amounts to be decided by the Remuneration Committee, depending on the performance of each Whole-time Director. Payable subject to approval of annual accounts by Shareholders at the forthcoming Annual General Meeting to be held on 21st January, 2003.

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.

b. For Non-Executive Directors

The Non-Executive Directors are paid remuneration by way of Commission and Sitting Fees. Sitting Fees of Rs.5000 per Board/Committee Meeting is paid to each Non-Executive Director. In terms of the Shareholders' approval given at the 43rd Annual General Meeting held on 15th December, 2000, Commission is payable at a rate not exceeding 1% per annum of the net profits of the Company computed in the manner referred to in Section 309(5) of the Companies Act, 1956. The actual amount of Commission payable to each Non-Executive Director is decided by the Board. The Commission payable to the Chairman is decided by the other Members of the Board. It is decided broadly on the basis of the following:

1. Number of Board Meetings attended during the year.
2. Number of Committee Meetings attended during the year.
3. Role and responsibility as Chairman of Committee(s) of Board.
4. Responsibilities as Member of the Committee(s) of Board.
5. Overall contribution and role outside the Meetings.

The details of the remuneration paid / payable to the Non-Executive Directors for the year 2001 - 02 are as under:

in Rs.

Name	Sitting Fees for Board and various Committee Meetings	Commission*	Total
Dr. F. A. Mehta	50,000	400,000	450,000
Mr. Y. H. Malegam	50,000	300,000	350,000
Mr. D. C. Shroff	45,000	260,000	305,000
Mr. N. J. Jhaveri	30,000	250,000	280,000
Mr. P. M. Thampi	30,000	200,000	230,000
Dr. K. Wucherer	5,000	100,000	105,000
Dr. O. Schmitt	10,000	100,000	110,000
Mr. S. K. Thackersey (upto 17.01.02)	10,000	60,000 (pro-rata)	70,000
Total	230,000	1,670,000	1,900,000

* payable subject to approval of annual accounts by Shareholders at the forthcoming Annual General Meeting to be held on 21st January, 2003.

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.486,699 that was paid to them during the year is not considered material enough to impinge on the independence of Mr. D. C. Shroff.

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

VI. Other Committees

a) Share Transfer Committee (STC)

This Committee presently comprises of :

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

The STC has been set up for approving the transfer / transmission / transposition of Shares and consolidation/ splitting of folios, issue of Share Certificates in exchange for sub-divided, consolidated, defaced, etc. ensuring compliance with legal requirements of share transfers and co-ordination with the Registrar and Transfer Agent, Depositories, etc. The STC Meetings are held as and when required, usually fortnightly. 19 Meetings of the STC were held during the year 2001-02.

b) Finance Committee (FC)

This Committee presently comprises of:

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

The FC has been set up for authorising the opening / closing / operation of bank accounts, availing of credit facilities, authorising the giving of loans, intercorporate deposits, guarantees, etc. The FC Meetings are held as and when required, usually monthly. 7 Meetings of the FC were held during the year 2001-02.

c) Delegation of Powers Committee (DPC)

This Committee presently comprises of:

Name	Designation
Mr. J. Schubert, Managing Director	Chairman
Mr. H. Gelis, Executive Director	Member
Mr. A. B. Nadkarni, Director-Personnel	Member
Mr. Ashok P. Jangid, Corporate Secretary	Member and Secretary

The DPC has been set up to issue / revoke Powers of Attorney, fix the procedures for signing authority, grant authority for various purposes to the employees. The DPC Meetings are held as and when required, usually monthly. 13 Meetings of the DPC were held during the year 2001-02.

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

VII. General Body Meetings

Details of location and time of the General Body Meetings held during the last three financial years are as follows:

Financial Year	AGM / EGM	Venue	Day and Date	Time
2000-01	44 th AGM	Y. B. Chavan Auditorium, General J. Bhosale Marg Nariman Point, Mumbai 400 021	Thursday, 17 th January, 2002	3 p.m.
2000-01	EGM for approval of Buyback	Y. B. Chavan Auditorium, General J. Bhosale Marg Nariman Point, Mumbai 400 021	Friday, 15 th June, 2001	11 a.m.
1999-00	43 rd AGM	Y. B. Chavan Auditorium, General J. Bhosale Marg Nariman Point, Mumbai 400 021	Friday, 15 th December, 2000	3 p.m.
1998-99	42 nd AGM	Patkar Hall, S.N.D.T. Women's University, 1, Nathibai Thackersey Road, Mumbai 400 020	Friday, 21 st January, 2000	3 p.m.

Passing of Resolutions by Postal Ballot:

No Resolutions were passed by Postal Ballot for the year ended on 30th September, 2002. Such Resolutions shall be passed by Postal Ballot during the year ending on 30th September, 2003, if required.

VIII. Disclosures

- a. The Company has not entered into any transaction of a material nature with the Promoters, Directors or the Management, their subsidiaries or relatives, etc. that may have potential conflict with the interests of the Company.
 - Transactions with related parties, as per requirements of Accounting Standard 18, are disclosed at the relevant place in this Annual Report.
 - Disclosures have also been received from the senior managerial personnel relating to the financial and commercial transactions in which they or their relatives might have a personal interest. However, none of these transactions have any conflict with the interests of the Company.

- b. The Company has complied with all requirements of the Listing Agreement with the Stock Exchanges as well as the regulations and guidelines of SEBI. Consequently, no penalties were imposed or strictures passed against the Company by SEBI, Stock Exchange or any other statutory authority.

IX. Means of communication

- a. Quarterly / Half-yearly results are not being sent to the households of the Shareholders.
- b. The quarterly results of the Company are published in the following leading national English newspapers:
- Times of India (Mumbai edition)
 - Indian Express (all - India editions)
- In addition, the same are published in the following local language (Marathi) newspaper:
- Maharashtra Times / Loksatta
- These newspapers are selected on the basis of their circulation in the areas where vast majority of our Shareholders are located.
- c. The results are also displayed on the corporate website www.siemens.co.in along with the official press releases and the detailed presentations made to the media / analysts.
- d. Quarterly Results, Shareholding Pattern, full Annual Report, etc. are being electronically filed on the EDIFAR website www.sebidifar.nic.in as required by SEBI / the Listing Agreement.
- e. The Management's Discussion and Analysis is appearing as Annexure III to the Directors' Report.

X. General Shareholder information

Detailed information in this regard is provided in the section 'General Shareholder Information' as Annexure V to the Directors' Report.

Status of compliance with non-mandatory requirements:

1. The Company has appointed a Remuneration Committee of Directors.
2. Since the financial results are published in leading newspapers as well as displayed on the website, the results are not sent to the households of the Shareholders.
3. Sale of investments in companies wherein the investment exceeds 25%, should be approved by the Shareholders by means of Postal Ballot.

During the year under review, the Company decided to divest its 26% stake in Siemens Metering Ltd., subject to receipt of all statutory / regulatory approvals.

This being one of the matters regarding which there is a variance in the provisions of the Companies Act, 1956 and Listing Agreement, the Company did not go in for Postal Ballot. However, all other legal and Listing Agreement requirements have been complied with in this regard. Adequate disclosure regarding the divestment has been made in the Directors' Report.

Code of Conduct for Prevention of Insider Trading

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

Disclosure Practices for Prevention of Insider Trading

As required by the SEBI Regulations, the Company has adopted a "Policy for Corporate Disclosure Practices for Prevention of Insider Trading" with effect from 1st August, 2002. Mr. Ashok P. Jangid, Corporate Secretary, has been appointed as the "Compliance Officer" for this purpose. This Policy is applicable to all the employees as well as Directors of the Company.

On behalf of the Board of Directors



Dr. F. A. Mehta
Chairman

Mumbai

Friday, 22nd November, 2002

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

To the Members of Siemens Ltd.

We have examined the compliance of conditions of Corporate Governance by Siemens Ltd ('the Company') for the year ended on 30 September 2002 as stipulated in clause 49 of the Listing Agreement of the Company with the Bombay Stock Exchange, the National Stock Exchange, the Delhi Stock Exchange, the Calcutta Stock Exchange and the Madras Stock Exchange.

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 Agreement.

We state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Share Transfer/Investors Grievances Committees.

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

For Bharat S Raut & Co.

Chartered Accountants

Vikram Utamsingh

Partner

Mumbai

22 November 2002

Annexure V to the Directors' Report

General Shareholder Information

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

Annual General Meeting

The 45th Annual General Meeting of the Members of the Company will be held as per the following details:

Date	Time	Venue
21 st January, 2003	4 p.m.	Y. B. Chavan Auditorium, General J. Bhosale Marg, Nariman Point, Mumbai 400 021.

Agenda of the Annual General Meeting is as follows:

Ordinary Business:

1. Adoption of audited Accounts for the year ended 30th September, 2002.
2. Confirmation of interim dividend and declaration of final dividend.
3. Re-appointment of Directors retiring by rotation (Mr. O. P. Narula & Dr. F. A. Mehta) and not to appoint a Director in place of Mr. P. M. Thampi.
4. Appointment of Statutory Auditors.

Special Business:

5. Re-appointment and remuneration of Mr. A. B. Nadkarni, Whole-time Director.
6. Increase in remuneration of Mr. O. P. Narula, Whole-time Director.

Profile of Directors retiring by rotation and eligible for re-appointment

Mr. O. P. Narula

Mr. Narula was appointed as a Director liable to retire by rotation by the Members at the 42nd Annual General Meeting held on 21st January, 2000. He is due to retire by rotation at the forthcoming Annual General Meeting of the Company and, being eligible, offers himself for re-appointment.

Mr. Narula has been a Director of the Company since 1st January, 2000. He is 62 years of age and is an Electronics Engineer. He is with the Company for over 40 years during which period he has held several senior level positions. Presently, in addition to being a Whole-time Director, he is in charge of the Industrial Solutions and Services Division as well as Automation and Drives Division of the Company. He is also responsible for Key Account Management.

Mr. Narula is also a Director of Bangalore International Airport Ltd. He does not hold any Committee Memberships.

Dr. F. A. Mehta

Dr. Mehta was last re-appointed as a Director liable to retire by rotation by the Members at the 43rd Annual General Meeting held on 15th December, 2000. He is due to retire by rotation at the forthcoming Annual General Meeting of the Company and, being eligible, offers himself for re-appointment. He is a Director of the Company since 1980 and Chairman of the Board of Directors since 1988.

Dr. Mehta is 74 years of age. He holds a degree of Master of Arts in Politics and History and Master of Science in Economics from London School of Economics, from where he also completed his Doctorate in International Economics in 1956. A noted economist, he contributes to various newspapers on economic and financial subjects.

His other Directorships and Committee Memberships, as on date, are as follows:

Company	Position	Committee Memberships
Tata Investment Corporation Ltd.	Chairman	Remuneration Committee Member
Tata McGraw-Hill Publishing Co. Ltd.	Chairman	–
Goodlass Nerolac Paints Ltd.	Chairman	Audit Committee Member
Rallis India Ltd.	Chairman	Remuneration Committee Member
SKF Bearings (India) Ltd.	Chairman	Investors Grievance Redressal / Share Transfer Committee Member and Chairman
Tata Precision Industries Pte. Ltd., Singapore	Vice Chairman	–
Escorts Ltd.	Director	Remuneration Committee Member and Chairman
IVP Ltd.	Director	Audit Committee Member and Chairman

Financial Calendar for 2002-03 (October to September)

Adoption of results for Quarter ending:	Meeting in the month of:
31 st December, 2002	: January, 2003
31 st March, 2003	: April, 2003
30 th June, 2003	: July, 2003
30 th September, 2003 and Annual Accounts	: November, 2003
46 th Annual General Meeting	: January, 2004

Book Closure

The Company's Register of Members and Share Transfer Register will remain closed from Wednesday, 1st January, 2003 to Tuesday, 21st January, 2003 (both days inclusive) for the purpose of payment of final dividend.

Dividend and Record Date

The final dividend, as recommended by the Board of Directors, if declared at the ensuing Annual General Meeting, will be paid at par on or after 3rd February, 2003 to those Members whose names appear on the Company's Register of Members as holders of Equity Shares on 21st January, 2003 (the 'Record Date'). In respect of Shares held in dematerialised form, the dividend will be paid on the basis of beneficial ownership details to be furnished by National Securities Depository Limited and Central Depository Services (India) Limited for this purpose.

Listing on Stock Exchanges

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

The Stock Exchange, Mumbai
Phiroze Jeejebhoy Towers, Dalal Street, Mumbai - 400 001

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

The Delhi Stock Exchange Association Limited
DSE House, 3/1, Asaf Ali Road, New Delhi -110 002

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

Madras Stock Exchange Ltd.
Exchange Building, 11, Second Line Beach, Chennai - 600 001

The Stock Exchange, Mumbai is the Company's Regional Stock Exchange. It has permitted trading of the Company's Shares in the 'A' Group. The Company's Shares are actively traded on the Stock Exchange, Mumbai and National Stock Exchange.

The Company has paid the listing fees for the year 2002-03 to all the Stock Exchanges where the Company's Shares are listed.

Stock Code

The Stock Code for the Company's Shares is as follows:

The Stock Exchange, Mumbai - 500550

National Stock Exchange of India Ltd. - SIEMENS EQ

Market Price Data:

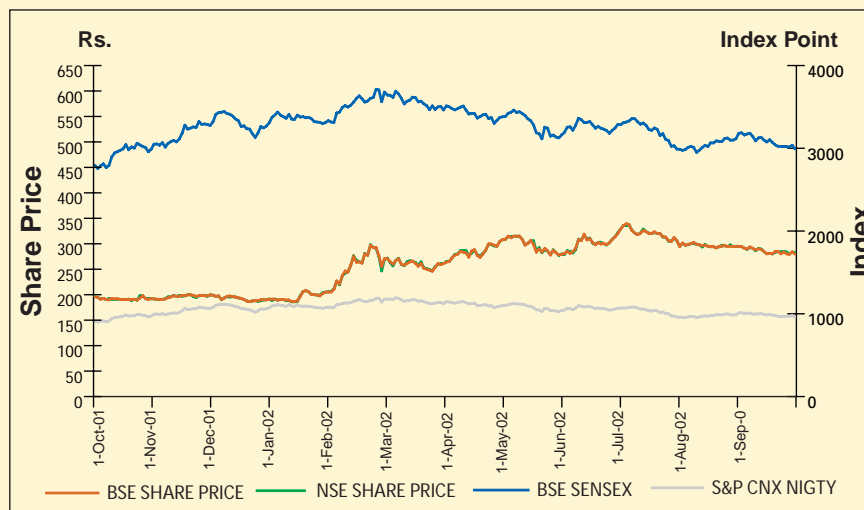
- (1) The Market price and volume of the Company's Shares traded on The Stock Exchange, Mumbai (BSE) and the National Stock Exchange (NSE) during the year were as follows:

Month	BSE			NSE		
	High (Rs.)	Low (Rs.)	Volume (Nos.)	High (Rs.)	Low (Rs.)	Volume (Nos.)
Oct 2001	200.00	187.50	430,262	205.00	186.00	160,958
Nov 2001	204.95	178.00	83,280	205.00	190.50	96,953
Dec 2001	201.00	182.50	187,971	203.00	169.85	239,361
Jan 2002	212.40	184.50	137,643	212.00	178.00	130,340
Feb 2002	299.95	203.00	843,299	299.00	204.00	1,344,558
Mar 2002	288.00	243.00	187,466	295.00	245.00	283,754
Apr 2002	315.00	256.00	310,891	314.00	256.00	373,665
May 2002	327.00	275.60	662,744	327.00	275.60	477,522
Jun 2002	325.00	275.10	199,994	330.00	273.00	459,753
Jul 2002	343.80	290.00	544,660	344.50	292.05	440,282
Aug 2002	309.80	287.00	32,867	304.00	287.10	206,545
Sept 2002	298.05	275.00	14,494	306.00	275.55	77,479

- (2) Shares traded during 1st October, 2001 to 30th September, 2002:

	BSE	NSE
No. of Shares traded	3,635,571	4,291,170
Highest Share Price	Rs.343.8 (on 5th July 2002)	Rs.344.5 (on 5th July 2002)
Lowest Share Price	Rs.178 (on 6th November, 2001)	Rs 169.85 (on 5th December, 2001)
Average Share Price	Rs.256.01	Rs.256.10
Closing Share Price as on 30th September, 2002	Rs.283.50	Rs.279.60
Market Capitalisation as on 30th September, 2002	Rs.9,394 million	Rs.9,265 million

- (3) Company's Share Price movement during 2001-02 on BSE and NSE vis-a-vis respective indices:



(4) Distribution of Shareholding:

No. of Shares held (Face Value Rs.10 each)	As on 30 th September, 2002				As on 30 th September, 2001			
	No. of Share holders	% to total No. of Share holders	No. of Shares held	% to total No. of Shares	No. of Share holders	% to total No. of Share holders	No. of Shares held	% to total No. of Shares
1-500	41,454	94.66	4,436,452	13.39	46,693	94.94	4,881,895	14.25
501-1000	1,475	3.37	1,035,974	3.13	1,579	3.21	1,106,681	3.23
1001-2000	556	1.27	773,421	2.33	591	1.20	823,307	2.40
2001-3000	109	0.25	265,289	0.80	129	0.26	313,916	0.92
3001-4000	47	0.11	164,653	0.50	51	0.10	177,033	0.52
4001-5000	26	0.06	120,219	0.36	29	0.06	132,991	0.39
5001-10000	55	0.13	364,424	1.10	56	0.11	370,619	1.08
10001 & above	69	0.15	25,977,971	78.39	60	0.12	26,447,068	77.21
Total	43,791	100.00	33,138,403*	100.00	49,188	100.00	34,253,510*	100.00

*difference is due to 1,115,107 Shares bought back as well as extinguished by the Company during the year 2001-02 under the Buyback Programme.

(5) Shareholders' Profile:

As on 30th September, 2002, the Company had 43,791 Shareholders. The Company's Shares are held by diverse entities as per the following break-up:

Type of Shareholder	As on 30 th September, 2002		As on 30 th September, 2001	
	No. of Shares held	% of total	No. of Shares held	% of total
Siemens AG	18,103,087	54.63	18,103,087	52.85
Foreign Institutional Investors	535,869	1.61	371,966	1.09
Mutual Funds	932,902	2.81	494,977	1.45
Indian Financial Institutions	5,293,872	15.98	5,668,170	16.54
Banks	138,753	0.42	103,542	0.30
Directors & Associates	39,650	0.12	34,751	0.10
Non-Resident Indians	110,998	0.33	109,553	0.32
Bodies Corporate	1,133,352	3.42	1,881,901	5.49
Public	6,849,920	20.68	7,485,563	21.86
Total	33,138,403*	100.00	34,253,510*	100.00

*difference is due to 1,115,107 Shares bought back as well as extinguished by the Company during the year 2001 - 02 under the Buyback Programme.

Registrar and Share Transfer Agent

MCS Ltd. is the Registrar and Share Transfer Agent. Share transfers, dividend payment and all other investor related activities are attended to and processed by MCS Ltd. at the following address:

Sri Venkatesh Bhavan
Plot No. 27
Road No.11
MIDC Area
Andheri (E)
Mumbai - 400 093

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

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

Share Transfer System

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

Transfers in physical segment were significantly lower during the year since trading in the Company's Shares is permitted only in the dematerialised form and almost 93% of our total Shares are dematerialised.

The total number of Shares transferred in physical form during the last 2 financial years were as follows:

	2001 - 02	2000 - 01
Number of transfers	747	1,193
Number of Shares transferred	82,017	125,420

Dematerialisation of Shares

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, 2002, 92.55% of the total Shares of the Company have been dematerialised. The ISIN No. for the Company's Shares in dematerialised form is: INE 003 A01016.

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 being offered by dealing in securities in electronic / dematerialised form. If you need any further information / clarification / assistance in this regard, please contact us.

Plant Locations

Maharashtra: Aurangabad - Waluj, Nashik - Ambad, Thane - Kalwa.
Goa: Verna.

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.

Website

Company's website can be accessed at www.siemens.co.in for information about the Company in general, investor information, financial results, etc.

Corporate Secretariat Department

The Corporate Secretariat Department is ISO 9001:2000 compliant.

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

130, Pandurang Budhkar Marg
Worli
Mumbai - 400 018.

Phone: 0091 22 24987000

Fax : 0091 22 24987043

Investor Relations Section

For the convenience of our investors, transfer requests, etc. are accepted at the above Registered Office also.

Contact Person: Mr. G. Subramani - Senior Manager (Investor Relations Officer)

Time: 10 a.m. - 12 noon and 2 p.m. - 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: G.Subramani@siemens.com

Additional Information

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

Auditors

Bharat S Raut & Co.

Solicitors

Crawford Bayley & Co.

Mulla & Mulla & Craigie, Blunt & Caroe

Negandhi Shah & Himayatullah

Little & Co.

Statement of Audited Financial Results

For the information of the Members, we are reproducing below, the Statement of Audited Financial Results and Segmentwise Revenue, Results and Capital Employed for the year ended on 30th September, 2002 which was submitted to the Stock Exchanges and published in the newspapers pursuant to Clause 41 of the Listing Agreement entered into with the Stock Exchanges.

Audited Financial Results for the year ended on 30th September, 2002 (Rs. in millions)

Particulars	Nine months ended on 30.06.2002 (Unaudited)	Quarter Ended On 30.09.2002 (Unaudited)	Quarter Ended On 30.09.2001 (Unaudited)	Year Ended On 30.09.2002 (Audited)	Year Ended On 30.09.2001 (Audited)
1 Net Sales & Services (excluding Excise Duty)	9138.40	3767.01	3486.20	12905.41	11572.82
2a Other Operating income	166.17	101.03	96.97	267.20	259.70
2b Other income	213.14	78.35	152.81	291.49	261.51
3 Total Expenditure	8558.63	3493.57	3286.43	12020.48	11037.16
- (Increase)/decrease in stock in trade.	2.07	64.81	39.53	66.88	20.00
- (Increase)/decrease in project related work in progress	-28.96	-29.85	73.72	-58.81	36.79
- Consumption of raw material (including bought outs for project business)	5328.93	2537.25	2056.05	7866.18	6855.33
- Personnel costs, net	1048.94	397.93	359.89	1446.87	1497.40
- Other costs	2197.93	610.37	643.87	2808.30	2514.27
- Restructuring charge/ (write back), net	-22.00	-86.94	113.37	-108.94	113.37
4 Operating Profit before Interest & Depreciation	990.80	452.82	449.55	1443.62	1056.87
5 Interest Income, net	87.49	31.08	43.10	118.57	201.94
6 Gross Profit after Interest but before Depreciation	1078.29	483.90	492.65	1562.19	1258.81
7 Depreciation	-200.77	-57.04	-72.52	-257.81	-294.58
8 Profit before tax	877.52	426.86	420.13	1304.38	964.23
9a Tax	-302.00	-115.00	-154.00	-417.00	-236.43
9b Deferred Tax	1.81	-23.59	-40.59	-21.78	-40.59
10 Net Profit after tax	577.33	288.27	225.54	865.60	687.21
11 Paid up Equity Share Capital (see Note 1) (Face value of equity shares : Rs. 10/-)	336.27	331.38	336.27	331.38	336.27
12 Reserves excluding revaluation reserves	—	—	—	3465.66	2873.69
13 Basic and diluted earning per share	17.40	8.69	6.40	26.10	19.49
14 Aggregate of Non-Promoter Shareholding					
- Number of Shares	15,035,316	15,035,316	15,523,534	15,035,316	15,523,534
- Percentage of shareholding	45.37%	45.37%	46.16%	45.37%	46.16%

Notes :

- In terms of the resolution passed by the shareholders at the extraordinary general meeting held on 15 June, 2001 authorising the Company to buy back its equity shares upto an aggregate consideration not exceeding Rs.805,252,859, the Company has bought back 2,355,794 Equity Shares of Rs.10 each, at an average price of Rs.197.49 per share aggregating Rs.465,234,569 up to 13 June 2002. The buyback has been closed in terms of the resolution as on 13 June 2002.
- The Company paid an interim dividend of 30% on a share capital of Rs.331,384,030 amounting to Rs.99.415 million. The directors have recommended a final dividend of 25% amounting to Rs.82.846 million, making a total dividend for the year ended 30 Sep 2002 of 55% amounting to Rs.182.261 million.
- Figures for the previous periods have been regrouped where necessary to make them comparable .
- The above Statement of Financial Results was taken on record by the Board of Directors at the Meeting held on 22 November, 2002.

For Siemens Ltd.

Place : Mumbai
Date : November 22,2002

J. Schubert
Managing Director

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

On behalf of the Board of Directors


Dr. F. A. Mehta
Chairman

Mumbai, Friday, 22nd November, 2002

Segmentwise Revenue, Results and Capital Employed for the year ended on 30th September, 2002 (Rs. in millions)

	Nine months Ended on 30.06.2002 (Unaudited)	Quarter ended on 30.09.2002 (Unaudited)	Twelve months Ended on 30.09.2002 (Audited)
1. Segment Revenue			
a) Power	2883.30	1130.33	4013.63
b) Automation & Drives	2729.52	1176.95	3906.47
c) Healthcare & Other Services	1756.49	792.10	2548.59
d) Industrial Solutions & Services	967.30	418.76	1386.06
e) Transport	637.47	205.79	843.26
f) Information & Communication	456.52	190.53	647.05
g) Real Estate	258.92	94.60	353.52
Total	9689.52	4009.06	13698.58
Less : Inter segment revenue	551.12	242.05	793.17
Net sales/income from operations	9138.40	3767.01	12905.41
2. Segment Results			
a) Power	86.66	30.74	117.40
b) Automation & Drives	59.88	50.18	110.06
c) Healthcare & Other Services	28.52	64.19	92.71
d) Industrial Solutions & Services	85.38	36.22	121.60
e) Transport	99.59	40.08	139.67
f) Information & Communication	54.66	16.95	71.61
g) Real Estate	196.85	77.02	273.87
Total	611.54	315.38	926.92
Add :			
a) Interest income net off expense	87.49	31.08	118.57
b) Other un-allocable income net off un-allocable expenditure	178.49	80.40	258.89
Total profit before tax	877.52	426.86	1304.38
3. Capital employed			
a) Power	-164.32	-616.14	-616.14
b) Automation & Drives	622.98	289.46	289.46
c) Healthcare & Other Services	727.10	492.42	492.42
d) Industrial Solutions & Services	173.10	-193.89	-193.89
e) Transport	-158.72	-318.22	-318.22
f) Information & Communication	249.83	151.79	151.79
g) Real Estate	970.93	1590.88	1590.88
Total	2420.90	1396.30	1396.30

Notes:

- The segment report has been prepared in accordance with the Accounting Standard 17 (Segment Reporting) issued by the Institute of Chartered Accountants of India which applies to the company from the year beginning 1 October 2001 and hence, prior period comparatives have not been provided.
- Segment results of real estate includes Rs.42 million & Rs. 28 million for the 12 months ended 30th Sept, 2002 and Rs 14 million & Rs. 28 million for the 3 months ended 30th Sept, 2002 on account of profit on sale of fixed assets & compensation on vacation of property respectively.

We have audited the attached Balance Sheet of Siemens Limited ('the Company') at 30 September 2002 and the related Profit and Loss Account of the Company 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 Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act 1956, we enclose in the Annexure to this report, 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:

- (a) We have obtained all the 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 account as required by law have been maintained by the Company, so far as it appears from our examination of these books;
- (c) The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account;

- (d) In our opinion, the Balance Sheet and the Profit and Loss Account comply with the Accounting Standards referred to in sub-Section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
- (e) On the basis of the written representations obtained from the directors of the Company as at 30 September 2002, and taken on record by the Board of Directors on 22 November 2002, we report that no director is disqualified as on 30 September 2002 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 financial statements 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 case of the Balance Sheet, of the state of affairs of the Company at 30 September 2002; and
 - (ii) in case of the Profit and Loss Account, of the profit of the Company for the year ended on that date.

For Bharat S Raut & Co.
Chartered Accountants

Vikram Utamsingh
Partner

Mumbai
22 November 2002

Annexure to the Auditors' Report

With reference to the Annexure referred to in paragraph 3 of the Auditors report to the Members of Siemens Ltd on the financial statements for the year ended 30 September 2002, we report that:

1. The Company has maintained proper records of fixed assets showing full particulars including quantitative details and locations. 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.
2. None of the fixed assets have been revalued during the year.
3. The inventories of finished goods, stores, spare parts and raw materials have been physically verified by management during the year. In our opinion, the frequency of physical verification is reasonable.
4. The procedures for physical verification of inventories followed by management are reasonable and adequate in relation to the size of the Company and the nature of its business.
5. The discrepancies identified on verification between physical inventories and book records were not material and have been properly dealt with in the books of account.
6. On the basis of our examination of the inventory records, in our opinion the valuation of inventories is fair and proper in accordance with normally accepted accounting principles, and is on the same basis as in the previous year.
7. According to the information and explanations given to us, there are no companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. During the year, the Company has taken unsecured loans in the form of inter corporate deposits from companies under the same management as defined under Section 370(1B) of the Companies Act, 1956. In our opinion, the rate of interest and other terms and conditions of such loans are prima facie not prejudicial to the interest of the Company.
8. According to the information and explanations given to us, there are no companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. During the year, the Company has placed inter corporate deposits with companies under the same management as defined under Section 370(1B) of the Companies Act, 1956. In our opinion, the rate of interest and other terms and conditions of such inter corporate deposits are prima facie not prejudicial to the interest of the Company.
9. The parties to whom loans or advances in the nature of loans were given by the Company are regular in repaying the principal amounts as stipulated and interest where applicable.
10. In our opinion, and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business for the purchase of stores, raw materials including components, plant and machinery, equipment, other assets and for the sale of goods.
11. There are no transactions of purchase of goods and materials and sale of goods, materials and services, made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956.
12. The Company has a regular procedure for the determination of unserviceable or damaged stores, raw materials and finished goods, and adequate provision has been made in the accounts for the losses arising on the items so determined.
13. In our opinion, and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A of the Companies Act, 1956, the Companies (Acceptance of Deposits) Rules, 1975 and the directives issued by the Reserve Bank of India with regard to deposits accepted from the public.
14. In our opinion, proper records have been maintained by the Company for the sale and disposal of scrap. The Company's activities do not generate any by-products.
15. In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
16. The Central Government has prescribed the maintenance of cost accounting records under Section 209(1)(d) of the Companies Act, 1956 in

respect of electrical motors, and prima facie the prescribed records and accounts have been made and maintained. We have not made a detailed examination of the records with a view to determining whether they are accurate and complete.

17. The Company has been generally regular in depositing Provident Fund and Employees' State Insurance dues during the current year with the appropriate authorities.
18. According to the information and explanations given to us, there are no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty which were outstanding at 30 September 2002 for a period of more than six months from the dates that they became payable.
19. On the basis of our examination of the books of account carried out by us, and according to the information and explanations given to us, no personal expenses have been charged to the Profit and Loss Account other than those payable under contractual obligations or in accordance with generally accepted business practice.
20. The Company is not a sick industrial company within the meaning of clause (o) of sub-section 1 of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
21. In our opinion, for service activities, the Company has a reasonable system, commensurate with its size and the nature of its business for:
 - recording receipts, issues and consumption of materials and stores and allocating materials consumed to each project;
 - allocating man-hours utilised to each project; and
 - authorisation and control over the issue of stores and allocating stores and labour costs to each project.

22. As explained to us there are no significant damaged goods in respect of the trading activities of the Company.

For Bharat S Raut & Co.
Chartered Accountants

Vikram Utamsingh
Partner

Mumbai
22 November 2002

We have examined the attached cash flow statement of Siemens Ltd. for the year ended 30 September 2002. The statement has been prepared in accordance with the requirements of Clause 32 of listing agreements with the Stock Exchanges and is based on and is in agreement with the corresponding Profit and Loss Account and Balance Sheet of the Company covered by our report of even date, to the members of the Company.

For Bharat S Raut & Co.
Chartered Accountants

Vikram Utamsingh
Partner

Mumbai
22 November 2002

Balance Sheet
at 30 September 2002
(Currency: Indian rupees thousands)

	Note	2002	2001
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	2	331,384	336,266
Reserves and surplus	3	3,465,657	2,873,685
		3,797,041	3,209,951
Loan funds			
Secured loans	4	32,060	2,678
Unsecured loans	5	31,919	32,835
		63,979	35,513
		3,861,020	3,245,464
APPLICATION OF FUNDS			
Fixed assets			
Gross block	6	5,430,261	5,419,981
Accumulated depreciation		(3,534,444)	(3,289,194)
Net block		1,895,817	2,130,787
Capital work-in-progress		45,657	46,197
		1,941,474	2,176,984
Investments (unquoted)	7	296,130	436,535
Current assets, loans and advances			
Inventories	8	759,071	725,787
Sundry debtors	9	3,505,707	3,204,739
Cash and bank balances	10	2,026,772	885,647
Loans and advances	11	2,035,814	2,035,665
		8,327,364	6,851,838
Current liabilities and provisions			
Current liabilities	12	(6,421,797)	(5,765,682)
Provisions	13	(421,822)	(615,660)
		(6,843,619)	(6,381,342)
Net current assets		1,483,745	470,496
Deferred tax asset	14	308,874	321,577
Deferred tax liability	15	(169,203)	(160,128)
		139,671	161,449
		3,861,020	3,245,464

The accompanying notes set out on pages 54 to 75 form an integral part of this Balance Sheet.
As set out in our attached report of even date.

For Bharat S Raut & Co.
Chartered Accountants

Ashok P. Jangid
Corporate Secretary

Vikram Utamsingh
Partner

For Siemens Ltd.

Dr. F. A. Mehta

J. Schubert

H. Gelis

D. C. Shroff

Y. H. Malegam

N. J. Jhaveri

Dr. O. Schmitt

A. B. Nadkarni

Harminder Singh

O. P. Narula

Chairman

Managing Director

Executive Director

Directors

Mumbai, 22 November 2002

Mumbai, 22 November 2002

Profit and Loss Account
for the year ended 30 September 2002
(Currency: Indian rupees thousands)

Siemens Ltd.

	<i>Note</i>	<u>2002</u>	<u>2001</u>
Income			
Sales (Gross)		13,357,425	11,980,923
Excise duty		(635,824)	(632,691)
Sales (Net)		<u>12,721,601</u>	<u>11,348,232</u>
Commission income		183,811	224,583
Sales and services		<u>12,905,412</u>	<u>11,572,815</u>
Interest income, net	16	118,571	201,936
Other operating income	17	267,197	259,704
Other income	18	291,485	261,516
		<u>13,582,665</u>	<u>12,295,971</u>
Expenditure			
Cost of sales and services		8,921,736	7,736,748
Personnel costs, net	19	1,446,874	1,497,399
Depreciation (other than on leased assets)	6	257,809	294,578
Other costs, net	20	1,760,811	1,689,643
Restructuring (write back)/charge, net		(108,940)	113,369
		<u>12,278,290</u>	<u>11,331,737</u>
Profit before tax		<u>1,304,375</u>	964,234
Provision for current tax		(417,000)	(236,429)
Deferred tax		(21,778)	(40,590)
Net profit after tax		<u>865,597</u>	<u>687,215</u>
Appropriations:			
Proposed Dividend		82,846	132,554
Interim dividend paid		99,415	—
Dividend tax		—	13,520
Transfer to general reserve		683,336	541,141
		<u>865,597</u>	<u>687,215</u>
Weighted average number of equity shares outstanding during the year		<u>33,167,937</u>	35,266,251
Basic and diluted earnings per share of face value of Rs 10		<u>26.10</u>	19.49

The accompanying notes set out on pages 54 to 75 form an integral part of this Profit and Loss Account.
As set out in our attached report of even date.

For Bharat S Raut & Co.
Chartered Accountants

Ashok P. Jangid
Corporate Secretary

Vikram Utamsingh
Partner

For Siemens Ltd.

Dr. F. A. Mehta

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A. B. Nadkarni

Harminder Singh

O. P. Narula

Chairman

Managing Director

Executive Director

Directors

Mumbai, 22 November 2002

Mumbai, 22 November 2002

Notes to the financial statements for the year ended 30 September 2002 (Currency: Indian rupees thousands)

1 Principal accounting policies

1.1 Basis of preparation of financial statements

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

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

1.2 Use of Estimates

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

1.3 Fixed assets and depreciation

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

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

Asset	Rate
Freehold land	–
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.

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

1.4 Investments

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

1.5 Inventories

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

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

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

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

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

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

1.6 Revenue recognition

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

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

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

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

Interest income is recognised on the time proportion basis.

1.7 Leases

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

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

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

1.8 Retirement benefits

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

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

1.9 Foreign currency transactions

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

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

1.10 Research and development

Research and development expenditure of a revenue nature is written off in the year in which it is incurred and expenditure of a capital nature is capitalised as fixed assets.

1.11 Technical know-how fees

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

1.12 Taxation

Current tax

Provision is made for current tax estimated to arise on the profits for the year at the current rate of tax in accordance with the Income-tax Act, 1961.

Deferred tax

The Company provides for deferred tax in accordance with the Accounting Standard – 22, 'Accounting for Taxes on Income', issued by the ICAI. Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted at the balance sheet date.

Deferred tax assets arising on account of unabsorbed depreciation or carry forward losses are recognised only when there is a virtual certainty supported by convincing evidence that such assets will be realised. Deferred tax assets arising on other temporary timing differences are recognised only if there is a reasonable certainty of realisation. Deferred tax assets are reviewed at each balance sheet date and written down or written up to represent the amount that is reasonably/ virtually certain to be realised.

Notes to the financial statements (*continued*)
for the year ended 30 September 2002
(Currency: Indian rupees thousands)

1.13 **Restructuring costs**

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

	<u>2002</u>	<u>2001</u>
2 Share capital		
Authorised		
50,000,000 equity shares of Rs 10 each	500,000	500,000
150,000,000 10.5% cumulative Redeemable preference shares of Rs 10 each	<u>1,500,000</u>	<u>1,500,000</u>
	<u><u>2,000,000</u></u>	<u><u>2,000,000</u></u>
Issued		
33,311,256 (2001: 33,799,474) equity shares of Rs 10 each	<u>333,113</u>	<u>337,995</u>
Subscribed and fully paid-up		
33,138,403 (2001: 33,626,621) equity shares of Rs 10 each fully paid-up	<u>331,384</u>	<u>336,266</u>
Equity shares		
■ 150,000 (2001: 150,000) shares have been allotted as fully paid-up for consideration received other than in cash;		
■ 11,100,000 (2001: 11,100,000) shares have been allotted as fully paid-up bonus shares by capitalisation of the general reserve; and		
■ 18,103,087 (2001: 18,103,187) shares are held by the holding company, Siemens AG, Germany.		
■ In terms of the resolution passed by the shareholders at the extra-ordinary general meeting held on 15 June 2001 authorising the Company to buy back its own equity shares up to an aggregate consideration not exceeding Rs 805,252,859, the company has bought back 488,218; (2001: 1,867,576) equity shares of Rs 10 each during the year, at an average price of Rs 197.14 per share aggregating Rs 96,246,299 (2001:Rs 368,988,270). Premium on buy back amounting to Rs 91,364,119 for the year ended 30 September 2002 (2001:Rs 350,312,470) has been debited to the securities premium account. Consequently the Issued, Subscribed and Paid-up capital of the Company has been reduced by Rs 4,882,180 (2001: Rs 18,675,760). The one year period for the buyback ended on 13 June 2002.		
3 Reserves and surplus		
Capital reserve	688	688
Securities premium account		
– Balance brought forward	1,918,695	2,269,007
– Utilised for premium on 488,218; (2001: 1,867,576) equity shares bought back and extinguished	<u>(91,364)</u>	<u>(350,312)</u>
	1,827,331	1,918,695
General reserve		
– Balance brought forward	954,302	211,122
– Creation of Deferred Tax Asset	–	202,039
– Transfer from profit and loss account	<u>683,336</u>	<u>541,141</u>
	<u>1,637,638</u>	<u>954,302</u>
	<u><u>3,465,657</u></u>	<u><u>2,873,685</u></u>
4 Secured loans		
From Banks		
– Short term	<u>32,060</u>	<u>2,678</u>
	<u><u>32,060</u></u>	<u><u>2,678</u></u>

The Company 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.

5 Unsecured loans

Long term

- Sales tax deferral	31,919	32,835
	31,919	32,835

The loan under the sales tax deferral scheme is payable till 2011

- Amounts payable within one year	916	916
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6 Fixed assets

	Land	Buildings	Plant and Machinery	Furniture, Fittings & Office Equipment	Vehicles	Equipment given on lease	Total	Previous year
Gross block								
At 1 October 2001	126,360	1,542,744	2,114,631	862,710	18,447	755,089	5,419,981	5,480,873
Additions	—	1,043	84,986	29,602	1,099	—	116,730	113,683
Disposals	—	(24,903)	(71,307)	(8,212)	(2,028)	—	(106,450)	(174,575)
At 30 September 2002	126,360	1,518,884	2,128,310	884,100	17,518	755,089	5,430,261	5,419,981
Accumulated depreciation								
At 1 October 2001	19,451	259,673	1,585,196	760,568	15,046	649,260	3,289,194	3,071,539
Charge for the year	2,655	40,618	155,706	56,696	2,134	78,360	336,169	375,555
Disposals	—	(6,505)	(75,583)	(7,383)	(1,448)	—	(90,919)	(157,900)
At 30 September 2002	22,106	293,786	1,665,319	809,881	15,732	727,620	3,534,444	3,289,194
Net block								
At 30 September 2002	104,254	1,225,098	462,991	74,219	1,786	27,469	1,895,817	2,130,787
At 30 September 2001	106,909	1,283,071	529,435	102,142	3,401	105,829	2,130,787	

Included in the gross block of land at 30 September 2002 is freehold land of Rs 20,150,321 (2001: Rs 20,150,321) and buildings includes Rs 179,890,978 (2001: Rs 191,118,568) representing 1,297 (2001: 1,772) shares of Rs 50/- each in various co-operative housing societies.

Depreciation has been disclosed as follows:

- Depreciation of Rs 78,360,000 (2001:Rs 60,977,000) on equipment given on lease is reduced from lease income at note 17 to the financial statements;
- The balance depreciation of Rs 257,809,000 (2001: Rs 294,578,000) has been separately disclosed in the profit and loss account.
- Accelerated depreciation charge of Rs 20,000,618 in 2001 is included under restructuring charge.

Notes to the financial statements (*continued*)
for the year ended 30 September 2002
(Currency: Indian rupees thousands)

	<u>2002</u>	<u>2001</u>
7 Investments (long term, unquoted)		
Non-Trade		
In government securities		
National Savings Certificates	5	5
In Housing Development Finance Corporation Bonds		
– Series I to IV 13 %	7,000	7,000
– Series I to IV 14.5 %	12,000	12,000
Shares in subsidiary company		
5,100,000 (2001: 5,100,000) equity shares of Rs 10 each fully paid-up in Siemens Information Systems Ltd. (74.8% holding; (2001: 74.8% holding) (Balance shares are held by Siemens Nixdorf Systems GmbH)	51,000	51,000
Trade		
Shares in other companies		
Nil (2001: 3,125,000) equity shares of Rs 10 each fully paid-up in Siemens Public Communication Networks Private Ltd. (Nil holding; 2001: 20% holding)	—	140,405
8,320,000 (2001: 8,320,000) equity shares of Rs 10 each fully paid-up in Siemens Metering Ltd. (formerly “VXL Landis & Gyr Ltd.”) (26% holding; 2001: 26% holding)	226,125	226,125
Debentures		
740,040 (2001: 740,040) 18% non-convertible debentures of Rs 100 each in Mid-East Integrated Steel Ltd.	74,004	74,004
Provision for diminution in value	(74,004)	(74,004)
	<u>—</u>	<u>—</u>
	<u>296,130</u>	<u>436,535</u>

In line with the sale of the worldwide metering business of Siemens AG, the Board of Directors of the Company has by a circular resolution dated 17 September 2002 resolved to sell the 26% stake in Siemens Metering Limited for a consideration of Rs 250,000,000. The Company is currently in the process of obtaining necessary regulatory approvals for the sale and the resultant gain will be recognised when the sale is effected.

8 Inventories		
Raw materials	241,256	199,916
Work-in-progress		
– factory related	126,044	141,189
– project related	183,994	125,175
Finished goods	207,777	259,507
	<u>759,071</u>	<u>725,787</u>

	<u>2002</u>	<u>2001</u>
9 Sundry debtors		
Debts outstanding		
– Over six months	1,127,664	1,037,760
– Other debts	2,666,226	2,442,704
	<u>3,793,890</u>	<u>3,480,464</u>
Of which		
– Considered good	3,505,707	3,204,739
– Considered doubtful	288,183	275,725
	<u>3,793,890</u>	<u>3,480,464</u>
Provision for doubtful debts	<u>(288,183)</u>	<u>(275,725)</u>
	<u>3,505,707</u>	<u>3,204,739</u>
Sundry debtors are unsecured and include:		
– Amounts receivable in installments beyond one year	87,161	82,633
– Retentions on project related work-in-progress	728,120	515,085
Included in debtors are debts due from companies under the same management as defined under section 370(1B) of Companies Act, 1956 :		
– Siemens Public Communication Networks Pvt. Ltd.	29,877	6,454
– Siemens Information Systems Ltd.	11,403	46,804
– Siemens Shared Services India Pvt. Ltd.	364	427
– Siemens VDO Automotive Ltd.	7	110
– Siemens Metering Ltd.	85	904
– Siemens Hearing Instruments Pvt. Ltd.	—	500
– Siemens Building Technologies Ltd.	4,592	2,275
– Siemens Power Engineering Pvt. Ltd.	2,390	2,571
– Powerplant Performance Improvement Ltd.	23,996	33,813
– Siemens Nixdorf Information Systems Pvt. Ltd.	5	4,539
10 Cash and bank balances		
Cash in hand	26,883	21,334
Cheques in hand	286,624	240,022
Balances with scheduled banks		
– on current account	1,086,442	403,041
– on deposit account	623,223	220,862
Balances with other banks	3,600	388
	<u>2,026,772</u>	<u>885,647</u>
Bank balances with other banks in current account comprise:		
– Citibank, Colombo	491	(167)
– The Hongkong & Shanghai Banking Corporation Ltd, Bangkok and Kuala Lumpur	—	339
– Myanmar Economic Bank, Burma	56	55
– Standard Chartered Bank, Nepal	—	51
– State Bank of India, Dhaka	32	32
– Standard Chartered Bank, Dhaka	3,021	78
	<u>3,600</u>	<u>388</u>
Maximum amount outstanding at any time during the year:		
– Citibank, Colombo	5,360	9,590
– The Hongkong & Shanghai Banking Corporation Ltd, Bangkok and Kuala Lumpur	339	510
– Myanmar Economic Bank, Burma	56	55
– Standard Chartered Bank, Nepal	51	51
– State Bank of India, Dhaka	32	32
– Standard Chartered Bank, Dhaka	3,962	3,619

Notes to the financial statements (continued)
for the year ended 30 September 2002
(Currency: Indian rupees thousands)

	<u>2002</u>	<u>2001</u>
11 Loans and advances (Unsecured)		
Advances recoverable in cash or in kind or for value to be received		
– Considered good	754,804	792,949
– Considered doubtful	108,156	132,796
	862,960	925,745
Provision for doubtful advances	(108,156)	(132,796)
	754,804	792,949
Lease equalisation account	10,878	51,257
Advance payments of income tax, less provision	185,035	209,192
Balances with customs, port trusts and excise authorities on current account	16,368	17,198
Inter corporate deposits	1,065,000	960,000
Interest accrued on inter corporate deposits	3,729	4,137
Bills of exchange	—	932
	2,035,814	2,035,665
Loans and advances include:		
(a) Amounts due from directors of the Company for housing loans given prior to their becoming directors (maximum amount outstanding during the year Rs 2,480,824; 2001: Rs 5,163,821)	1,195	2,481
(b) Amounts due from an officer of the Company (maximum amount outstanding during the year Rs 73,803 ; 2001: Rs 96,127)	44	74
(c) Inter-corporate deposits given to companies under the same management as defined under section 370(1B) of Companies Act, 1956 :		
– Osram India Ltd.	750,000	350,000
– VDO India Ltd.	135,000	110,000
– Siemens Metering Ltd	180,000	500,000
	1,065,000	960,000
12 Current liabilities		
Sundry creditors	5,151,130	4,257,116
Advances from customers	1,266,714	1,506,178
Unclaimed dividends	3,953	2,388
	6,421,797	5,765,682
Sundry Creditors include:		
– Amounts due to subsidiary company	1,854	2,847
– Amounts due to small-scale industries	34,686	7,874
Names of the small scale industrial undertakings to whom the Company owes any sum outstanding for more than thirty days :		
– D Square	– Budhale and Budhale	
– Precision Spring	– Shiv Shakti	
– Chhapira	– Dalal Plastics	
– Indo Industries	– Rajesh Industries	
– Reliable Moulders	– Ujwal Industries	
– Refair Industries	– D.P.Industries	
– Om Engineering	– Aarti Industries	
– V Mark Automation	– Precision Engineering & Equipment	
Advances from customers include progress payments and advances received on project related work	518,400	1,115,106

	<u>2002</u>	<u>2001</u>
13 Provisions		
Pension	183,866	159,700
Restructuring	11,325	212,643
Proposed dividend	82,846	132,554
Tax on proposed dividend	—	13,520
Leave Wages	45,776	37,843
Medical Benefits	23,945	18,733
Others	74,064	40,667
	<u>421,822</u>	<u>615,660</u>
14 Deferred tax asset		
Arising on account of timing differences in:		
- Provision for doubtful debts	105,907	98,434
- Other provisions (including provision for doubtful advances, restructuring provisions and other amounts allowable on a payment basis under the Income Tax Act, 1961)	202,967	223,143
	<u>308,874</u>	<u>321,577</u>
15 Deferred tax liability		
Arising on account of timing differences in:		
- Depreciation	169,203	160,128
	<u>169,203</u>	<u>160,128</u>
16 Interest income, net		
Interest income (includes tax deducted at source Rs 38,579,000; 2001: Rs 38,499,000)	145,895	219,051
Interest expense	(27,324)	(17,115)
	<u>118,571</u>	<u>201,936</u>
17 Other operating income		
Lease rentals	133,161	105,963
Lease equalisation charge	(40,379)	(16,438)
Discounting costs	—	(20,577)
Depreciation	(78,360)	(60,977)
Lease income, net	14,422	7,971
Export incentives	20,929	22,375
Profit on sale of fixed assets (net)	43,576	42,838
Recoveries from subsidiary company, associates and third parties	102,794	132,530
Compensation on vacation of property (see note below)	28,083	—
Sales tax set off	57,393	53,990
	<u>267,197</u>	<u>259,704</u>

During the year Siemens Public Communication Networks Private Limited vacated certain premises taken on lease from the Company. The Company believes that it is entitled to receive compensation for the vacation of the premises and is currently negotiating this amount. The amount of compensation recognised in the profit and loss account represents, in management views the minimum compensation due. The balance compensation, if any, will be recognised on conclusion of the negotiation.

Notes to the financial statements (*continued*)
for the year ended 30 September 2002
(Currency: Indian rupees thousands)

	<u>2002</u>	<u>2001</u>
18 Other income		
Dividend from a subsidiary and associate companies	188,900	168,943
Profit on sale of investment	68,975	36,088
Income from non-trade investments	1,293	2,666
Sundries	32,317	53,819
	<u>291,485</u>	<u>261,516</u>
19 Personnel costs, net		
Salaries, wages and bonus	1,127,345	1,190,781
Contributions to provident and other funds	137,622	149,980
Pension costs	24,166	18,747
Workmen and staff welfare	157,741	137,891
	<u>1,446,874</u>	<u>1,497,399</u>
20 Other costs, net		
External software services and data processing	310,926	311,668
Travel and conveyance	310,694	310,948
Communications	162,943	182,499
Power and fuel	124,685	129,909
Rates and taxes	123,545	96,472
Rent	65,230	58,453
Repairs and maintenance		
– on building	54,049	85,417
– on machinery	18,691	25,298
– others	46,437	44,994
Advertising and publicity	58,235	58,920
Packing and forwarding	58,161	57,987
Legal and professional	50,158	54,770
Lease rentals	38,336	39,545
Office supplies, printing and stationery	36,491	40,042
Insurance	35,568	25,781
Bank guarantee commission/ bank charges	25,004	35,431
Research and development expenditure	23,061	11,061
Spares and stores	20,974	24,442
Exchange losses, net	17,482	44,770
Commission to directors	3,100	9,178
Share buy back expenses	1,930	5,095
Directors' fees	245	260
Bad debts	9,406	10,391
Write back of doubtful debts and advances, net of provision	(12,182)	(93,653)
Miscellaneous	177,642	119,965
	<u>1,760,811</u>	<u>1,689,643</u>

	<u>2002</u>	<u>2001</u>
21 Commitments and contingent liabilities		
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	19,577	22,001
Future lease commitments in respect of operating leases		
– within one year	122,116	122,773
– later than one year and not later than five years	13,779	135,895
Export commitments	340,432	98,397
Bills discounted	209,176	318,517
Taxation matters (excluding interest)		
– In respect of certain completed assessments where matters are under appeal by the Company	187,825	187,825
– 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	176,754	154,047
Corporate and other guarantees	74,814	167,605
Claims against the Company not acknowledged as debts	177,879	192,731
	<u><u> </u></u>	<u><u> </u></u>
22 Supplementary statutory information		
Profit and Loss account		
(i) Managerial remuneration		
Personnel and other costs include managerial remuneration for directors as set out below:		
Salary	5,940	6,165
Perquisites	5,107	4,908
Commission	3,100	9,178
Performance linked incentive	5,750	—
Contribution to provident fund	389	426
Contribution to superannuation fund	486	520
	<u><u>20,772</u></u>	<u><u>21,197</u></u>

Notes to the financial statements (continued)
for the year ended 30 September 2002
(Currency: Indian rupees thousands)

	<u>2002</u>	<u>2001</u>
22 Profit and Loss Account (continued)		
(i) Computation of commission to the Managing Director and other directors:		
Profit as per the Profit and Loss Account	865,597	687,215
Add:		
Managing and other director's remuneration and commission	20,772	21,197
Depreciation charged in the accounts	336,169	355,555
Profit on sale of fixed assets (net) as per Section 349	2,249	883
Write-back of provision for doubtful debts and advances, net	(12,182)	(93,653)
Provision for current and deferred tax	438,778	277,019
Provision for wealth tax	30,000	17,381
Restructuring charge/ (write-back), net	(108,940)	113,369
Profit on sale of investment	(68,975)	(36,088)
Less:		
Profit on sale of fixed assets (net) as per Profit and Loss account	(43,576)	(42,838)
Depreciation as envisaged under Section 350 of the Companies Act 1956 (see note below)	(336,169)	(355,555)
Net profit/(loss) as per Section 349 of the Companies Act 1956	<u>1,123,723</u>	<u>944,485</u>
 Commission to managing and whole-time directors at 10% of the net profits as calculated above, provided at	 1,250	 7,368
Commission to other directors at 1% of the net profits as calculated above, provided at	 1,850	 1,810
	<u>3,100</u>	<u>9,178</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	4,500	3,800
– Tax audit fee	1,200	1,200
– Other services	769	1,259
– Reimbursement of expenses	256	164
	<u>6,725</u>	<u>6,423</u>
(iii) Earnings and expenditure in foreign exchange:		
(a) Earnings in foreign currency		
– Export of goods/software		
Direct on FOB basis	505,346	450,466
Under IDA/IBRD/ADB credit	13,781	84,583
– Commission	168,180	197,834
– Service charges and others	117,207	167,802

	2002	2001
(b) Expenditure in foreign exchange:		
– Travelling	21,595	25,890
– Expenditure on contracts at foreign sites	35,536	71,370
– Commission	7,884	4,955
– Service charges	81,319	44,722
– Others	31,671	11,150
(c) Value of imports calculated on CIF basis:		
– Raw material	636,361	551,859
– Components and spare parts	2,712,907	2,585,861
– Capital goods	26,678	15,980
(iv) Net dividend remitted in foreign exchange :		
Final:		
Period to which it relates	01.10.2000 to 30.09.2001	01.10.1999 to 30.09.2000
Number of non-resident shareholders	One	One
Number of equity shares held on which dividend was due	18,103,087	18,103,087
Amount remitted	72,412	114,124
Net of tax deducted at source	—	—
Interim:		
Period to which it relates	01.10.2001 to 30.09.2002	
Number of non-resident shareholders	One	
Number of equity shares held on which dividend was due	18,103,087	
Amount remitted	48,878	
Net of tax deducted at source	10%	

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

(i) Sales and services	2002		2001	
	Quantity	Value	Quantity	Value
Class of goods				
Refer notes (a) and (d) below				
Switchgear items		1,902,991	33,120	1,674,447
Electric motors/generators	31,176	683,083		741,100
Switchboards, control boards and miscellaneous accessories		735,789		1,058,357
X-Ray equipment		397,064		285,000
Measuring and control instruments		—		150,600
Railway signalling equipment		843,265		831,900
Variable speed AC/DC drive systems, motor control modules and programmable control systems		938,973		926,002
Protection systems		184,617		126,264
Data acquisition, logging and control systems		456,974		247,161
EPABX/EPAX/Intercom and key telephone systems		625,427		505,700
Medical electronic diagnostic equipment		2,089,867		1,920,700
Revenue from turnkey projects		3,494,397		2,554,301
Real estate and other services		369,154		326,700
		12,721,601		11,348,232
Commission income		183,811		224,583
		12,905,412		11,572,815

Notes to the financial statements (*continued*)
for the year ended 30 September 2002
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(ii) Raw materials, bought out components and spare parts consumed during the year

	Unit	2002		2001	
		Qty	Value	Qty	Value
Refer note (e) below					
Copper flats, strips and profiles	MT	181	30,386	250	42,216
Enameled copper wire	MT	203	29,903	280	45,871
Brass sheets and strips	MT	32	9,386	30	9,846
Aluminium ingots, profiles and castings	MT	133	12,894	425	26,848
Iron and steel castings and shafts	MT	1,753	58,680	2,284	76,104
Dynamo steel sheets, strips and laminations	MT	2,037	78,586	2,604	99,855
Hot rolled and cold rolled steel sheets, strips, housings, etc	MT	945	24,712	1,104	27,949
Cables and wires	Kms	2,309	10,366	2,232	14,777
Silver components	Kgs	2,553	39,928	2,712	32,327
Ball and roller bearings	Nos	45,675	14,364	38,853	17,622
Thyristors, diodes and transistors	Nos	1,235,231	16,272	338,877	16,330
X-Ray tubes	Nos	620	28,996	714	37,045
Amphenol terminals	Nos	224,042	4,980	111,828	2,782
Vacuum tubes	Nos	8,186	90,983	5,180	53,106
Integrated circuits	Nos	282,413	8,480	75,623	5,992
Capacitors and condensers	Nos	759,376	22,119	330,175	16,911
Printed circuit boards	Nos	93,001	16,242	19,533	13,348
Aluminium components			85,234		39,566
Steel components			155,828		171,739
Copper and copper alloy components			46,778		43,486
Insulation materials			226,487		191,896
Packing wood and cartons			3,334		6,972
Equipment			388,997		541,461
Others			561,606		516,813
			<u>1,965,541</u>		<u>2,050,862</u>

(iii) Imported and indigenous raw materials and spare parts consumed

	2002		2001	
	Value	% of total consumption	Value	% of total consumption
Imported	440,874	22	501,709	24
Indigenous	1,524,667	78	1,549,153	76
	<u>1,965,541</u>	<u>100</u>	<u>2,050,862</u>	<u>100</u>

(iv) Inventories

Finished goods Refer note (a) below	2002		2001	
	Quantity	Value	Quantity	Value
Class of goods				
Switchgear items		44,181		27,485
Electric motors/generators	1,423 Nos.	10,073	1,590 Nos.	76,555
Switchboards, Control Boards etc		8,676		—
X-Ray equipment		4,942		30,000
Electro medical equipment		8,395		—
CT and other diagnostic equipment		26,530		27,489
Measuring and control instruments		—		28
Railway signaling equipment		12,459		8,593
Variable speed AC/DC drive systems, motor control modules and programmable control systems		20,766		42,335
Protection systems / uninterrupted power supply systems		4,438		3,950
Others		67,317		43,072
		<u>207,777</u>		<u>259,507</u>
Work-in-progress				
– project related		183,994		125,175
– factory related		126,044		141,189
		<u>517,815</u>		<u>525,871</u>

(v) Purchases

Refer note (a) below	Value	Value
Class of goods		
Electric Motors	32,371	30,986
EPABX/EPAX/Intercom and KTS	369,754	314,187
Medical Electronic Diagnostic Equipment	1,829,798	1,293,472
Modules and programmable control systems	77,717	68,146
Variable speed AC/DC drive systems	92,256	74,654
Others	449,366	938,407
Towards projects execution (CIF value of imports Rs 261,829,000, 2001: Rs 216,200,000)	2,641,261	1,849,437
	<u>5,492,523</u>	<u>4,569,289</u>

Notes to the financial statements (continued)
for the year ended 30 September 2002
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(vi) Capacities and Production

Refer note (b) below

Class of goods manufactured	Unit	2002			2001		
		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	4,200,262	11,084,000	4,739,700	3,600,399
Electric motors/generators	Nos	14,000	15,860	12,554	14,000	15,860	13,006
Switchboards, control boards and miscellaneous accessories	Nos	5,340 (Boards)	8,500 (Boards)	386 (Boards)	5,840 (Boards)	9,000 (Boards)	956 (Boards)
X-Ray equipment	Nos	520	1,283	642	520	1,283	1,095
Electromedical equipment	Nos	245	209	30	245	450	27
Measuring and control instrument	Nos	47,677	64,900	25,967	47,677	64,900	9,750
Railway signalling equipment and static converters for railways	Nos	61,430	61,430	65,048	58,320	72,740	79,873
Rectifier cubicles and miscellaneous equipment	MW	64.5	64.5	1.0	64.5	64.5	1.2
Variable speed AC/DC drive systems, motor control modules and programmable control systems	Nos	6,248	6,248	941	6,248	6,248	1,139
AC/DC machines	Nos	1,250	925	—	1,250	925	—
Protection systems	Nos	100	100	—	100	100	—
Data acquisition, logging and control systems	Nos	50	50	21	50	50	16
Uninterrupted power supply systems	Nos	**NA	690	—	**NA	690	—
EPABX/EPAX/Intercom and key telephone systems	Lines	**NA	40,000	—	**NA	40,000	—
Digital electronic switching systems	Line	**NA	680,000	—	**NA	680,000	—
Transmission Equipment	Nos	**NA	500	—	**NA	500	—
Medical electronic diagnostic equipment	Nos	**NA	209	—	**NA	209	—
Wiring harness assembly	Nos	30,000	30,000	—	30,000	30,000	—
Electronic Measurand Converter	Nos	1,277	1,277	59	1,277	1,277	104
Process Controller	Nos	3,048	3,048	—	3,048	3,048	—
Circuit Breakers above 1000 volts	Nos	1,000	1,000	267	1,000	1,000	138

* Inclusive of captive consumption and for exports

** As per prevailing Industrial Licensing Policy, no Industrial License is required.

Notes:

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

24 Prior year comparatives

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

25 Related Party transactions**25.1 Parties where control exists**

Siemens AG	Holding Company (holds 54.63% of the equity share capital as at 30 September 2002)
Siemens Information Systems Ltd. (SISL)	Subsidiary Company (74.8% of whose equity share capital is held by Siemens Ltd. as at 30 September 2002)

25.2 Other related parties with whom transactions have taken place during the year

Fellow subsidiaries	Siemens Industrial Building Consultants GmbH Oxford Magnet Technology Ltd. Eviop-Tempo A.E. Electrical Equipment Manufacturers Siemens Ltd.-Johannesburg Siemens Israel Ltd. Siemens Vacuum Interrupters (Wuxi) Ltd. Siemens VDO Automotive Ltd. Siemens Ltd.-Bangkok Siemens Sanayi ve Ticaret A.S. Siemens S.A.-Madrid SYKATEC Systeme, Komponenten, Anwendungstechnologie GmbH & Co. KG Siemens Shared Services LLC Siemens Milltronics Process Instruments, Inc. Siemens Dematic AG Siemens Metering Ltd.-India Siemens Hearing Instruments Pvt. Ltd. Siemens Power Engineering Pvt. Ltd. Siemens Building Technologies Pvt. Ltd. Siemens Industrial Services Ltd. Acuson Corp.
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Notes to the financial statements (*continued*)
for the year ended 30 September 2002
(Currency: Indian rupees thousands)

25.2 Other related parties with whom transactions have taken place during the year (*continued*)

Fellow subsidiaries

SFS GmbH/PEF
Siemens S.A.-Brüssel
Siemens A/S
Siemens plc
Siemens S.p.A.
Siemens Power Generation Ltd.
Siemens Aktiengesellschaft Österreich
Siemens S.A.-Lissabon
Siemens d.o.o.
Siemens-Elema AB
Siemens, Inc.
Siemens Business Services Pte. Ltd.
SCSL Ltd.
Siemens S.A.-Buenos Aires
Siemens Electrical Apparatus Ltd.
Siemens Canada Ltd.
Siemens VDO Automotive, Inc.
Siemens S.A. de C.V.
Siemens Energy & Automation, Inc.
Siemens Medical Solutions USA, Inc.
Siemens Information and Communication Networks, Inc.
Siemens Bangladesh Ltd.
Siemens Ltd.-Hongkong
OSRAM India Pvt. Ltd.
Siemens Public Communication Networks Pvt. Ltd.
P.T. Siemens Indonesia
Electrical Services and Products (Singapore) Pte. Ltd.
Siemens Malaysia Sdn. Bhd.
Siemens Ltd.-Australia
Siemens Pte. Ltd.-Singapore
SBS Geschäftsgebiet Siemens IT Service
Siemens Nixdorf Information Systems Ltd.
Siemens Shared Services Pvt. Ltd.
Siemens Automotive s.r.o
SBS Siemens Group and service
Siemens atea
Siemens A.s Ballerup DK
Siemens S.p.A., Mailand - Italy
Siemens Lagos - Nigeria
Siemens Medical Systems, USA
Siemens Communication Ltd.
Siemens - Asahi Medical Technology
Siemens Showa Solar
Siemens Elect Engg SDN. Bh.
Siemens Medical Systems Ltd.
Siemens Advanced Engineering

Associates

Siemens LLC
Powerplant Performance Improvement Ltd.
Siemens Automotive s.r.o, Michalovce

25.3 Directors of the Company

Whole-time Directors	Mr J Schubert
	Mr H Gelis
	Mr AB Nadkarni
	Mr Harminder Singh
	Mr OP Narula

Details of remuneration to directors are disclosed at note 22(i) to the financial statements.
Details of Housing loan to directors are disclosed at note 11(a) to the financial statements.

	<u>2002</u>	<u>2001</u>
25.4 Sales to and recoveries from related parties		
Holding Company	1,180,821	578,331
Subsidiary Company	166,848	160,199
Fellow Subsidiaries	322,002	559,276
Associates	76,305	1,770
25.5 Purchases / other services from related parties		
Holding Company	2,237,405	2,808,499
Subsidiary Company	23,602	28,422
Fellow Subsidiaries	536,730	385,443
Associates	—	—
25.6 Interest income from related parties		
Holding Company	—	—
Subsidiary Company	—	—
Fellow Subsidiaries	79,225	32,351
Associates	—	—
25.7 Interest paid to related parties		
Holding Company	—	—
Subsidiary Company	5,537	—
Fellow Subsidiaries	3,161	—
Associates	—	—
25.8 Sale of investments to related parties		
Holding Company	—	—
Subsidiary Company	—	—
Fellow Subsidiaries	209,375	134,200
Associates	—	—
25.9 Dividend paid to related parties		
Holding Company	126,722	114,124
Subsidiary Company	—	—
Fellow Subsidiaries	—	—
Associates	—	—
25.10 Dividend received from related parties		
Holding Company	—	—
Subsidiary Company	178,500	123,930
Fellow Subsidiaries	10,400	45,013
Associates	—	—

Notes to the financial statements (*continued*)
for the year ended 30 September 2002
(Currency: Indian rupees thousands)

	2002	2001
25.11 Outstanding balances		
Debtors		
Holding Company	60,593	162,770
Subsidiary Company	11,403	46,774
Fellow Subsidiaries	39,139	16,579
Associates	23,977	—
Creditors		
Holding Company	786,878	666,502
Subsidiary Company	1,854	2,847
Fellow Subsidiaries	—	73,874
Associates	—	—
Inter Corporate Deposits		
Holding Company	—	—
Subsidiary Company	—	—
Fellow Subsidiaries	1,065,000	960,000
Associates	—	—

26 (i) Information about business segments

	Revenue			Results	Assets	Liabilities	Non cash expenditure		
	External sales	Inter-segment sales	Total				Capital Expenditure	Depreciation	Others
Information & communications	646,891	157	647,048	71,614	274,964	123,167	2,478	100,924	40,379
Automation & drives	3,423,372	483,098	3,906,470	110,057	1,461,946	1,172,486	56,737	61,806	
Industrial solutions & services	1,256,213	129,845	1,386,058	121,602	418,944	612,835	2,199	4,598	
Power	3,833,559	180,073	4,013,632	117,404	1,562,493	2,178,631	11,999	20,426	
Transport	843,265	—	843,265	139,668	112,430	430,649	427	1,109	
Healthcare & other services	2,548,586	—	2,548,586	92,712	1,124,838	632,421	18,566	18,782	
Real estate	353,526	—	353,526	273,862	1,663,247	72,369	21,548	103,015	
Eliminations	—	(793,173)	(793,173)	—	—	—	—	—	
Total	12,905,412	—	12,905,412	926,919	6,618,862	5,222,558	113,954	310,660	40,379
Interest expenses				(27,324)					
Interest income, net				145,895					
Unallocable corporate items				258,885	4,254,980	1,854,243	2,776	25,509	—
Profit before tax				1,304,375					
Income tax				(417,000)					
Deferred tax				(21,778)					
Consolidated total	12,905,412	—	12,905,412	865,597	10,873,842	7,076,801	116,730	336,169	40,379

26 (ii) Secondary segment information

	Revenues	Assets	Capital expenditure
Domestic	11,689,860	10,873,842	116,730
Exports	<u>1,215,552</u>	<u>—</u>	<u>—</u>
Total	<u>12,905,412</u>	<u>10,873,842</u>	<u>116,730</u>

(iii) Other disclosures :

- Inter-segment prices are normally negotiated amongst the segments with reference to the costs, market prices and business risks
- All profits/losses on inter segment transfers are eliminated at 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 seven 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.
- Mobile phones :- Provide mobile handsets and accessories.

- **Automation & drives :-** Provide the complete range of automation products & systems, from large and standard drives and motors, special purpose motors, process and motion control systems, industrial automation systems to low-voltage controls and distribution and electrical installation technology.

- **Industrial & solutions services :-** Undertakes turnkey projects in the industrial and infrastructure sectors over the entire life cycle including concept, engineering, procurement, supplies, installation, commissioning and after sales services.

- **Power :-** Provides automation solutions for a wide range of applications in power plants, focusing on a complete range of medium and high voltage switchgears, medium voltage switchboards, protection and control systems for sub-stations, power system control and energy management systems and meters.

- **Transport :-** Provides solutions for rail automation, railway electrification, light and heavy rail, locomotives, trains, turnkey projects and integrated services.

- **Healthcare & other services :-** Provides diagnostic, therapeutic and life-saving products in computer tomography (CT), magnetic resonance imaging (MRI), ultrasonography, nuclear medicine, digital angiography, patient monitoring systems, ventilators, digital radiography systems, radiology networking systems, lithotripsy and linear accelerators.

- **Real estate :-** Provides comprehensive real estate management.

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

Notes to the financial statements (*continued*)
for the year ended 30 September 2002
(Currency: Indian rupees thousands)

27 Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No.

State Code

Balance Sheet Date
Date Month Year

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

Public Issue

Rights Issue

Bonus Issue

Private Placement

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

Total Liabilities

Total Assets

Sources of Funds

Paid-up Capital

Reserves & Surplus

Secured Loans

Unsecured Loans

Application of Funds

Net Fixed Assets

Investments

Net Current Assets

Miscellaneous Expenditure

Accumulated Loss

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

IV. Performance of Company (Amount in Rs. thousands)

Turnover	12,905,412	Total Expenditure	12,278,290
+/- Profit/Loss before Tax	+ 1,304,375	+/- Profit/Loss after Tax	+ 865,597

(Please Tick appropriate box + for Profit, - for Loss)

Earning per share in Rs.	26.10	Dividend Rate %	55
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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').

Ashok P. Jangid
Corporate Secretary

For Siemens Ltd.

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

Chairman
Managing Director
Executive Director

} *Directors*

Mumbai, 22 November 2002

Cash flow statement
for the year ended 30 September 2002
(Currency: Indian rupees thousands)

28 Cash Flow Statement

	2002	2001
Cash flow from operating activities		
Profit before tax	1,304,375	964,234
Adjustments for:		
Interest expense	27,324	17,115
Restructuring charge/(net write back)	(108,940)	113,369
Depreciation	336,169	355,555
Profit on sale of fixed assets (net)	(43,576)	(42,838)
(Profit)/ loss on sale of investments (net)	(68,975)	(36,088)
Unrealised exchange (gain)/ loss (net)	59,159	(12,079)
Interest and dividend accrued	(336,088)	(390,660)
Lease equalisation charge	40,379	16,438
Lease discounting costs	—	20,577
Operating profit before working capital changes (Increase)/decrease in working capital	1,209,827	1,005,623
Inventories	(33,284)	80,168
Trade payables	605,502	(480,015)
Trade and other receivables	(271,023)	(25,043)
Provisions	70,558	31,072
Net change in working capital	371,753	(393,738)
Cash generated from operations	1,581,580	611,885
Payments for restructuring costs	(92,377)	(57,475)
Direct taxes (paid)/refund	(392,843)	(359,829)
Net cash inflow from operating activities	1,096,360	194,581
Cash flow from investing activities		
Purchase of fixed assets	(116,190)	(119,084)
Proceeds from sale of fixed assets	59,107	59,513
Sale/(purchase) of investments	209,380	143,537
Inter corporate deposits given	(105,000)	(960,000)
Interest received	147,596	217,580
Dividend received	188,900	168,943
Net cash from/(used in) investing activities	383,793	(489,511)
Cash flow from financing activities		
Dividend paid (including tax thereon)	(243,924)	(271,156)
(Decrease)/Increase in short term borrowings	29,382	(169,545)
(Decrease)/Increase in long term borrowings	(916)	(216,424)
Interest paid	(27,324)	(37,692)
Payment for buy back of shares	(96,246)	(368,989)
Net cash used in financing activities	(339,028)	(1,063,886)
Net increase / (decrease) in cash and cash equivalents	1,141,125	(1,358,816)
Cash and cash equivalents at end of the year	2,026,772	885,647
Cash and cash equivalents at beginning of the year	885,647	2,244,463
	1,141,125	(1,358,816)

Ashok P. Jangid
Corporate Secretary

For Siemens Ltd.
Dr. F. A. Mehta
J. Schubert
H. Gelis
D. C. Shroff
Y. H. Malegam
N. J. Jhaveri
Dr. O. Schmitt
A. B. Nadkarni
Harinder Singh
O. P. Narula
Mumbai, 22 November 2002

Chairman
Managing Director
Executive Director

Directors

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

Siemens Ltd.

Siemens Information Systems Ltd.

a) Holding Company's Interest	5,100,000 Equity Shares of Rs.10 each fully paid-up (i.e. 74.8% of the paid-up Equity Capital)
b) Net aggregate amount of the Subsidiary's profits/(losses) not dealt with in the Holding Company's accounts (so far as it concerns the member of Siemens Ltd.) :	
(i) For the Subsidiary's financials year ended 30 th September 2002	Rs. 307,043,528
(ii) For previous financial years	Rs. 255,940,168
c) Net aggregate amount of the Subsidiary's profits/(losses) dealt with in the Holding Company's accounts (so far as it concerns the member of Siemens Ltd.) :	
(i) For the Subsidiary's financials year ended 30 th September 2002	Rs. 178,500,000
(ii) For previous financial years	Rs. 123,930,000

Ashok P. Jangid
Corporate Secretary

For Siemens Ltd.

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

Chairman
Managing Director
Executive Director

} *Directors*

Mumbai, 22 November 2002

Siemens Information Systems Ltd. (SISL)
Fifteenth Annual Report
for the year ended 30 September 2002

Board of Directors

Chairman

J. Schubert

Managing Director

A. R. Laud

Directors

A. S. Viswanathan
(Whole-time Director)

H. Gelis

Hans-Peter Beck
(upto 21.11.2001)

Dr. Clemens Federschmidt
(upto 19.11.2002)

Company Secretary

B. R. Nagaraja

Bankers

Bank of America NT & SA

Citibank N. A.

Deutsche Bank AG

HDFC Bank

State Bank of India

Standard Chartered Bank

Auditors

Bharat S. Raut & Co.

Solicitors

Crawford Bayley & Co.

Registered and Corporate Office

130, Pandurang Budhkar Marg,
Worli,
Mumbai 400 018

Software Centres & Sales Offices

Bangalore

Kolkata

Chennai

Gurgaon

Mumbai

New Delhi

Pune

Kharghar

Directors' Report

The Directors have pleasure in presenting the Fifteenth Annual Report together with the audited statement of accounts for the period ended September 30, 2002:

Financial Results

	Rs. in Million	
	September 30, 2002	September 30, 2001
Total Income	2586.14	2257.34
Total Expenditure	2127.49	1952.80
Net Profit for the year	458.65	304.54
Appropriation		
Interim dividend paid	238.53	153.34
Dividend tax	13.90	15.64
Transfer to general reserve	45.87	30.45
Retained earning carried forward (without adjustment for deferred tax)	160.36	105.10

Operations

The Company has registered a good growth of 15% in Total Income. In the backdrop of an overall slowdown in the market, the total income recorded for this financial period was Rs.2586.14 million, as against Rs.2257.34 million for the corresponding period in the previous year.

The operating profit for this financial period was to the tune of Rs.458.65 million which is 17.7% of the total income.

Dividend

A total interim dividend of Rs.35 per equity share was declared in this business year as against a dividend of Rs.22.5 per share in the previous year. After considering the planned investments, your Directors have not recommended any final dividend for the year ended September 30, 2002.

Business Development

Domestic

The Company continued its strategic thrust on exports. This was in addition to concentrating only on selected areas in the domestic business. Consequently, the exposure in the non-profit making domestic businesses has been restricted. The domestic business accounted for approximately 18% of the total income for this financial year.

In the area of Business Solutions for SAP R/3 & related implementation, saturation was observed in the domestic market. Certain notable factors in this market have been an increase in the number of market players, slower decision making, increased sales cycle time and lower realizations.

e-governance

The Delhi Metro Rail Corporation (DMRC) project of Rs.23 million was a significant breakthrough in the Government sector.

At EPFO, the project which was received last year, involving re-inventing EPFO thru Business Process Re-engineering and Development of Applications to support the Re-engineered process, progressed as per schedule. A lot of work went into helping the organization in developing the Re-engineered processes – resulting in submission of Final BPR Report and also successful demonstration of the Social Security Number Generation Proto-type Module. The 1st Phase of Task 1 of the Project is now nearing completion.

Pharma

The continuous repeat orders from Novartis India Limited were also extremely significant. E Merck was another important account won by the Business Solutions Group.

Media

The order from Tata Infomedia helped in re-enforcing the company's strong hold in the media sector. The continuous stream of revenue from Times of India was heartening.

Business Solutions

The SAP group received the following new orders during the year in the domestic market: Merck India Rollout, Novartis-GX, Novartis-Pharma, Sudarshan B2B, Delhi Metro Rail Corporation, Samsung-HR, Fenner and Siemens VDO. The following sites went live last year: Times of India, Merck India, Novartis, Sudarshan, Jindal Steel and Power Ltd., VAtech, Samsung-HR, Orchid Chemicals and Pharmaceuticals, Fenner, Siemens VDO and Ananda Bazaar Patrika.

Healthcare

The Healthcare group continued to register impressive growth rates in the current fiscal year also, with a revenue increase of 96%. On the domestic front, it was a year of consolidation with several customers going live on the company's integrated HIS solution. The highlight of the year was the group's successful participation in several large national tenders for HIS solution. Achievements among others include the group adding another prestigious client to its list – a 600 bed cardiology super speciality hospital, Sri Jayadeva Institute of Cardiology, Bangalore.

Telecom

The Telecom Division has achieved a 16% growth in Turnover during the year under review despite a worldwide recession in the Telecom sector. This Division successfully procured and executed a 45 agent IVR front ended Call Centre for BSNL- Hyderabad to take care of their landline as well as South Zone Mobile operations.

Further small Call Centres with IVR front ending have been executed at Karnal as well as Gurgaon locations of BSNL.

Further, the Telematics group of Telecom Division successfully bagged a Euro 1.7 Million worth Software project called Code Access Back Bone Project from Siemens VDO GmbH. With the help of this Software, Automobile Customers in general could have a large variety of services like emergency, traffic, location of banks, addresses, etc.

LOB Wireless has successfully established itself as a reliable Software Services provider with ICM-Mobile Phones of Siemens AG, for embedded software for Siemens Mobile Phones.

Others

A Web Based solution SWAN was completed for roll-out to various offices in ONGC where the modules covered Estate & Housing, Industrial Relations, Hospitality and Welfare modules - all of which interface to the SAP HR system, being implemented across ONGC. These modules impact all employees and would help ONGC in addressing the needs of their employees so that they are motivated to deliver better results.

The ITS SBU focused on improving profitability through various optimisation methods. These included - Internal deployment of employees to other groups for better utilization, re-skilling of employees to enhance market penetration, Just-in-time recruitment model implementation to avoid bench time. Regular communication meetings to involve employees and maintain high morale and maintaining strict quality norms were also introduced. The Group's commitment to Quality was reinforced by its receiving the ISO 9001 Certification in Jan 2002 and again, a Surveillance Audit being successfully completed.

The Management Consulting SBU of SISL tied up with Avraham Goldratt Institute in April 2001 to offer Theory of Constraints (TOC) services in India. During the year SISL and AGI have generated a high degree of activity and interest for TOC amongst Indian companies, both in midsize companies and large corporates. About 40 TOC enthusiasts from the industry and education institutes attended the TOC seminar organized in Mumbai in April 2002.

MC is providing TOC solutions to companies like Heavy Engineering Division of Larsen & Toubro, Tata Metaliks, TI Diamond Chains Ltd amongst others. With the growing interest and faith in TOC, and the spate of inquiries that MC has presently, the coming year looks very encouraging.

During the year under review, a new LoB was set up to provide Business Connect Solutions. Targeted at blue-chip customers, these Internet based solutions are aimed at both small and large firms, who having adopted intra-enterprise IT solutions, are now seeking

quantum business benefits, by enhancing the visibility and velocity of information flows beyond the enterprise.

The EES customer base has grown to include BPCL, Shoppers' Stop, GHCL, Raymond, Castrol, Smithkline Beecham, Times of India, Oswal Woollen Mills and Mark Auto Industries. Discussions have also been held with another dozen leading corporate houses who have expressed a desire to extend their enterprise through the Business Connect solutions.

A key USP of the group is its ability to provide a comprehensive service offering covering the Consult-Design - Build - Operate - Maintain - Enhance cycle.

Exports

Some of the notable acquisitions in the export market have been the providing of 24 hours support to Office Max in the US. Also, a sizeable amount of consultants are involved in the rollout of Spiridon in Asia Pacific.

The Group's efforts to extend HIS offering to markets outside India also gained momentum with increased focus on the Asia Pacific and South American regions.

A major project - Nexus was undertaken along with the CIO organization in Singapore to develop a web-based Employee Self-Service Solution using Livelink Workflow components that automates office processes. The solution enables employees to manage online such requests as Travel Management, Leave Management, Business Card Ordering, etc. This has now been extended to the forthcoming year for enhancements and maintenance activity on the NEXUS project.

First Application Hosting Project for SISL from SBS, U.K. after successful demonstration of meeting the required Response Timeline, was started in the year.

Another major project undertaken was the SICOM project for Siemens Shared Services, USA to cater to their Import Compliance Application which was developed using the latest Software Development Tools in a Web Based environment. The project will be expanded to cover the brokers based in USA who will use the system to interact using the solution developed.

The R&D efforts on the clinical solution -Soarian™ Clinicals were also stepped up during the year, with the introduction of new departmental solutions - Soarian Cardiology, OR, ICU, CCU, Oncology and Radiology. A significant milestone was achieved with Soarian Cardiology being successfully installed in the US and the product being declared "Generally Available" to the global healthcare industry.

Through the Major Projects Division your Company consolidated its track record as a dependable delivery partner to SBS through many successful projects during this business year. Notable amongst them were two extremely challenging projects completed successfully adding value to the end-customer - the "ISP Hosting" project for National Assembly For Wales and "Case

Directors' Report (Continued)

Management System" for National Savings, UK . Leveraging its prior experience and presence of Siemens, your Company is now engaged in developing new Application Outsourcing and Solution offerings in Banking, Financial Services and Insurance segments which is already showing signs of success and promise for the future.

The Graphic Products Division has made significant strides by obtaining many turnkey contracts which demand multi domain skills as well as mature software engineering practices. An order for developing an Engineering Configurator for the design of material handling systems was received from Siemens Dematic. Another one being from a long distance phone company in Phillipines for development of Telecom Network Management. As also development of a plug-in software order for AGILE PDM which has been adopted by Solectron USA.

Quality

In order to achieve improvement in Productivity and Product Quality, the P&Q Group pursued a number of Business Improvement Initiatives. The most significant business initiative was launching SPEED Program that focused on EBIT improvement across the organization. Efforts of previous years in the area of Process Improvement have led to successful shipment of Software Products and acknowledgement from Siemens Corporate Technology Group of SISL's matured software development process.

During the business year, Finance & Administration at Bangalore and SISL Kolkata operations were added to the list of ISO 9000 certified development centers within SISL. As part of future plans, initiatives are being launched in the area of CMMI and automation of development processes.

Future Prospects:

The recessionary trends seen during the previous years still seem to persist. These trends are particularly significant keeping in mind the stagnant economic conditions in Europe and the USA, two of the largest markets for the Company.

In order to counter this, SISL is adopting a strategy of looking at newer markets and attracting additional or repeat business from our existing clientele. Also, keeping in mind our pioneer status of SAP implementation and consulting in India, some of the areas in which BSP will be focusing on in the coming year have been chalked out. These include, a special thrust on the Telecom Sector, while further strengthening our stronghold in Media. Additionally, aggressive marketing for off site support to customers already live on SAP and specific focus on the Government sector would be other thrust areas.

SISL has shared its contributed skilled specialists to ICN and ICM in the areas of call center integration and radio communication system development/integration.

As a sequel to this SISL continues to work in close coordination with Siemens Shared Services in the operation of call centers. The first major order from Barclays Bank is in the final stages of scoping and will form a reference base for this joint effort.

Investments

As a measure to improve the utilization of the past investments, the Company made lower capital investments to the tune of Rs.63 million in the financial period under review, compared to Rs.90 million in the previous year.

As a productivity measure your Company will progress towards a shared IT concept with Siemens Ltd and other Group companies. This will bring economies of scale while continuing to invest in upgrading the existing computer equipment, hardware and infrastructure and maintaining a state-of-the-art facility for software development.

Research & Development

The R&D efforts of your Company span a comprehensive programme in the field of software development across major technologies and products.

A significant milestone this year is that the Soarian cardiology was successfully installed in the US and the product was declared "generally available" to the global healthcare industry.

The expenditure incurred during the financial year on account of R&D was to the tune of Rs.4.687 million.

Conservation of Energy

The operation of the Company involves low energy consumption. Adequate measures have however been taken to reduce energy consumption and encourage conservation.

Foreign Exchange Earnings & Outgoings

This information has been furnished in the notes of accounts vide item (v) and (vi) of Note 23.

Employees

The management-employee relations have been on an excellent level.

The Board of Directors would like to express their sincere appreciation for the dedicated team-work seen over the fiscal period under review. The Company's good performance would not have been possible without the hard work and contribution from employees at all levels. Particulars of employees as required under section 217 (2A) of the Companies Act, 1956 read with the Companies Rules, 1988 (particulars of the employees) are set out in the Annexure forming a part of this report.

Directors

Mr. Hans-Peter Beck resigned from the Board of Directors with effect from 21st November,2001. The

Board places on record its appreciation for the support and guidance given by Mr. Beck.

Dr. Clemens Federschmidt was appointed as a Director with effect from 21st November, 2001 in the casual vacancy caused by the resignation of Dr. Rolf Kunkel.

Mr. A. R. Laud was re-appointed as the Managing Director for a further period of 2 years with effect from 1st July, 2002.

Mr. Gelis retires by rotation and being eligible, offers himself for re-appointment.

Directors' Responsibility Statement

Pursuant to the requirements under Section 217 (2AA) of the Companies Act, 1956, it is hereby confirmed that:

- (i) in the preparation of the annual accounts for the financial year ended 30th September, 2002, the applicable accounting standards have been followed;
- (ii) the accounting policies are consistently applied and are reasonable, prudent judgement and estimates are made so as to give a true and fair view of the state of affairs of the Company as at the end of the financial year;
- (iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for

preventing and detecting fraud and other irregularities; and

- (iv) the Directors have prepared the annual accounts on going concern basis.

Audit Committee

In accordance with Section 292A of the Companies Act, 1956, the Board of Directors have constituted an Audit Committee and specified its terms of reference. The Committee consists of 3 Directors viz. Mr. H. Gelis; Mr. J. Schubert and Mr. A. R. Laud.

Auditors

M/s Bharat S Raut & Co., Chartered Accountants, retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

On behalf of the Board of Directors,

J. Schubert
Chairman

Mumbai,
November 19,2002

Report of the Auditors to the Members of Siemens Information Systems Limited

We have audited the attached Balance Sheet of Siemens Information Systems Limited ('the Company') as at 30 September 2002, and the Profit and Loss Account of the Company 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 misstatements. 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board 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.
2. Further to our comments in the annexure referred to in paragraph (1) above:
 - (a) we have obtained all the 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 account as required by law have been kept by the Company so far as appears from our examination of the books;

- (c) the Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;
- (d) in our opinion, the Balance Sheet and Profit and Loss account 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 representation received from the directors of the Company, as at 30 September 2002, and taken on record by the Board of Directors, we report that none of the directors are disqualified from being appointed as director of the Company, under clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- (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 case of the Balance Sheet, of the state of affairs of the Company at 30 September 2002; and
 - in case of the Profit and Loss Account, of the profit of the Company for the year ended on that date.

For Bharat S Raut & Co.
Chartered Accountants

Abizer Diwanji
Partner

Mumbai
19 November 2002

Annexure to the Auditor's report 30 September, 2002

With reference to the annexure referred to in paragraph 1 of the report of the auditors to the members of Siemens Information Systems Limited on the accounts for the year ended 30 September 2002, we report that:

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. As per the Company's programme, physical verification of fixed assets at each location is done once in three years, which in our opinion is reasonable. Accordingly, the fixed assets of Mumbai location were verified during the year. No material discrepancy has been noticed in respect of fixed assets verified to date.
2. None of the fixed assets have been revalued during the year.

3. The stock of dialogic cards has been physically verified by the management during the current year. In our opinion, the frequency of such verification is reasonable.
4. In our opinion, the procedures for the physical verification of dialogic cards stock followed by management are reasonable and adequate in relation to the size of the Company and the nature of its business.
5. No material discrepancies were identified on physical verification of dialogic cards stock between physical stocks and book records.
6. On the basis of our examination of dialogic cards stock, in our opinion, the valuation of such stock is fair and proper in accordance with normally accepted accounting principles, and is on the same basis as in the previous year.

7. According to the information and explanations given to us, there are no companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 and the Company has not taken any loans, secured or unsecured from companies under the same management as defined under Section 370 (1-B) of the Companies Act, 1956.
8. According to the information and explanations given to us, there are no companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. During the year, the Company has placed deposits with companies under the same management as defined under Section 370 (1-B) of the Companies Act, 1956. In our opinion, the rate of interest and other terms and conditions of such deposits are prima facie not prejudicial to the interest of the Company.
9. The employees to whom loans or advances in the nature of loans have been given by the Company are generally regular in repaying the principal amounts and also interest as stipulated.
10. In our opinion, and according to the information and explanations given to us, there are adequate internal control procedures for the purchase of dialogic cards stock, plant and machinery, equipment and other assets and for the sale of services.
11. We are informed that there are no transactions of purchase of goods and materials and sale of goods, materials and services, made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956.
12. The Company has a regular procedure for the determination of unserviceable or damaged dialogic cards stock and adequate provision is made in the accounts for the loss arising on the items so determined.
13. We are informed that the Company has not accepted any deposits from the public within the meaning of Section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975.
14. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
15. We are informed that the Central Government has not prescribed maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 for any product of the Company.
16. The Company has been regular in depositing provident fund and employees' state insurance dues during the current year with the appropriate authorities.
17. According to the information and explanations given to us, there are no undisputed amounts payable in respect of income tax, wealth tax, sales tax, custom duty and excise duty which are outstanding at 30 September 2002 for a period of more than six months from the date they became payable.
18. On the basis of our examination of the books of account, and according to the information and explanations given to us, no personal expenses have been charged to the profit and loss account other than those payable under contractual obligation or in accordance with generally accepted business practice.
19. The Company is not a sick industrial Company within the meaning of clause (o) of sub-section 1 of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
20. With regard to service activities of the Company, in our opinion:
 - i) the Company has a reasonable system for recording receipts and issues of dialogic cards to individual jobs;
 - ii) the Company has a reasonable system of allocating man-hours utilised to the relative jobs, commensurate with the size and nature of its business; and
 - iii) there is a reasonable system of authorisation at proper levels and an adequate system of internal control commensurate with the size of the Company and the nature of its business, for allocation of staff costs to jobs.
21. The matters specified in clause (xiv) of Paras 4(A), 4(C), 4(D) of the aforesaid order are not applicable to the Company in the current year.

For Bharat S Raut & Co.
Chartered Accountants

Abizer Diwanji
Partner

Mumbai
19 November 2002

Balance sheet
at 30 September 2002
(Currency: in thousands of Indian rupees)

	<i>Note</i>	2002 Rs. '000	2001 Rs. '000
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	3	68,150	68,150
Reserves and surplus	4	793,250	635,192
		<u>861,400</u>	<u>703,342</u>
APPLICATION OF FUNDS			
Fixed assets			
Gross block	5	747,934	698,665
Less: Accumulated depreciation		<u>527,221</u>	<u>454,773</u>
Net block		220,713	243,892
Capital work-in-progress		2,882	327
		<u>223,595</u>	<u>244,219</u>
Current assets, loans and advances			
Inventories	6	8,600	11,816
Unbilled receivables		90,004	87,984
Sundry debtors	7	468,686	532,381
Cash and bank balances	8	558,913	180,555
Loans and advances	9	102,253	112,025
		<u>1,228,456</u>	<u>924,761</u>
Less: Current liabilities and provisions			
Current liabilities	10	602,263	527,635
Provisions	11	<u>10,745</u>	<u>8,525</u>
		613,008	536,160
Net current assets		615,448	388,601
Deferred tax asset	16	<u>22,357</u>	<u>70,522</u>
		<u>861,400</u>	<u>703,342</u>

The accompanying notes form an integral part of this balance sheet.

As per our report of even date attached.

For **Bharat S Raut & Co.**
Chartered Accountants

B. R. Nagaraja
Company Secretary

Abizer Diwanji
Partner

Mumbai
19 November 2002

For Siemens Information Systems Limited

J. Schubert

Chairman

A. R. Laud

Managing Director

A. S. Viswanathan
H. Gelis

} *Director*

Mumbai
19 November 2002

Profit and Loss Account
for the year ended 30 September 2002
(Currency: in thousands of Indian rupees)

SISL

	<i>Note</i>	2002 Rs. '000	2001 Rs. '000
Income			
Sales and services		2,560,382	2,209,692
Other income	12	25,757	47,649
		<u>2,586,139</u>	<u>2,257,341</u>
Expenditure			
Direct cost of sales and services	13	707,466	703,060
Personnel cost	14	807,868	667,240
Other costs	15	528,029	489,563
Depreciation	5	84,125	90,071
Interest		-	2,870
		<u>2,127,488</u>	<u>1,952,804</u>
Net profit for the year		458,651	304,537
Provision for tax - deferred tax (expense) / benefit		(48,165)	37,629
Net profit for the year after tax		410,486	342,166
Profit and loss account, brought forward		367,033	224,299
Profit available for appropriations		777,519	566,465
Less: Appropriations			
Interim dividend paid		238,525	153,338
Dividend tax		13,903	15,640
Transfer to general reserve		45,865	30,454
Profit and loss account, carried forward		<u>479,226</u>	<u>367,033</u>
Weighted average number of equity shares outstanding during the year		6,815,000	6,815,000
Earnings per share (Rs)			
- Basic and diluted		60.23	50.21

The accompanying notes form an integral part of this profit and loss account.

As per our report of even date attached.

For **Bharat S Raut & Co.**
Chartered Accountants

B. R. Nagaraja
Company Secretary

Abizer Diwanji
Partner

Mumbai
19 November 2002

For Siemens Information Systems Limited

J. Schubert *Chairman*

A. R. Laud *Managing Director*

A. S. Viswanathan
H. Gelis } *Director*

Mumbai
19 November 2002

Notes to the financial statements for the year ended 30 September 2002 (Currency: in thousands of Indian rupees)

1 Background

Siemens Information Systems Limited ('SISL' or 'the Company') is a subsidiary of Siemens Limited, which holds 74.8% of its share capital. The balance 25.2% is held by Siemens Nixdorf Systems AG, which is a fully owned subsidiary of Siemens AG.

The Company is engaged in software development and consultancy services. SISL carries out its operations from Mumbai, Kharghar, Chennai, Bangalore, Delhi, Pune and Kolkata. The head office is located at Mumbai.

2 Principal accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention, on the accrual basis of accounting, and in accordance with the provisions of the Companies Act, 1956.

The preparation of the 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 disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting periods. Management believes that the estimates made in the preparation of financial statements are prudent and reasonable. Actual results could differ from these estimates.

2.2 Fixed assets and depreciation

Fixed assets are recorded at historical cost less accumulated depreciation. Cost includes inward freight duties, taxes and incidental expenses related to the acquisition and corresponding installation expenses. For additions and disposals, depreciation is provided pro-rata for the period of use.

Depreciation is charged on the straight-line method (SLM) pro-rata from the date of purchase using the following rates which are higher than the rates prescribed under schedule XIV to the Companies Act, 1956:

Asset	Rate
Buildings	5%
Plant and machinery	20%-33.33%
Electrical installations	20%
Furniture, fittings and office equipment	20%
Vehicles	25%

Fixed Assets individually costing less than Rs.5000 are charged off in the year of acquisition.

Software initially purchased together with workplace computers and training related software are capitalized and depreciated at the rates applicable to workplace computers. Software purchased subsequently is charged directly to revenue as software consumables (Refer note 15).

2.3 Inventories

Bought out software and hardware is valued at the lower of cost and net realizable value.

2.4 Revenue recognition

Revenue on time and material based contracts is recognised periodically on the basis of the time charged in accordance with agreements with customers and is inclusive of reimbursement of expenses as these cannot be separately identified.

Revenue from fixed price 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. Provision for estimated losses on uncompleted contracts are recorded in the period in which such losses become probable based on current contract estimates.

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

Billings in excess of revenue earned, represent amounts billed to the customers in excess of revenues earned.

Revenue from sale of hardware is recognized on delivery of goods to the customer.

Revenue from sales and services are stated exclusive of sales tax and service tax.

2.5 Retirement benefits

Contributions to the provident fund, which is a defined contribution scheme, are charged to the profit and loss account in the year in which the expense is incurred.

Gratuity and leave encashment costs, which are defined benefits, are accrued based on an actuarial valuation carried out by an independent actuary.

Provision for superannuation is made as per the contractual terms, duly taking into account the limits specified under the Indian Income Tax Rules, 1962.

Notes to the financial statements (Continued)
for the year ended 30 September 2002
(Currency: in thousands of Indian rupees)

SISL

2.6 Research and development

Research and development expenditure of a revenue nature is written off in the year in which it is incurred and expenditure of a capital nature is capitalised to fixed assets.

2.7 Foreign currency transactions

Transactions in foreign currency are recorded at the exchange rate prevailing on the date of the transaction. Exchange rate difference arising on foreign exchange transactions settled during the year are recognized as income or expense in the profit and loss account of the same period. Foreign exchange denominated current assets and current liabilities are translated at the year-end exchange rates. All exchange gains/losses are recognized in the profit and loss account.

2.8 Income tax

Current Tax

Current tax provision is made annually based on the tax liability computed in accordance with provisions of the Income-tax Act, 1961.

Deferred Taxes

Deferred tax liability or asset is recognized for timing differences between the profits/losses offered for income taxes and profits/losses as per the financial statements. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the year that includes the enactment date.

Deferred tax assets in respect of losses carried forward are recognised only to the extent that there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Other deferred tax assets are recognised only if there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised and are reassessed for the appropriateness of their respective carrying values at each balance sheet date.

	2002	2001
	Rs. '000	Rs. '000
3 Share capital		
Authorised		
900 (2001: 900) 9% non-cumulative redeemable preference shares of Rs 10 each	9	9
10,000,000 (2001: 10,000,000) equity shares of Rs.10 each	100,000	100,000
Issued		
10,000,000 (2001: 10,000,000) equity shares of Rs.10 each fully paid-up	100,000	100,000
Subscribed and paid-up		
6,815,000 (2001: 6,815,000) equity shares of Rs.10 each fully paid-up	68,150	68,150
Of these shares 5,100,000 (2001: 5,100,000) equity shares of Rs.10 each are held by Siemens Limited.		
4 Reserves and surplus		
Capital redemption reserve	9	9
General reserve		
- Balance brought forward	268,150	204,803
- Creation of deferred tax asset	-	32,893
- Transfer from profit and loss account	45,865	30,454
	314,015	268,150
Profit and loss account	479,226	367,033
	793,250	635,192

Notes to the financial statements (Continued)
for the year ended 30 September 2002
(Currency: in thousands of Indian rupees)

Rs. '000

5 Fixed assets

	Land and building	Plant and machinery	Electrical installations	Furniture, fittings and office equipment	Vehicles	Total	Previous year
Gross block							
At 1 October 2001	129,930	480,930	11,530	39,260	37,015	698,665	614,306
Additions	-	42,535	1,062	5,603	13,829	63,029	98,097
Less: disposals	-	6,978	1,178	3,839	1,765	13,760	13,738
At 30 September 2002	129,930	516,487	11,414	41,024	49,079	747,934	698,665
Accumulated depreciation							
At 1 October 2001	23,706	385,066	8,014	25,506	12,481	454,773	371,800
Charge for the year	6,276	60,554	1,404	5,304	10,587	84,125	90,071
Less: disposals	-	6,657	1,132	3,322	566	11,677	7,098
At 30 September 2002	29,982	438,963	8,286	27,488	22,502	527,221	454,773
Net block							
At 30 September 2002	99,948	77,524	3,128	13,536	26,577	220,713	243,892
At 30 September 2001	106,224	95,864	3,516	13,754	24,534	243,892	

Land and building includes cost of freehold land aggregating Rs.4,418,827 (2001: Rs.4,418,827)

	2002 Rs. '000	2001 Rs. '000
6 Inventories		
Bought out software and hardware	8,600	11,816
7 Sundry debtors (Unsecured)		
- under six months	466,303	468,180
- over six months	49,288	120,335
	515,591	588,515
- considered good	468,686	532,381
- considered doubtful	46,905	56,134
	515,591	588,515
Less: provision for doubtful debts	46,905	56,134
	468,686	532,381
8 Cash and bank balances		
Cash on hand	-	71
Balances with scheduled banks		
- in current accounts	362,640	177,203
- in deposit accounts	196,273	3,281
	558,913	180,555

Debtors include debts due from Siemens Limited, holding company, aggregating Rs 1,853,839 (2001: Rs 2,846,000)

Notes to the financial statements (Continued)
for the year ended 30 September 2002
(Currency: in thousands of Indian rupees)

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	2002 Rs. '000	2001 Rs. '000
9 Loans and advances		
<i>(unsecured, considered good)</i>		
Advances recoverable in cash or in kind or for value to be received	98,462	98,114
Income-tax deducted at source	3,791	11,943
Advance payments of income-tax	-	1,968
	<u>102,253</u>	<u>112,025</u>
<i>(unsecured, considered doubtful)</i>		
Advances recoverable in cash or in kind or for value to be received	20,083	-
Less: provision for doubtful advances	20,083	-
	<u>-</u>	<u>-</u>
	<u>102,253</u>	<u>112,025</u>
Advances recoverable in cash or in kind or for value to be received includes amount due from Directors: Rs 3,730,853 (2001: Rs.3,945,495).		
Maximum amount outstanding during the year in respect of the above: Rs.3,945,495 (2001: Rs.4,129,606)		
10 Current liabilities		
Sundry creditors	581,040	488,453
Billings in excess of revenue earned	6,372	16,185
Interim dividend	-	5,561
Advances from customers	14,851	17,436
	<u>602,263</u>	<u>527,635</u>
Sundry creditors include amounts payable to Siemens Limited, holding company aggregating Rs.11,403,530 (2001: Rs.46,774,000)		
11 Provisions		
Leave encashment	10,745	8,525
	<u>10,745</u>	<u>8,525</u>
12 Other income		
Interest income	17,463	7,851
(tax deducted at source: Rs.680,119; 2001: Rs.38,092)		
Profit on sale of fixed assets (net)	387	2,342
Exchange gain (net)	-	36,283
Miscellaneous income	7,907	1,173
	<u>25,757</u>	<u>47,649</u>
13 Direct cost of sales and services		
Travel and conveyance (including allowances)	463,602	407,526
Cost of software	41,919	98,823
Cost of hardware	35,330	93,714
Professional charges	85,509	90,161
Others	81,106	12,836
	<u>707,466</u>	<u>703,060</u>
14 Personnel cost		
Salaries and bonus	707,300	571,905
Contribution to provident and other funds	20,223	19,808
Gratuity and superannuation	17,147	15,810
Staff welfare	63,198	59,717
	<u>807,868</u>	<u>667,240</u>

Notes to the financial statements (Continued)
for the year ended 30 September 2002
(Currency: in thousands of Indian rupees)

	2002 Rs. '000	2001 Rs. '000
15 Other costs		
Rent	136,008	127,365
Travel and conveyance	91,133	73,126
Post and communication	61,086	50,881
Repairs and maintenance		
- building	48,643	37,337
- plant and machinery	11,333	14,966
- other	2,485	2,445
Bad debts	41,012	16,176
Legal and professional	37,451	65,790
Software consumables	26,957	34,450
Electricity	16,883	17,549
Provision/(write back) of doubtful debts, net	7,896	(7,935)
Insurance	4,972	3,189
Advertising and publicity	4,831	12,189
Rates and taxes	4,303	5,869
Exchange loss (net)	3,329	-
Donation	13	312
Miscellaneous expenses	29,694	35,854
	<u>528,029</u>	<u>489,563</u>

16 Income tax

Current tax

The profits of the units of Company which are Export Oriented Unit ('EOU') or part of Software Technology Park ('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 tax for a period of ten consecutive years. However, based on provisions of the Finance Act 2002, the Company can avail an exemption of only 90% of profits from income tax for the assessment year 2003-2004. In view of the benefits available for EOU and units of STP and carry forward losses of the domestic business, no provision for current taxation is considered necessary.

Deferred tax

The Tax Holiday Scheme provides that fixed assets located in EOU/STP are deemed to be depreciated using tax depreciation rates during the tax holiday period. Therefore, the difference between the depreciation charge in respect of STP/EOU assets as per books and for tax purposes is considered permanent during the tax holiday period except to the extent of the difference in written down values at the end of the tax holiday period for book and tax purposes. Such difference, if any, is considered timing difference and is remeasured at each balance sheet date.

Unabsorbed losses from domestic business are allowed to be carried forward for a period of eight years. Further, with effect from assessment year 2003-2004, unabsorbed depreciation can be carried forward indefinitely. However, no deferred tax has been recognised in respect of unabsorbed losses and depreciation, since management believes there is no virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The components of the deferred tax balances are as follows:

Deferred tax assets

Debtors	13,520	17,358
Other provisions	786	16,279
Fixed assets	8,051	36,885
	<u>22,357</u>	<u>70,522</u>

17 Capital commitments

The estimated amount of contracts remaining to be executed on capital account and not provided for at 30 September 2002 is Rs.5,534,993 (2001: Rs.1,650,000).

18 Amounts due to small scale industrial undertakings

Based on the information and records available with the Company, there are no amounts payable to small scale industrial undertakings at 30 September 2002 (2001: Rs Nil)

Notes to the financial statements (Continued)
for the year ended 30 September 2002
(Currency: in thousands of Indian rupees)

SISL

	2002 Rs. '000	2001 Rs. '000
19 Contingent liabilities		
Bank guarantees and letters of credit	12,218	1,800
Claims against the Company not acknowledged as debts	12,565	11,645
	<u>24,783</u>	<u>13,445</u>

20 Operating Leases

The Company leases office facilities and residential facilities and motor cars under cancellable lease agreements. The Company intends to renew these facilities on an ongoing basis. Total rental expense under cancellable operating leases debited to the profit and loss account aggregate Rs 136,008,000 (2001: Rs 127,365,000).

21 Related Party transactions

Parties where control exists

Siemens AG, Germany

Ultimate holding company

Siemens Ltd

Holding company (holds 74.8% of the equity share capital as at 30th September 2002)

Other related parties controlled by Siemens AG, the ultimate holding company with whom transactions have taken place during the year

Fellow Subsidiaries

Sicad Geomatics, Germany
Siemens Business Services Inc., US
Infineon India
Siemens Power Engineering Pvt. Ltd., India
National & German Electrical Co, Kuwait
Siemens Dematic Corp.,US
Siemens, Finland
Siemens SAS, St.Denis
Siemens Business Services S.A., Belgium
Siemens plc,UK
Siemens Informatica, Italy
Siemens Nederland N.V.
Siemens SA, Portugal
Siemens Ltd., South Africa
Siemens Telecommunications, Pty RSA
SICP, USA
Siemens Information and Communication Networks, US
Osram India Pvt Ltd
Siemens Public Communications and Networks Ltd, India
Siemens K.K., Japan
Siemens, Australia
Siemens Transportation Systems Ltd, USA
SBS, Great Britain
Siemens Medical Solutions, US
Siemens VDO Automotive AG, Germany
Siemens Business Services, South Africa
Siemens Business Services, Germany
Siemens Ltd., Bangkok
Siemens Pte. Ltd., Singapore
Siemens Ltd, China
Siemens Business Services, Singapore
Siemens IT Services, Malaysia
Siemens Business Services, Brussels
SNI, India
Siemens Corporation, US
Siemens Shared Services Pvt. Ltd.

Notes to the financial statements (*Continued*)
for the year ended 30 September 2002
(Currency: in thousands of Indian rupees)

21 Related Party transactions (*continued*)
Directors of the Company

Chairman	Mr.J Schubert
Managing Director	Mr.A R Laud
Wholetime Director	Mr.A S Viswanathan
Non Executive Directors	Mr.H Gelis
	Dr.Federschmidt

Details of remuneration to directors is disclosed as note 23(i) to the financial statements.

	2002	2001
Sales to and recoveries from related parties		
Ultimate holding company	861,240	645,893
Holding company	23,602	28,422
Fellow subsidiaries	1,253,433	1,077,042
Purchase / Services (including reimbursement of expenses)		
Ultimate holding company	209	-
Holding company	166,848	141,483
Fellow subsidiaries	343,429	135,293
Inter Corporate Deposit taken from related parties		
Holding company	-	40,000
Fellow subsidiaries	-	-
Interest paid to related parties		
Holding company	-	185
Inter Corporate Deposit given to related parties		
Holding company	460,000	-
Fellow subsidiaries	-	15,000
Interest received from related parties		
Holding company	5,537	-
Fellow subsidiaries	-	254
Dividend paid to related parties		
Holding company	178,500	123,930
Fellow Subsidiaries	60,025	41,675
Housing loan to directors	4,130	4,317
Interest received	182	196
Outstanding balances as at 30 September 2002		
Debtors		
Ultimate holding company	51,189	68,737
Holding company	1,854	2,846
Fellow subsidiaries	328,629	302,552
Creditors		
Ultimate holding company	-	455
Holding company	11,403	46,774
Fellow subsidiaries	78,521	37,841
Housing loan to directors	3,731	3,945

Note: No amounts were written off/provided for in respect of related party transactions during the year ended 30 September 2002.

22 Segmental Reporting

The Company recognizes 'information technology services' as its only primary segment since its operations predominantly consists of providing a comprehensive range of information technology services, including software development, packaged software integration and systems maintenance to its worldwide customers

Notes to the financial statements (Continued)
for the year ended 30 September 2002
(Currency: in thousands of Indian rupees)

SISL

operating in different industries. Accordingly, 'information technology services' comprise the primary basis of segmental information set out in these financial statements. Secondary segmental reporting is performed on the basis of the geographical location of customers.

Secondary segment information

Regions	Revenue based on location of customer	Carrying amount of assets	Additions to Fixed Assets
India	447,694	1,452,051	63,029
Germany	654,268	-	-
USA	922,058	-	-
UK	357,625	-	-
Rest of the world	178,737	-	-
Total	2,560,382	1,452,051	63,029

23 Supplementary statutory information

	2002 Rs. '000	2001 Rs. '000
(i) Personnel costs includes managerial remuneration for directors as follows :		
Salary	2,700	2,280
Perquisites	3,667	1,503
Commission	2,700	2,280
Contribution to superannuation fund	405	274
Contribution to provident fund	324	342
	<u>9,796</u>	<u>6,679</u>
(ii) Computation of commission to the Directors:		
Profit as per profit and loss account	410,486	304,537
Add: Director's remuneration and commission	9,796	6,679
Provision for doubtful debts	7,896	(7,935)
Provision for doubtful advances	20,083	-
Provision for tax	48,165	(37,629)
Depreciation charged in the accounts	84,125	90,071
	<u>580,551</u>	<u>355,723</u>
Less: Depreciation as per Section 350 of the Companies Act, 1956	35,785	38,837
Profit on sale of fixed assets	387	2,342
Net profit as per Section 349 of the Companies Act, 1956	<u>544,379</u>	<u>314,544</u>
Commission to directors at 1% of the net profit	5,444	3,145
Restricted to 100% of salary (2001: 100%)	2,700	2,280
(iii) Other costs include:		
Auditor's remuneration		
Audit fees	750	600
Tax audit	400	725
Others	-	400
Reimbursement of expenses	50	42
	<u>1,200</u>	<u>1,767</u>
(iv) Value of imports calculated on C.I.F. basis:		
Capital goods	23,319	24,047
Spares and accessories	9,997	16,650
	<u>33,316</u>	<u>40,697</u>

Notes to the financial statements *(Continued)*
for the year ended 30 September 2002
(Currency: in thousands of Indian rupees)

23 Supplementary statutory information *(continued)*

	2002	2001
	Rs. '000	Rs. '000
(v) Expenditure in foreign currency:		
Expenditure on projects	305,236	122,728
Travelling	140,937	113,811
Licence fees / Royalty (net of tax)	15,824	33,335
Consultancy fees	35,474	35,552
Others	40,001	44,919
	537,472	350,345
(vi) Earnings in foreign currency :		
Sales and services	2,127,979	1,775,300
(vii) Expenditure incurred on research and development:		
Revenue	4,687	1,436
(viii) Net dividend remitted in foreign exchange:		
Amount remitted as dividend:		
Interim (net of tax)	57,452	38,588
Final	-	3,087
Number of non-resident shareholders	One	One
Number of equity shares held on which dividend was due	1,715,000	1,715,000
Period to which dividend relates:		
Interim	1 Oct 2001	1 Oct 2000
	to	to
	30 Sep 2002	30 Sep 2001
Final	-	1 Oct 2000
		to
		30 Sep 2001

24 Prior year comparatives

Prior year figures are appropriately reclassified to conform to the current year's classification.

Cash flow statement
for the year ended 30 September 2002
(Currency: in thousands of Indian rupees)

SISL

Particulars	2002 Rs. '000	2001 Rs. '000
Net profit before tax	458,651	304,537
Adjustments :		
Interest expense	-	2,870
Depreciation	84,125	90,071
Profit on sale of fixed asset (net)	(387)	(2,342)
Unrealised exchange loss / (gain) -debtors / creditors / bank	13,545	(2,249)
Interest received on deposits	(17,463)	(7,851)
Operating profit before working capital changes	538,471	385,036
Changes in working capital		
Inventories	3,216	(4,331)
Unbilled receivables	(2,020)	(958)
Debtors	45,264	23,783
Loans and advances	9,772	23,126
Creditors	77,548	(3,398)
Provisions	2,220	2,745
Net change in working capital	136,000	40,967
Cashflow from operating activities	674,471	426,003
Investing activities		
Additions to fixed assets	(65,584)	(96,465)
Proceeds from sale of fixed assets	2,470	8,981
Interest received on deposits	17,463	7,851
Cashflow from investing activities	(45,651)	(79,633)
Financing activities		
Change in borrowings	-	(42,685)
Dividend paid (including dividend tax)	(257,989)	(175,684)
Interest paid on overdraft/deposits	-	(2,870)
Cashflow from financing activities	(257,989)	(221,239)
Exchange gain-bank	7,527	2,619
Increase in cash & cash equivalents	378,358	127,750
Opening cash and cash equivalents	180,555	52,805
Closing cash and cash equivalents	558,913	180,555
	378,358	127,750

For Siemens Information Systems Limited

B. R. Nagaraja
Company Secretary

J. Schubert Chairman

A. R. Laud Managing Director

A. S. Viswanathan
H. Gelis } Director

Mumbai
19 November 2002

Mumbai
19 November 2002

Notes to the financial statements *(Continued)*
for the year ended 30 September 2002
(Currency: in thousands of Indian Rupees)

Balance Sheet Abstract and Company's General Business

I Registration Details

Registration No.

State code

Balance sheet date
Date Month Year

II Capital raised during the year

Public issue

Right issue

Bonus issue

Private placement

III Position of mobilization and deployment of funds

Total liabilities

Total assets

Sources of funds

Paid-up capital

Reserves and surplus

Secured loans

Unsecured loans

Application of funds

Net fixed assets

Investments

Net current assets

Miscellaneous expenditure

Accumulated losses

Notes to the financial statements (Continued)
for the year ended 30 September 2002
(Currency: in thousands of Indian Rupees)

SISL

Balance Sheet Abstract and Company's General Business (continued)

IV Performance of Company

	Turnover		Total expenditure
	2,586,139		2,127,488
+/-	Profit/loss before tax	+/-	Profit/Loss after tax
+	458,651	+	410,486
	Earning per share in Rs		Dividend @ %
	60.23		370

V Generic names of three principal products/services of Company

(As per monetary terms)

Item Code no. (ITC Code)	8473
Product description	Computer software and software services
Item Code no. (ITC Code)	—
Product description	—
Item Code no. (ITC Code)	—
Product description	—

For Siemens Information Systems Ltd.

B. R. Nagaraja
Company Secretary

J. Schubert

Chairman

A. R. Laud

Managing Director

A. S. Viswanathan
H. Gelis

} *Directors*

Mumbai
19 November 2002

Siemens Group (Siemens Ltd. and SISL)

Consolidated Financial Statements
for the year ended 30 September 2002
together with Auditors' Report

Auditor's Report to the Board of Directors of Siemens Limited

We have examined the attached consolidated balance sheet of Siemens Limited ('the Company') and its subsidiary, Siemens Information Systems Ltd ('the subsidiary'), collectively referred to as the Siemens Group, as at 30 September 2002 and also the consolidated profit and loss account for the year then ended.

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 generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. 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 statements. We believe that our audit provides a reasonable basis for our opinion.

We report that the consolidated financial statements at 30 September 2002, have been prepared by the Siemens Group in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Company and its subsidiaries included in the consolidated financial statements.

On the basis of the information and explanation given to us and on the consideration of the separate audit

reports on individual audited financial statements of the Company and the Subsidiary, we are of the opinion that:

- (a) the Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of the Siemens Group at 30 September 2002; and
- (b) the Consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operations of the Siemens Group for the year then ended.

For Bharat S Raut & Co.
Chartered Accountants

Vikram Utamsingh
Partner

Mumbai
22 November 2002

We have examined the attached consolidated cash flow statement of Siemens Ltd ('the Company') and its subsidiaries for the year ended 30 September 2002 which has been prepared by the Company, and is in agreement with the corresponding consolidated profit and loss account and consolidated balance sheet of the Company and its subsidiaries covered by our report of even date to the Board of Directors of the Company.

For Bharat S Raut & Co.
Chartered Accountants

Vikram Utamsingh
Partner

Mumbai
22 November 2002

Siemens Group
Consolidated Balance Sheet
at 30 September 2002
(Currency: Indian rupees thousands)

	Note	2002	2001
SOURCE OF FUNDS			
Shareholders' funds			
Share capital	2	331,384	336,266
Reserves and surplus	3	4,035,451	3,406,610
		4,366,835	3,742,876
Minority interest			
Equity	4	17,150	17,150
Non-equity	5	201,551	159,846
		218,701	176,996
Loan funds			
Secured loans	6	32,060	2,678
Unsecured loans	7	31,919	32,835
		63,979	35,513
		4,649,515	3,955,385
APPLICATION OF FUNDS			
Fixed assets			
Gross block	8	6,178,194	6,118,645
Accumulated depreciation		(4,061,667)	(3,743,969)
Net block		2,116,527	2,374,676
Capital work-in-progress		48,539	46,524
		2,165,066	2,421,200
Investments			
	9	223,228	443,117
Current assets, loans and advances			
Inventories	10	857,675	825,587
Sundry debtors	11	3,952,299	3,687,469
Cash and bank balances	12	2,585,685	1,066,201
Loans and advances	13	2,138,067	2,147,690
		9,533,726	7,726,947
Current liabilities and provisions			
Current liabilities	14	(7,001,966)	(6,243,664)
Provisions	15	(432,567)	(624,186)
		(7,334,533)	(6,867,850)
Net current assets			
		2,099,193	859,097
Deferred tax asset	16	323,180	355,214
Deferred tax liability	17	(161,152)	(123,243)
		162,028	231,971
		4,649,515	3,955,385

The accompanying notes set out on pages 104 to 117 form an integral part of the consolidated balance sheet.
As set out in our attached report of even date.

For Bharat S Raut & Co.
Chartered Accountants

Vikram Utamsingh
Partner

Mumbai
22 November 2002

For Siemens Group

J. Schubert *Managing Director - Siemens Ltd.*
H. Gelis *Executive Director - Siemens Ltd.*

Mumbai
22 November 2002

Siemens Group
Consolidated Profit and Loss Account
for the year ended 30 September 2002
(Currency: Indian rupees thousands)

Siemens Group

	Note	2002	2001
Income			
Sales (Gross)		15,728,622	14,014,746
Less : Excise duty		(635,824)	(632,691)
Sales (Net)		15,092,798	13,382,055
Commission income		184,811	224,583
Sales and services		15,277,609	13,606,638
Interest income, net	18	136,034	206,916
Other operating income	19	265,319	282,096
Other income	20	41,517	57,658
		<u>15,720,479</u>	<u>14,153,308</u>
Expenditure			
Cost of sales and services		9,629,202	8,287,809
Personnel costs, net	21	2,253,869	2,243,513
Depreciation and amortisations (other than on leased assets)	8,22	367,777	410,493
Other costs	22	2,105,270	2,097,283
Restructuring (write back)/charge, net		(108,940)	113,369
		<u>14,247,178</u>	<u>13,152,467</u>
Share of profit in associate companies		31,741	125,897
Profit before tax		1,505,042	1,126,738
Provision for current tax		(417,000)	(236,429)
Deferred tax		(69,943)	(2,961)
Profit after tax		1,018,099	887,348
Minority interest		(101,730)	(90,448)
Net profit		916,369	796,900
Appropriations			
Proposed dividend		82,846	132,554
Interim dividend paid		99,415	—
Dividend tax		13,903	29,160
Transfer to general reserve		683,336	541,141
Balance carried forward		36,869	94,045
		<u>916,369</u>	<u>796,900</u>
Weighted average number of equity shares outstanding during the year		33,167,937	35,266,251
Basic and diluted earnings per share of face value of Rs 10		27.63	22.60

The accompanying notes set out on pages 104 to 117 form an integral part of the consolidated profit and loss account.

As set out in our attached report of even date.

For Bharat S Raut & Co.
Chartered Accountants

Vikram Utamsingh
Partner

Mumbai
22 November 2002

For Siemens Group

J. Schubert *Managing Director - Siemens Ltd.*
H. Gelis *Executive Director - Siemens Ltd.*

Mumbai
22 November 2002

Siemens Group
Notes to Consolidated Financial Statements
for the year ended 30 September 2002
(Currency: Indian rupees thousands)

1.1 Basis of preparation

The accounts of the Company ("Siemens Ltd.") have been consolidated with its majority owned subsidiary, Siemens Information Systems Ltd. ("SISL"), in which the Company owns 74.84% of the equity share capital, in accordance with Accounting standard 21 (Consolidated Financial Statements) of Institute of Chartered Accountants of India.

The Company owns 26% of the equity share capital in Siemens Metering Ltd. ("SML") and accordingly has consolidated the accounts of SML by applying the equity method of accounting, in accordance with Accounting Standard 23 (Accounting for investments in associates in consolidated financial statements) of Institute of Chartered Accountants of India.

The Company held 20% of the equity share capital of Siemens Public Communication Networks Private Ltd. ("SPCNL") for the period 1 October 2001 to 18 December 2001 and accordingly consolidated the accounts of SPCNL for the period by applying the equity method of accounting, in accordance with Accounting Standard 23 (Accounting for investments in associates in consolidated financial statements) of Institute of Chartered Accountants of India.

On 18 December 2001, the Company sold its entire share holding in SPCNL.

1.2 Principles of consolidation

The consolidated financial statements comprise the financial statements of the Company and its majority owned subsidiary, SISL. The financial statements of each of these companies are consolidated on line by line basis and prepared according to uniform accounting policies, in accordance with generally accepted accounting principles in India. The effects of intercompany transactions between consolidated companies are eliminated in consolidation.

Investments in associates, SML and SPCNL, are accounted for under the equity method. Under this method the Company reflects its pro-rata share of the investee's net income in the Profit and loss account and its share in net assets in the carrying amounts of its investments.

Goodwill arising at the time of acquisition of shares in associates is accounted for in accordance with Accounting standard 23 of Institute of Chartered Accountants of India. Goodwill is amortised on a straight line basis over its estimated useful life of 5 years.

1.3 Other significant accounting policies

These are set out in the Notes to Accounts under the Section "Significant Accounting Policies" in the financial statements of Siemens Ltd. and SISL.

A key difference between the accounting policies followed by Siemens Ltd. and its associates, SPCNL and SML is that they have not accounted for deferred taxes.

	<u>2002</u>	<u>2001</u>
2 Share capital		
Authorised		
50,000,000 equity shares of Rs 10 each	500,000	500,000
150,000,000 10.5% cumulative redeemable preference shares of Rs 10 each	<u>1,500,000</u>	<u>1,500,000</u>
	<u>2,000,000</u>	<u>2,000,000</u>
Issued		
33,311,256 (2001 : 33,799,474) equity shares of Rs. 10 each	<u>333,113</u>	<u>337,995</u>
Subscribed and fully paid-up		
33,138,403 (2001: 33,626,621) equity shares of Rs 10 each fully paid-up	<u>331,384</u>	<u>336,266</u>

Equity shares

- 150,000 (2001: 150,000) shares have been allotted as fully paid-up for consideration received other than in cash;
- 11,100,000 (2001: 11,100,000) shares have been allotted as fully paid-up bonus shares by capitalization of the general reserve; and
- 18,103,087 (2001: 18,103,187) shares are held by the holding company, Siemens AG, Germany.

- In terms of the resolution passed by the shareholders at the extra-ordinary general meeting held on 15 June 2001 authorising the Company to buy back its own equity shares up to an aggregate consideration not exceeding Rs 805,252,859, the company has bought back 488,218; (2001: 1,867,576) equity shares of Rs 10 each during the year, at an average price of Rs 197.14 per share aggregating Rs 96,246,299 (2001:Rs 368,988,270). Premium on buy back amounting to Rs 91,364,119 for the year ended 30 September 2002 (2001:Rs 350,312,470) has been debited to the securities premium account. Consequently the Issued, Subscribed and Paid-up capital of the Company has been reduced by Rs 4,882,180 (2001: Rs 18,675,760). The one year period for the buyback ended on 13 June 2002.

	<u>2002</u>	<u>2001</u>
3 Reserve and surplus		
Capital reserve	688	688
Capital redemption reserve	9	9
Securities premium account		
Balance brought forward	1,918,695	2,269,007
– Utilised for premium on 488,218; (2001: 1,867,576) equity shares bought back	<u>(91,364)</u>	<u>(350,312)</u>
	1,827,331	1,918,695
General reserve		
– Balance brought forward	987,195	211,122
– Creation of deferred tax assets	–	234,932
– Transfer from profit and loss account	<u>683,336</u>	<u>541,141</u>
	1,670,531	987,195
Profit and loss account		
– Balance brought forward	500,023	405,978
– Transfer from profit and loss account	<u>36,869</u>	<u>94,045</u>
	536,892	500,023
	<u>4,035,451</u>	<u>3,406,610</u>
4 Minority interest in equity		
Siemens Information Systems Ltd		
1,715,000 Equity shares (2001: 1,715,000) held by minority interest (25.16% holding, 2001: 25.16% holding)	<u>17,150</u>	<u>17,150</u>
5 Minority interest in non-equity		
Siemens Information Systems Ltd		
Balance brought forward	159,846	107,986
Share of profit for the year	101,730	90,448
Less: Dividend paid	<u>(60,025)</u>	<u>(38,588)</u>
	201,551	159,846
6 Secured loans		
From Banks		
– Short-term	<u>32,060</u>	<u>2,678</u>
	32,060	2,678

The Company 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.

Siemens Group
Notes to Consolidated Financial Statements (*continued*)
for the year ended 30 September 2002
(Currency: Indian rupees thousands)

	<u>2002</u>	<u>2001</u>
7 Unsecured loans		
Long term		
- sales tax deferral	<u>31,919</u>	<u>32,835</u>
	<u>31,919</u>	<u>32,835</u>
The loan under the sales tax deferral scheme is payable till 2011		
- Amounts payable within one year	<u>916</u>	<u>916</u>

8 Fixed assets

	Land	Buildings	Plant and Machinery	Furniture, Fittings & Office Equipment	Vehicles	Equipment given on lease	Total	Previous year
Gross block								
At 1 October 2001	130,779	1,668,254	2,607,091	901,970	55,462	755,089	6,118,645	6,095,179
Additions	-	1,043	128,583	35,205	14,928	-	179,759	211,778
Disposals	-	(24,903)	(79,463)	(12,051)	(3,793)	-	(120,210)	(188,312)
At 30 September 2002	<u>130,779</u>	<u>1,644,394</u>	<u>2,656,211</u>	<u>925,124</u>	<u>66,597</u>	<u>755,089</u>	<u>6,178,194</u>	6,118,645
Accumulated depreciation								
At 1 October 2001	19,451	283,381	1,978,276	786,074	27,527	649,260	3,743,969	3,443,339
Charge for the year	2,655	46,894	217,664	62,000	12,721	78,360	420,294	465,628
Disposals	-	(6,505)	(83,372)	(10,705)	(2,014)	-	(102,596)	(164,998)
At 30 September 2002	<u>22,106</u>	<u>323,770</u>	<u>2,112,568</u>	<u>837,369</u>	<u>38,234</u>	<u>727,620</u>	<u>4,061,667</u>	3,743,969
Net block								
At 30 September 2002	<u>108,673</u>	<u>1,320,624</u>	<u>543,643</u>	<u>87,755</u>	<u>28,363</u>	<u>27,469</u>	<u>2,116,527</u>	2,374,676
At 30 September 2001	<u>111,328</u>	<u>1,384,873</u>	<u>628,815</u>	<u>115,896</u>	<u>27,935</u>	<u>105,829</u>	<u>2,374,676</u>	

Included in the gross block of land and buildings at 30 September 2002 is freehold land of Rs 20,150,321 (2001: Rs 20,150,321) and building includes Rs 179,890,978 (2001: Rs 191,118,568) representing 1,297 (2001: 1,772) shares of Rs 50 each in various co-operative housing societies.

Depreciation has been disclosed as follows:

- Depreciation of Rs 78,360,000 (2001:Rs 60,977,000) on equipment given on lease is reduced from lease income at note 19 to the financial statements;
- The balance depreciation of Rs 341,933,000 (2001: Rs 384,650,000) has been separately disclosed in the profit and loss account
- Accelerated depreciation charge of Rs 20,000,618 in 2001 is included under restructuring charge.

	<u>2002</u>	<u>2001</u>
9 Investments (long term, unquoted)		
Non-Trade		
In government securities		
National Savings Certificates	5	5
In Housing Development Finance Corporation Ltd Bonds		
– Series I to IV 13 %	7,000	7,000
– Series I to IV 14.5 %	12,000	12,000
Trade		
Shares in other companies		
Nil (2001: 3,125,000) equity shares of Rs 10 each fully paid-up in Siemens Public Communication Networks Private Ltd. (Nil holding; 2001: 20% holding)	–	205,301
Share of accumulated profit	–	–
	<u>–</u>	<u>205,301</u>
8,320,000 (2001: 8,320,000) equity shares of Rs 10 each fully paid up in Siemens Metering Ltd. (formerly “VXL Landis & Gyr Ltd.”) (26% holding; 2001: 26% holding)	96,909	96,909
Unamortised goodwill	129,216	129,216
Goodwill amortised	(53,840)	(27,997)
	<u>75,376</u>	<u>101,219</u>
Share of profit	31,938	20,683
	<u>204,223</u>	<u>218,811</u>
Debentures		
740,040 (2001: 740,040) 18% non-convertible debentures of Rs 100 each in Mid-East Integrated Steel Ltd	74,004	74,004
Provision for diminution in value	(74,004)	(74,004)
	–	–
	<u>223,228</u>	<u>443,117</u>
	<u><u>223,228</u></u>	<u><u>443,117</u></u>
<p>In line with the sale of the worldwide metering business of Siemens AG, the Board of Directors of the Company has by a circular resolution dated 17 September 2002 resolved to sell the 26% stake in Siemens Metering Limited for a consideration of Rs 250,000,000. The Company is currently in the process of obtaining necessary regulatory approvals for the sale and the resultant gain will be recognised when the sale is effected.</p>		
10 Inventories		
Raw materials	241,256	199,916
Work-in-progress		
– factory related	126,044	141,189
– project related	273,998	213,159
Finished goods	216,377	271,323
	<u>857,675</u>	<u>825,587</u>
	<u><u>857,675</u></u>	<u><u>825,587</u></u>

Siemens Group
Notes to Consolidated Financial Statements (*continued*)
for the year ended 30 September 2002
(Currency: Indian rupees thousands)

	<u>2002</u>	<u>2001</u>
11 Sundry debtors		
<i>(unsecured)</i>		
Debts outstanding		
– Over six months	1,176,951	1,158,095
– Other debts	3,110,435	2,861,233
	<u>4,287,386</u>	<u>4,019,328</u>
– Considered good	3,952,299	3,687,469
– Considered doubtful	335,088	331,859
	<u>4,287,387</u>	<u>4,019,328</u>
Provision for doubtful debts	(335,088)	(331,859)
	<u>3,952,299</u>	<u>3,687,469</u>
Sundry debtors are unsecured and include:		
– Amounts receivable in installments beyond one year		
– Retentions on project related work-in-progress	87,161	82,633
	<u>728,120</u>	<u>515,085</u>
Included in debtors are debts due from companies under the same management as defined under section 370(1B) of Companies Act, 1956 :		
– Siemens Public Communication Networks Pvt. Ltd.	29,877	6,454
– Siemens Shared Services India Pvt. Ltd.	364	427
– Siemens VDO Automotive Ltd.	7	110
– Siemens Metering Ltd.	85	904
– Siemens Hearing Instruments Pvt. Ltd.	–	500
– Siemens Building Technologies Ltd.	4,592	2,275
– Siemens Power Engineering Pvt. Ltd.	2,390	2,571
– Powerplant Performance Improvement Ltd.	23,996	33,813
– Siemens Nixdorf Information Systems Pvt. Ltd.	5	4,539
12 Cash and bank balances		
Cash in hand	26,883	21,405
Cheques in hand	286,624	240,022
Balances with scheduled banks		
– on current account	1,449,082	580,243
– on deposit account	819,496	224,143
Balances with other banks	3,600	388
	<u>2,585,685</u>	<u>1,066,201</u>
Bank balances with other banks in current account comprise:		
– Citibank, Colombo	491	(167)
– The Hongkong & Shanghai Banking Corporation Ltd, Bangkok and Kuala Lumpur	–	339
– Myanmar Economic Bank, Burma	56	55
– Standard Chartered Bank, Nepal	–	51
– State Bank of India, Dhaka	32	32
– Standard Chartered Bank, Dhaka	3,021	78
	<u>3,600</u>	<u>388</u>
Maximum amount outstanding at any time during the year:		
– Citibank, Colombo	5,360	9,590
– The Hongkong & Shanghai Banking Corporation Ltd, Bangkok and Kuala Lumpur	339	510
– Myanmar Economic Bank, Burma	56	55
– Standard Chartered Bank, Nepal	51	51
– State Bank of India, Dhaka	32	32
– Standard Chartered Bank, Dhaka	3,962	3,619

	<u>2002</u>	<u>2001</u>
13 Loans and advances (unsecured)		
Advances recoverable in cash or in kind or for value to be received		
– Considered good	853,266	891,062
– Considered doubtful	108,156	132,796
	961,422	1,023,858
Provision for doubtful advances	(108,156)	(132,796)
	853,266	891,062
Lease equalisation account	10,878	51,257
Advance payments of income tax, less provision	188,826	223,104
Balances with customs, port trusts and excise authorities on current account	16,368	17,198
Inter corporate deposits	1,065,000	960,000
Interest accrued on inter corporate deposits	3,729	4,137
Bills of exchange	–	932
	2,138,067	2,147,690
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 6,426,319; 2001:Rs 9,293,427)	4,926	6,426
(b) Amounts due from an officer of the Company (maximum amount outstanding during the year Rs 73,803 ; 2001: Rs 96,127)	44	74
(c) Inter–corporate deposits given to companies under the same management as defined under section 370(1B) of Companies Act, 1956 :		
– Osram India Ltd.	750,000	350,000
– VDO India Ltd.	135,000	110,000
– Siemens Metering Ltd	180,000	500,000
	1,065,000	960,000
14 Current liabilities		
Sundry creditors	5,710,076	4,695,916
Advances from customers	1,281,565	1,523,614
Unclaimed dividends	3,953	2,388
Billings in excess of revenue earned	6,372	16,185
Interim dividend	–	5,561
	7,001,966	6,243,664
Sundry Creditors include:		
– Amounts due to small–scale industries	34,686	7,874
Names of the small scale industrial undertakings to whom the Company owes any sum outstanding for more than thirty days:		
– D Square	– Budhale and Budhale	
– Precision Spring	– Shiv Shakti	
– Chhapira	– Dalal Plastics	
– Indo Industries	– Rajesh Industries	
– Reliable Moulders	– Ujwal Industries	
– Refair Industries	– D.P.Industries	
– Om Engineering	– Aarti Industries	
– V Mark Automation	– Precision Engineering & Equipment	
Advances from customers include progress payments and advances received on project related work	518,400	1,115,106

Siemens Group
Notes to Consolidated Financial Statements (*continued*)
for the year ended 30 September 2002
(Currency: Indian rupees thousands)

	<u>2002</u>	<u>2001</u>
15 Provisions		
Pension	183,866	159,700
Restructuring	11,325	212,643
Proposed dividend	82,846	132,554
Tax on proposed dividend	–	13,520
Leave Wages	56,521	46,369
Medical Benefits	23,945	18,733
Others	74,064	40,667
	<u>432,567</u>	<u>624,186</u>
16 Deferred tax assets		
Arising on account of timing differences in:		
– Provision for doubtful debts	119,427	163,702
– Other provisions (including provision for doubtful advances, restructuring provisions and other amounts allowable on a payment basis under the Income Tax Act, 1961)	203,753	191,512
	<u>323,180</u>	<u>355,214</u>
17 Deferred tax liability		
Arising on account of timing differences in:		
– Depreciation	161,152	123,243
	<u>161,152</u>	<u>123,243</u>
18 Interest income, net		
Interest income	157,821	226,717
Interest expense	(21,787)	(19,801)
	<u>136,034</u>	<u>206,916</u>
19 Other operating income		
Lease rentals	133,161	105,963
Lease equalisation charge	(40,379)	(16,437)
Discounting costs	–	(20,577)
Depreciation	(78,360)	(60,977)
Lease income, net	14,422	7,972
Export incentives	20,929	22,375
Profit on sale of fixed assets (net)	43,963	45,181
Recoveries from subsidiary co., associates and third parties for common services	100,529	152,578
Compensation on vacation of property (see note below)	28,083	–
Sales tax set off	57,393	53,990
	<u>265,319</u>	<u>282,096</u>

During the year Siemens Public Communication Networks Private Limited vacated certain premises taken on lease from the Company. The Company believes that it is entitled to receive compensation for the vacation of the premises and is currently negotiating this amount. The amount of compensation recognised in the profit and loss account represents in managements view the minimum compensation due. The balance compensation, if any, will be recognised on conclusion of the negotiation.

	<u>2002</u>	<u>2001</u>
20 Other income		
Income from non-trade investments	1,293	2,666
Sundries	40,224	54,992
	<u>41,517</u>	<u>57,658</u>
21 Personnel costs		
Salaries, wages and bonus	1,834,645	1,845,330
Contributions to provident and other funds	174,992	185,598
Pension costs	24,166	18,747
Workmen and staff welfare	220,066	193,838
	<u>2,253,869</u>	<u>2,243,513</u>
22 Other costs		
Travel and conveyance	401,821	386,065
External software services and data processing	287,324	301,621
Communications	224,029	231,117
Power and fuel	141,568	147,065
Rates and taxes	127,848	102,341
Repairs and maintenance		
– on building	74,237	115,398
– on machinery	30,024	40,264
– other	48,922	47,439
Rent	65,110	63,088
Advertising and publicity	63,066	87,309
Packing and forwarding	58,161	57,987
Legal and professional	86,101	119,412
Loss on sale of investment	6,007	33,967
Exchange loss (net)	20,811	8,487
Office supplies, printing and stationery	36,491	40,042
Software consumables	26,957	34,051
Insurance	40,540	28,970
Spares and stores	20,974	24,442
Directors commission	3,100	11,458
Share buy back expenses	1,930	5,095
Directors' fees	245	260
Write back of doubtful debts and advances, net of provision	(4,286)	(100,182)
Research and development expenditure	27,755	12,497
Lease rentals	38,336	39,545
Bank guarantee commission/ bank charges	26,627	38,199
Bad debts	50,418	26,567
Miscellaneous	201,154	194,779
	<u>2,105,270</u>	<u>2,097,283</u>

Siemens Group
Notes to Consolidated Financial Statements (*continued*)
for the year ended 30 September 2002
(Currency: Indian rupees thousands)

	<u>2002</u>	<u>2001</u>
23 Commitments and Contingent liabilities		
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	25,112	23,651
Future lease commitments in respect of operating leases		
– within one year	122,116	122,773
– later than one year and not later than five years	13,779	135,895
Export commitments	340,432	98,397
Bills discounted	209,176	318,517
Taxation matters (excluding interest)		
– In respect of certain completed assessments where matters are under appeal by the Company	187,825	187,825
– 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	176,754	154,047
Corporate and other guarantees	87,032	169,405
Claims against the Company not acknowledged as debts	<u>190,444</u>	<u>204,376</u>
24 Supplementary statutory information		
Profit and Loss account		
(i) Managerial remuneration		
Personnel and other costs include managerial remuneration for directors as set out below:		
– Salary	8,640	8,445
– Perquisites	8,774	6,411
– Commission	5,800	11,458
– Performance linked incentive	5,750	—
– Contribution to provident fund	713	768
– Contribution to superannuation fund	891	794
	<u>30,568</u>	<u>27,876</u>
(ii) Auditors' Remuneration		
– Audit fee	5,250	4,400
– Tax audit fee	1,600	1,925
– Other services	769	1,679
– Reimbursement of expenses	306	206
	<u>7,925</u>	<u>8,210</u>
(iii) Earnings and expenditure in foreign exchange:		
(a) Earnings in foreign currency		
– Export of goods/software		
Direct on FOB basis	505,346	450,466
Under IDA/IBRD/ADB credit	13,781	84,583
– Commission	168,180	197,834
– Sales and services	2,127,979	1,775,300
– Service charges and others	117,207	167,802

	2002	2001
(b) Expenditure in foreign exchange:		
– Travelling	162,532	139,701
– Expenditure on contracts at foreign sites	35,536	71,370
– Expenditure on projects	305,236	122,728
– Commission	7,884	4,955
– Service charges	81,319	44,722
– License fees/royalty (net of tax)	15,824	33,335
– Consultancy fees	35,474	35,552
– Other	71,672	56,069
(c) Value of imports calculated on CIF basis:		
– Raw material	636,361	551,859
– Components and spare parts	2,722,904	2,602,511
– Capital goods	49,997	40,027

25 Prior year comparatives

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

26 Related Party transactions

26.1 Parties where control exists

Siemens AG Holding Company (holds 54.63% of the equity share capital as at 30 September 2002)

26.2 Other related parties with whom transactions have taken place during the year

Fellow subsidiaries

Siemens Industrial Building Consultants GmbH
Oxford Magnet Technology Ltd.
Eviop-Tempo A.E. Electrical Equipment Manufacturers
Siemens Ltd.-Johannesburg
Siemens Israel Ltd.
Siemens Vacuum Interrupters (Wuxi) Ltd.
Siemens VDO Automotive Ltd.
Siemens Ltd.-Bangkok
Siemens Sanayi ve Ticaret A.S.
Siemens S.A.-Madrid
SYKATEC Systeme, Komponenten,
Anwendungstechnologie GmbH & Co. KG
Siemens Shared Services LLC
Siemens Milltronics Process Instruments, Inc.
Siemens Dematic AG
Siemens Metering Ltd.-India
Siemens Hearing Instruments Pvt. Ltd.
Siemens Power Engineering Pvt. Ltd.
Siemens Building Technologies Pvt. Ltd.
Siemens Industrial Services Ltd.
Acuson Corp.
SFS GmbH/PEF
Siemens S.A.-Brüssel
Siemens A/S
Siemens plc
Siemens S.p.A.
Siemens Power Generation Ltd.
Siemens Aktiengesellschaft Österreich
Siemens S.A.-Lissabon

Siemens Group
 Consolidated Notes to Financial Statements (*continued*)
 for the year ended 30 September 2002
 (Currency: Indian rupee thousands)

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

Fellow Subsidiaries

Siemens d.o.o.
 Siemens–Elema AB
 Siemens, Inc.
 Siemens Business Services Pte. Ltd.
 SCSL Ltd.
 Siemens S.A.–Buenos Aires
 Siemens Electrical Apparatus Ltd.
 Siemens Canada Ltd.
 Siemens VDO Automotive, Inc.
 Siemens S.A. de C.V.
 Siemens Energy & Automation, Inc.
 Siemens Medical Solutions USA, Inc.
 Siemens Information and Communication Networks, Inc.
 Siemens Bangladesh Ltd.
 Siemens Ltd.–Hongkong
 OSRAM India Pvt. Ltd.
 Siemens Public Communication Networks Pvt. Ltd.
 P.T. Siemens Indonesia
 Electrical Services and Products (Singapore) Pte. Ltd.
 Siemens Malaysia Sdn. Bhd.
 Siemens Ltd.–Australia
 Siemens Pte. Ltd.–Singapore
 SBS Geschäftsgebiet Siemens IT Service
 Siemens Nixdorf Information Systems Ltd.
 Siemens Shared Services Pvt. Ltd.
 Siemens Automotive s.r.o
 SBS Siemens Group and service
 Siemens atea
 Siemens A.s Ballerup DK
 Siemens S.p.A., Mailand – Italy
 Siemens Lagos – Nigeria
 Siemens Medical Systems, USA
 Siemens Communication Ltd.
 Siemens – Asahi Medical Technology
 Siemens Showa Solar
 Siemens Elect Engg SDN. Bh.
 Siemens Medical Systems Ltd.
 Siemens Advanced Engineering
 Sicad Geomatics, Germany
 Siemens Business Services Ic., US
 Infineon India
 National & German Electrical Co., Kuwait
 Siemens Damatic Corp., US
 Siemens Finland
 Siemens SAS, St. Denis
 Siemens business services S.A., Belgium
 Siemens Informatica, Italy
 Siemens Nederland N.V.
 Siemens SA, Portugal
 Siemens Ltd., South Africa
 Siemens Telecommunications, Pty RSA
 SICP, USA
 Siemens KK, Japan

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

Fellow Subsidiaries	Siemens Transportation Systems Ltd., USA SBS, Great Britain Siemens VDO Automotive AG, Germany SBS, South Africa SBS, Germany Siemens Ltd., China SBS, Singapore Siemens IT Services, Malaysia SBS, Brussels Siemens Corporation, US
Associates	Siemens LLC Powerplant Performance Improvement Ltd. Siemens Automotive s.r.o, Michalovce

26.3 Directors of Siemens Group

Whole Time Directors	Mr J Schubert Mr H Gelis Mr A B Nadkarni Mr Harminder Singh Mr O P Narula Mr A S Vishwanathan Mr A R Laud
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Details of remuneration to directors are disclosed at note 24(i) to the financial statements.

Details of Housing loan to directors are disclosed at note 13(a) to the financial statements.

	2002	2001
26.4 Sales to and recoveries from related parties		
Holding company	2,042,061	1,224,224
Fellow subsidiaries	1,575,435	1,636,318
Associates	76,305	1,770
26.5 Purchases / other services from related parties		
Holding company	2,237,614	2,808,499
Fellow subsidiaries	880,159	520,736
Associates	—	—
26.6 Interest income from related parties		
Holding company	—	—
Fellow subsidiaries	79,225	32,605
Associates	—	—
26.7 Interest paid to related parties		
Holding company	—	—
Fellow subsidiaries	3,161	—
Associates	—	—
26.8 Sale of investments to related parties		
Holding company	—	—
Fellow subsidiaries	209,375	134,200
Associates	—	—

Siemens Group
Notes to Consolidated Financial Statements (*continued*)
for the year ended 30 September 2002
(Currency: Indian rupees thousands)

	2002	2001
26.9 Dividend paid to related parties		
Holding company	126,722	114,124
Fellow subsidiaries	60,025	41,675
Associates	—	—
26.10 Dividend received from related parties		
Holding company	—	—
Fellow subsidiaries	10,400	45,013
Associates	—	—
26.11 Outstanding balances		
Debtors		
Holding company	111,782	231,507
Fellow subsidiaries	367,768	319,131
Associates	23,977	—
Creditors		
Holding company	786,878	666,957
Fellow subsidiaries	78,521	111,715
Associates	—	—
Inter Corporate Deposits given		
Holding company	—	—
Fellow subsidiaries	1,065,000	960,000
Associates	—	—

27 (i) Information about business segments

	Revenue			Results	Assets	Liabilities	Capital Expenditure	Non cash expenditure	
	External sales	Inter-segment sales	Total					Depreciation	Others
Information technology services	2,536,780	—	2,536,780	584,434	1,483,625	595,282	63,031	104,126	
Information & communications	646,891	157	647,048	72,743	274,964	123,092	2,478	80,924	40,379
Automation & drives	3,423,372	483,098	3,906,470	116,309	1,461,946	1,172,073	56,737	61,806	
Industrial solutions & services	1,256,213	129,845	1,386,058	123,859	418,944	612,686	2,199	4,598	
Power	3,833,559	180,073	4,013,632	121,945	1,562,493	2,178,331	11,999	20,426	
Transport	843,265	—	843,265	141,228	112,430	430,546	427	1,109	
Healthcare & other services	2,548,586	—	2,548,586	97,600	1,124,838	632,098	18,566	18,782	
Real estate	188,943	—	188,943	109,989	1,642,563	72,323	21,548	103,015	
Eliminations	—	(793,173)	(793,173)	—	—	—	—	—	
Total	15,277,609	—	15,277,609	1,368,107	8,081,803	5,816,431	176,985	394,786	40,379
Interest expenses				(21,787)					
Interest income, net				157,821					
Share of profit from associate companies				31,741					
Unallocable corporate items				(30,840)	4,163,397	1,843,233	2,776	25,508	—
Profit before tax				1,505,042					
Minority interest				(101,730)		218,701			
Income tax				(417,000)					
Deferred tax				(69,943)					
Consolidated total	15,277,609	—	15,277,609	916,369	12,245,200	7,878,365	179,761	420,294	40,379

(ii) Secondary segment information

	Revenues	Assets	Capital expenditure
Domestic	11,949,369	12,245,200	179,761
Export	3,328,240	–	–
Total	15,277,609	12,245,200	179,761

(iii) Other disclosures :

- Inter-segment prices are normally negotiated amongst the segments with reference to the costs, market prices and business risks
- All profits/losses on inter segment transfers are eliminated at company 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 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 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:-**
 - o Convergence communications solutions for enterprises, communications, video conferencing, and call centers, networking, mobility, teleworking, multimedia CRM.;
 - o Mobile phones:- Provide mobile handsets and accessories distribution and electrical installation technology.
- **Automation & drives :-** Provide the complete range of automation products & systems, from large and standard drives and motors, special purpose motors, process and motion control systems, industrial automation systems to low-voltage controls and distribution and electrical installation technology.
- **Industrial & solutions services:-** Undertakes turnkey projects in the industrial and infrastructure sectors over the entire life cycle including concept, engineering, procurement, supplies, installation, commissioning and after sales services.
- **Power:-** Provides automation solutions for a wide range of applications in power plants, focusing on a complete range of medium and high voltage switchgears, medium voltage switchboards, protection and control systems for sub-stations, power system control and energy management systems and meters.
- **Transport:-** Provides solutions for rail automation, railway electrification, light and heavy rail, locomotives, trains, turnkey projects and integrated services.
- **Healthcare & other services:-** Provides diagnostic, therapeutic and life-saving products in computer tomography (CT), magnetic resonance imaging (MRI), ultrasonography, nuclear medicine, digital angiography, patient monitoring systems, ventilators, digital radiography systems, radiology networking systems, lithotripsy and linear accelerators.
- **Real estate:-** Provides comprehensive real estate management.

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

Siemens Group
Consolidated Cash Flow Statement
for the year ended 30 September 2002
(Currency: Indian rupees thousands)

	2002	2001
Cash flow from operating activities		
Profit before tax after minority interest	1,403,312	1,036,290
Adjustments for:		
Interest expense	21,787	19,801
Depreciation	420,494	445,627
Restructuring charge/ (write back), net	(108,940)	113,369
Profit on sale of fixed assets, net	(43,963)	(45,181)
Share of profit in associate companies	(21,341)	(80,885)
Loss on sale of investments	6,007	33,967
Amortisation of goodwill	25,843	25,843
Unrealised exchange gain/(loss), net	80,224	(18,002)
Interest accrued	(159,114)	(229,383)
Lease equalisation charge	40,379	16,438
Lease discounting costs	-	20,577
Operating profit before working capital changes	1,664,488	1,338,461
(Increase)/decrease in working capital:		
Inventories	(32,088)	74,879
Trade payables and provisions	777,833	(454,670)
Trade and other receivables	(253,665)	32,288
	492,080	(347,503)
Cash generated from operations	2,156,568	990,958
Payments for restructuring costs	(92,377)	(57,475)
Direct taxes (paid) / refund	(382,722)	(350,623)
Net cash inflow from operating activities	1,681,469	582,860
Cash flow from investing activities:		
Purchase of fixed assets	(181,774)	(215,549)
Sale/(purchase) of investments	209,380	143,536
Interest received	159,522	225,246
Proceeds from sale of fixed assets	61,577	68,495
Inter corporate deposits given	(105,000)	(960,000)
(Decrease)/increase in minority interest	41,705	51,861
Net cash used in investing activities	185,410	(686,411)
Interest paid	(21,787)	(40,378)
Decrease in long term borrowings	(916)	(218,924)
Dividend paid	(230,404)	(221,929)
Dividend tax paid	(27,423)	(67,566)
Decrease in short term borrowings	29,382	(209,730)
Payment for buy back of shares	(96,246)	(368,989)
Net cash used in financing activities	(347,394)	(1,127,516)
Net increase/ (decrease) in cash and cash equivalents	1,519,485	(1,231,067)
Cash and cash equivalents at end of the year	2,585,686	1,066,201
Cash and cash equivalents at beginning of the year	1,066,201	2,297,268
	1,519,485	(1,231,067)

For Siemens Group

J. Schubert
H. Gelis

Managing Director — Siemens Ltd.
Executive Director — Siemens Ltd.

Mumbai
22 November 2002

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Nashik Works

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