



Annual Report 2006
India

Growth^{next level}

www.siemens.co.in

SIEMENS

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To set the benchmark by being the 'Best in Class' in our fields and 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.

Our Business Philosophy

Financial Highlights - Siemens Limited

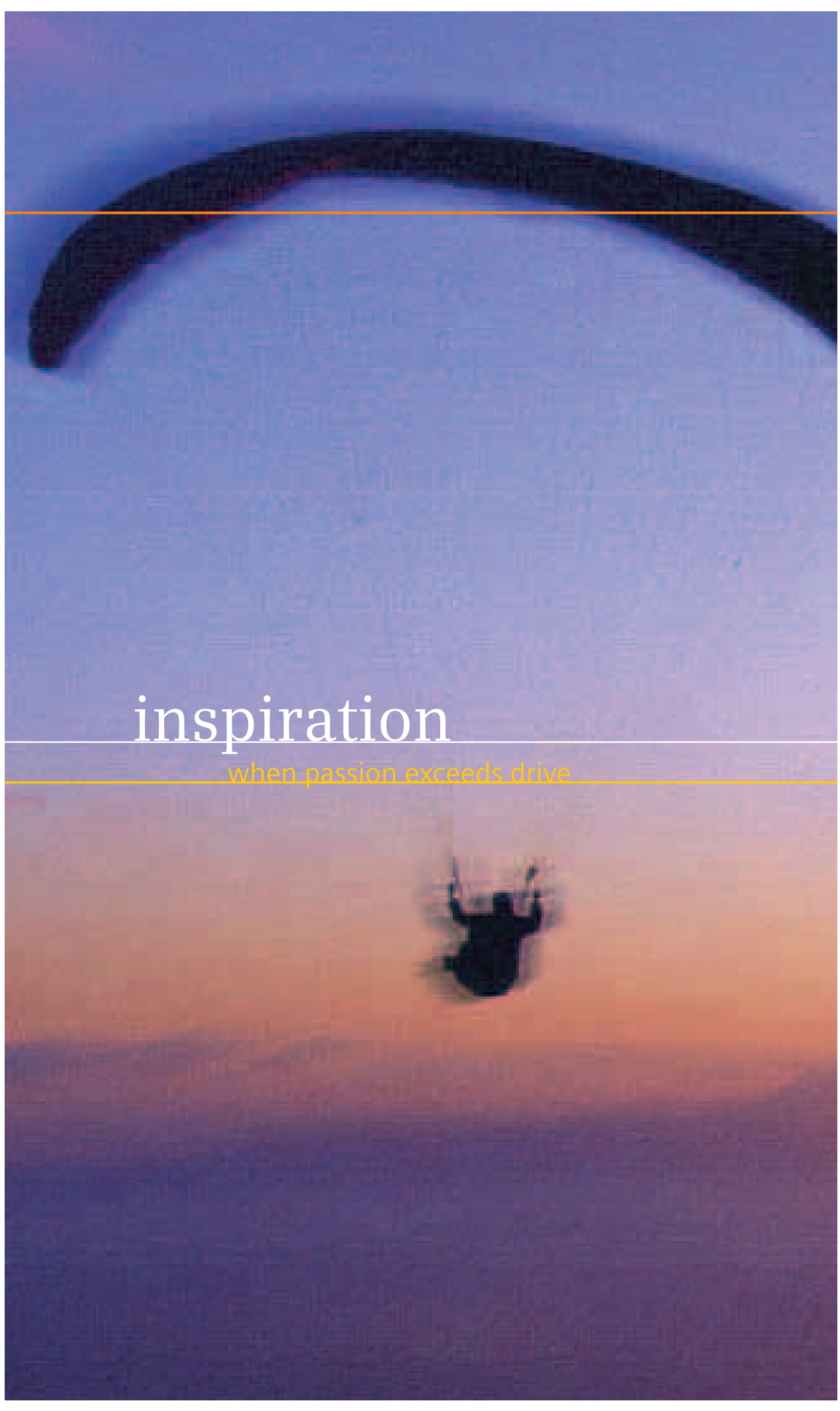
	2005-06	2004-05	2003-04
• Orders received	82025	41233	30142
• Sales	45103	27485	17900
• Profit before tax	5055	3631	2299
• As % of sales	11%	13%	13%
• Profit after tax	3601	2548	1514
As % of sales	8%	9%	8%
* Net worth per share	64.48	47.12	182.92
* Earning per share*	21.36	15.17	45.68
• Dividend*	641	481	298
Dividend %	190%	145%	90%
• Debt / equity ratio	-	-	-
• Investment in fixed assets	843	277	314
• No. of employees	5971	4777	4094
• No. of shareholders	79118	31315	31842

• Rupees in millions

* Rupees

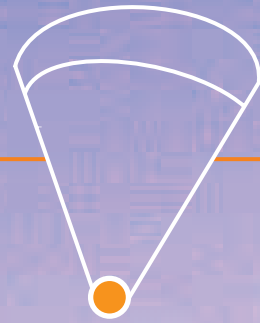
** For 18 months

2002-03	2001-02	2000-01	1999-00	1998-99	1997-98	1996-97**
16754	11547	10836	12071	12740	8383	16846
14245	12905	11572	11157	10506	9959	17514
1968	1304	964	946	381	-466	-1535
14%	10%	8%	9%	4%	-5%	-9%
1394	865	687	840	351	-560	-1556
10%	7%	6%	8%	3%	-6%	-9%
148.18	114.58	95.46	79.89	68.50	63.55	63.72
42.06	26.10	19.49	24.11	12.37	-19.73	-54.79
249	182	133	224	-	-	-
75%	55%	40%	65%	-	-	-
0.01:1	0.02:1	0.01:1	0.15:1	0.52:1	1.3:1	1.99:1
243	117	119	86	317	342	1737
3811	3896	4167	4342	4604	5228	5930
39197	43791	49188	50796	46434	44012	42965



inspiration

when passion exceeds drive



Enhancing value for customers

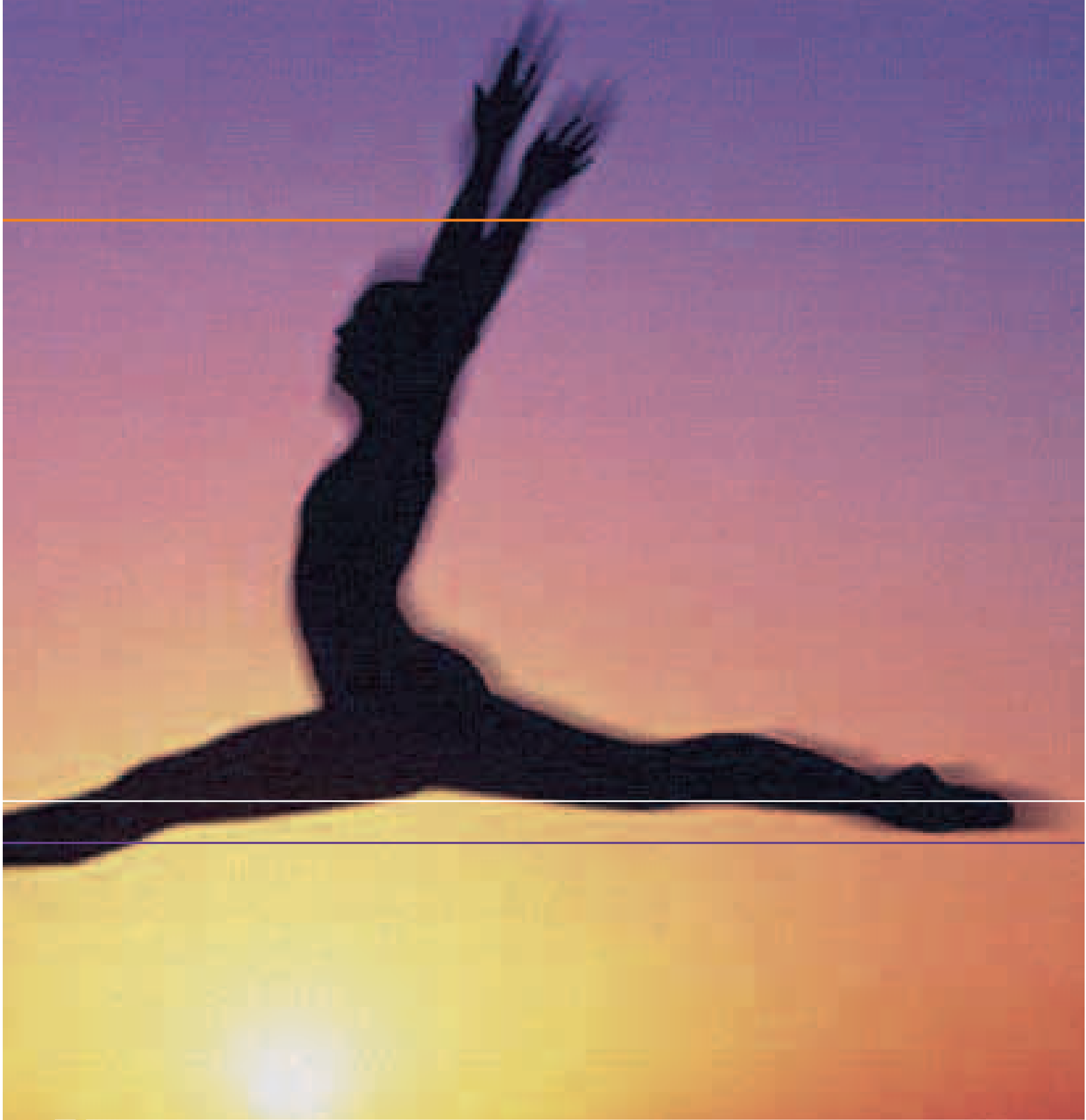
When the 'what more' excites and the 'where else' drives. Going where none has ever gone before to reach unperceived levels. Going beyond fulfilling aspirations. Launching innovations ahead of your dreams. That's the real lifeblood at Siemens. Our business. Our passion.

Setting new benchmarks. And innovating consistently. Building on an encouraging legacy, we are geared to launch into the next level of empowering customers. The only fuel that keeps this passion burning is you - *our customer*.



equilibrium

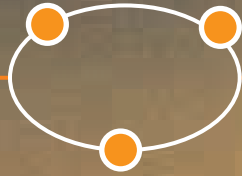
when each graph strikes harmony



Elevating value for stakeholders

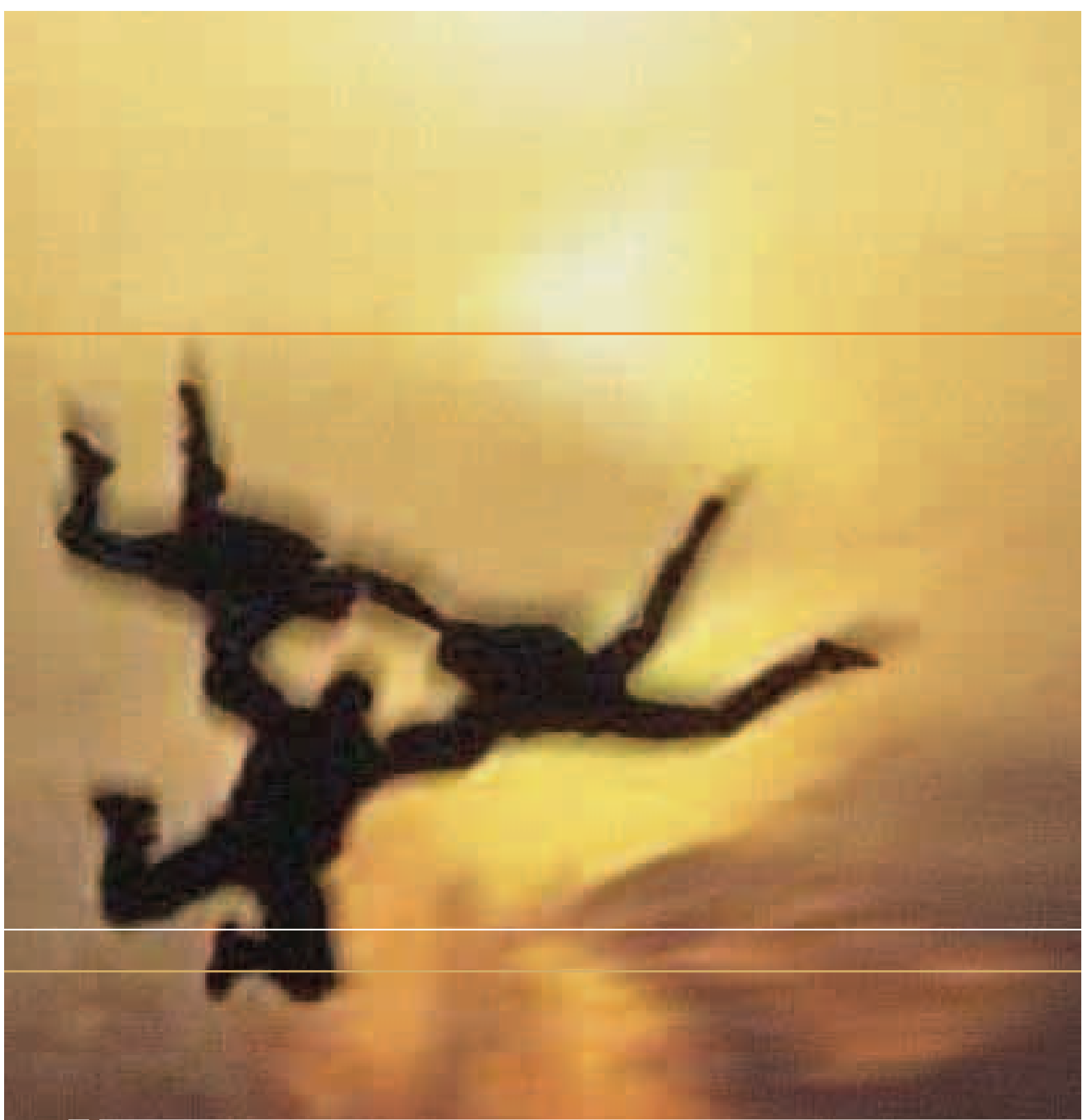
In business you win some and lose some. And if you can ensure more peaks than flats - you're a winner. But for us, we see finance growing on the pillars of balance and equilibrium. Not an addition of leaps. But surging ahead to culminate into a flight. Performance with poise. Profitability with solidity. Siemens is now, optimally placed to maximize opportunities dawning on the global horizon.

As the country launches into a new era of commerce, we will ensure that every figure is the result of optimized performances - across each offering, across every division for you - *our stakeholder*.



exhilaration

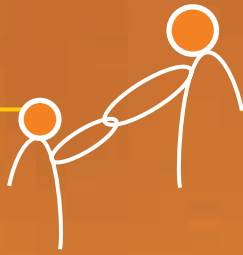
when every single aspect enlivens you



Expanding value to employees

When challenge melts into freedom. And talent blends with mentoring. When failure launches new initiatives. Then what you feel is not a sense of achievement, but absolute exhilaration. Soaring heights. Unimaginable altitudes. Every aspect challenges the laid track. Each element demands deviation. And you're pushed to strike results beyond business projections. Exactly, when the thrill of performance heightens with utmost effect.

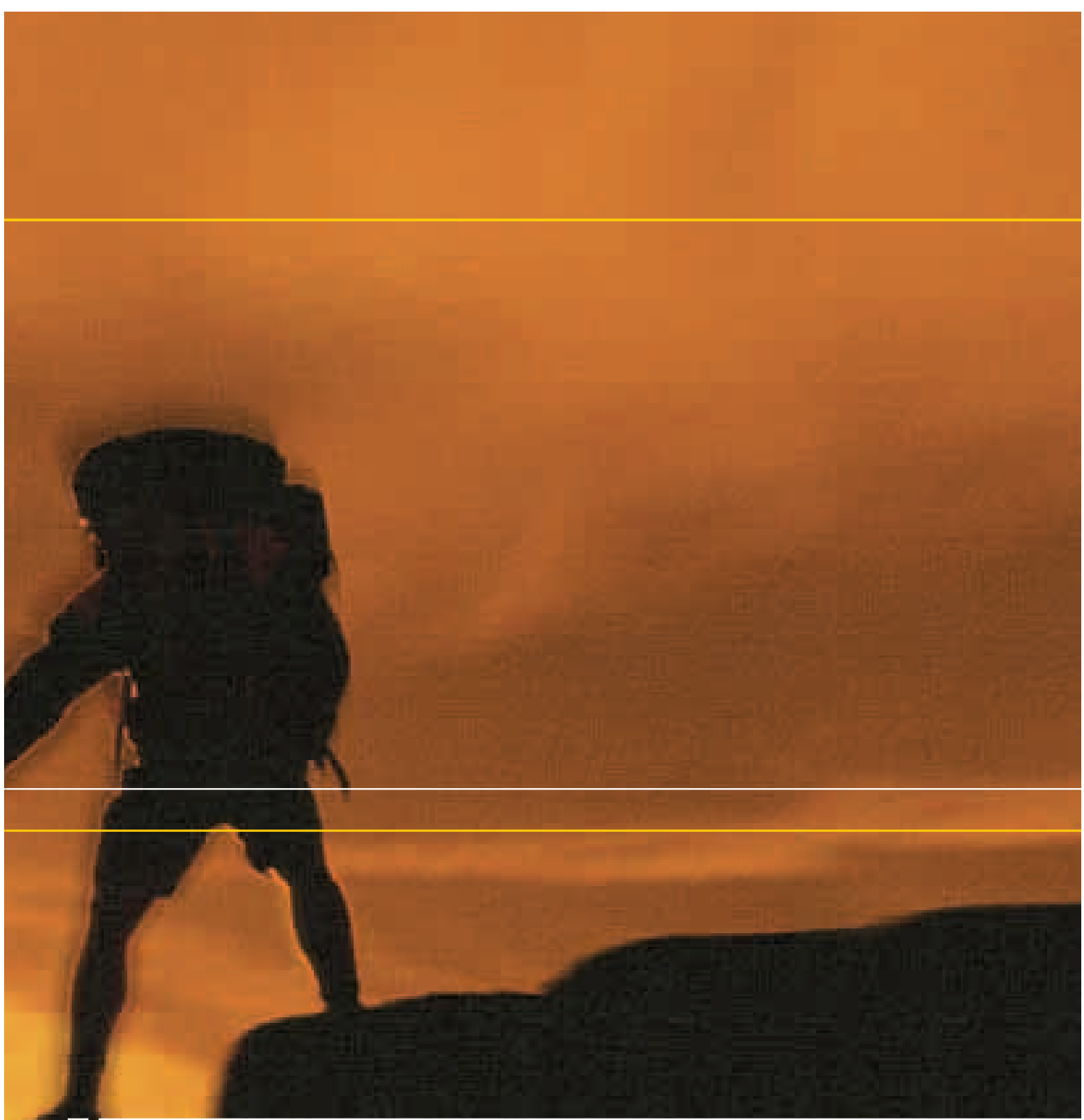
As the business surges ahead to achieve new milestones, we are committed to ensure that the benefits are maximized for those behind every single brick of our business - *our people*.



conviction

when the spirit thrives on values





Fortifying value to society

Not just giving. But bringing alive a destiny. Not just empathizing. But setting up a path. At Siemens, giving back to the society is a basic tenet of our business culture. Building social excellence by gently guiding another to firm ground. Sharing our view. Our peaks. Sharing the light of achievement. Because, sharing enlivens the true essence of achieving.

As we explore new avenues, we are committed to take our sun to as many destinies as possible. After all we are all a part of it - *the society*.

Chairman's Statement



Dear Shareholders,

India, during the last year, has drawn the world's attention as an emerging economy with a promising future. No longer is India seen as a land of snake charmers and mystic holy men, of masses riddled in disease and poverty. It's seen as a knowledge driven economy with a new breed of entrepreneurs and professionals aspiring to take the big leap. No longer is the Indian passport seen with circumspect eyes. It's treated with welcoming warmth. Indeed, India has arrived with a new image in the world order. What better opportune time and place to be in, given that this nation is now at the threshold of economic resurgence.

India has continued on its high growth path clocking in 8% growth in the past 3 years. In the first half of the current fiscal (April to October) GDP grew at 9.1% surpassing all forecasts. Performance across most industries was good and moved in tandem with the charged up economy. India is the cynosure of all eyes with everyone wishing they were in the happy situation we are in, of sustained growth and importantly the future looking equally optimistic. For us at Siemens, amidst celebrating our 50 years of Manufacturing, there was an added reason to rejoice – our emergence as a solid performer delivering value consistently, year after year. It is with a great sense of achievement and pride that I share with you some of my views.

Performance Highlights

At the outset, I would like to share with you a few performance highlights. Making the most of the continued uptrend in the economy, your Company delivered a sterling performance. Significantly, growth was driven across nearly all our businesses, emphasizing the wide span of our competencies.

The Company performed well on all the financial parameters. While, Sales Turnover increased by 64%, and rose to Rs.45,103 million, your company has turned in an impressive operational performance with Profit Before Tax standing at Rs.5,055 million, a healthy rise of 39% over the previous year, whereas Profit After tax increased by 41%. While New Orders grew by an impressive 99% over the last year, the Unexecuted Order Value position as of 30th September 2006 too, grew by 97% and stood at Rs. 75,258 million.

In consideration of the good results, we have recommended a final dividend of 190%. During the previous fiscal, the company had recommended a total dividend of 145%, which included an interim dividend of 45%.

In 2005-06, we recorded substantial growth, primarily driven by an all round, good performance by most of our businesses and some mega orders that propelled our growth forward. Our Power business surged as we had a steady inflow of orders, topped with an order for an 1100 MW Power Plant and other orders from Qatar in Transmission and Distribution. Our broad-based Industry business too had a good year. You may recall, in the earlier fiscal, our Transportation business had received some very large orders, from Mumbai Rail Vikas Corporation and Delhi Metro, to be executed over the next 5 years. We are now seeing our efforts fructified in our top and bottom line. Siemens Information Systems Ltd., our software arm, has been given a greater role to play in the Siemens' global operations with the bundling of the IT businesses worldwide into a new group.

With this now consistent growth, I believe that we have been successful in building a strong foundation on which we can now build a more solid, stronger organization.

While on one hand, there was much to cheer about, there was one aspect that needed a close watch. During the year, there has been an increased pressure on input cost, particularly raw material. With companies on the expansion and growth mode, lucrative salaries are being offered to lure experienced workforce. As a result, we too made a correction to remain an attractive employer. Additionally, since we are on the investment path, preparing ourselves for the future, this is bound to have a

short-term impact on our result. These investments will increase our local value added structure and reduce our dependence on imports therefore increasing our competitiveness for the future. Further, as you know, we have been successful in bagging large infrastructure projects which have a different business and cost cycle compared with our normal product and systems business. This too is an investment for the future.

Growth Drivers for Siemens

There have been a number of reasons for this remarkable performance. The chief factor being the resurgence of the global economy coupled with the continued good showing of the Indian economy. The strong growth in the economy was a key driver for the rise in investments and demand. Though the services sector continued to be the main engine of growth in India, it was heartening to note that the industrial sector also revved up and boosted the economy. The manufacturing sector also recorded one of the best performances thus far. These positive trends created favorable market conditions and conducive business environment.

Another important trend was the upswing in the industry segment which grew at nearly 10% last year. Most of the sectors like cement, steel, automobile, capital goods etc. grew well. Private entrepreneurs and business houses invested substantially for setting up new businesses or for modernization. These developments had a direct effect on our prospects and pushed our industry businesses forward.

Our Response to the Opportunities

Given that the economy and the market environment supported our businesses so well, we had to ensure that we were in the best position to drive home these advantages that the markets offered. In order to be best prepared, we revisited some of our strategies and reoriented them to the new and emerging realities.

For example, we took a closer look at our portfolio and then sought to fill the gaps in them. We did this through a mix of using both - organic growth driven by indigenization and local value addition, as well as inorganic growth through the M&A route to enhance our portfolio. To support our plans, we are setting up three new factories - for traction motors, for transformers and for industrial turbines. More over, we acquired the isolator business from Elpro with a factory at Hyderabad and made an investment in Flender which has a factory at Kharagpur.

Siemens has always identified its customer's as the key to its success and we have constantly increased our thrust on

driving Customer loyalty. Our strategy seems to have paid rich dividends and the year witnessed the unfolding and expanding of our Customer base. While we continued expanding and reaching newer geographical markets, we also focused on specific verticals to bring in new business.

Recent trends have indicated the emergence of certain specialized vertical segments like food and beverages, oil and gas, cement. These are areas attracting high growth and investment and offer new opportunities to us. This is where our strong understanding of specialized verticals and global alignment gives us an edge over competition. We have got some significant wins in each of these emerging sunrise sectors. Another interesting trend that could dictate the course of future businesses is the growing opportunities in the smaller cities and towns. These are not only becoming high consumption and demand hubs, but also investment pullers. With our well established country wide network, we further strengthened our sales and service network to be closer to the customers in the interiors and this brought good results.

Today, India is no longer seen as an unreliable or low-tech producer by the outside world. This fact can be summarized through our own export performance. Our technological capabilities and experience have resulted in Siemens India being recognized as quality manufacturers. Our export business has grown substantially and we have had a number of successes, especially in the Middle East, Africa's, Bangladesh, Sri Lanka and other neighboring countries. The Company has in fact, been recognized as a competence center in many areas and also as a global supply center for certain products.

Our People Strengths

Employees have been a key pillar in our success. We well recognize this aspect which is embedded in our Four Point Program. It is our belief that employees have to be given the right environment for their talents to bloom and they need to be nurtured as one of our most important assets. Our constant endeavor has therefore been to provide them with an enabling atmosphere where they are motivated to deliver their best.

A number of initiatives have been taken by the Company to address our employee's needs. We have several programs aimed at tapping employee potential and developing key talent. Increased transparency right across the organization has been one of the key achievements of our relationship. We believe that our employees must be on the same plane of awareness with regard to information about the organization and events that affect them.

Some initiatives in this direction include a leadership continuity plan. Our dialogue process has proved to be very successful and employees are being given higher responsibility with higher targets for delivery. We have a highly performance driven team with an entrepreneurial spirit. Interestingly, through our suggestion scheme, our employees have contributed directly to the bottom line of our Company. This has come about through tangible and measurable suggestions received from employees that have resulted in savings. We must acknowledge and appreciate our Employees contribution – from the Shop floor to the Boardroom – in making Siemens one of the most financially sound and robust companies in India.

The Robust Economy steams on

The Indian economy is steaming along very nicely in so far as overall economic performance is concerned. In its mid-year review of the monetary policy for the current year announced recently, the RBI has forecast a GDP growth rate in excess of 8%. The current fiscal has begun on a good note and is likely to set the trend for the rest of the year. As I have expressed in the beginning, the economy achieved an impressive rise of over 9% the first half of the current fiscal. Therefore, the economy seems to be well positioned for an encore and repeat the high economic growth rates it has been consistently posting for the past years.

The latest numbers indicate that in August 2006, industrial output grew at a solid 9.7%, boosted by the excellent performance of the manufacturing sector. The Capital goods industry has also been a consistently good performer in this industrial buoyancy; it has been maintaining a double digit growth rate for some years now.

The positive trend looks set to continue in the future too, with investments continuing to drive industry and therefore, the overall economy. India's economy has grown rapidly in recent years on the back of increased consumer spending and this domestic demand is expected to remain high, thereby making our economy less vulnerable to external factors. The demand for both residential and commercial property; as well as Government spending on roads, ports and other infrastructure is expected to further continue, thereby maintaining high growth rates.

A little disappointing is the pace at which infrastructure development by the Government is actually fructifying. At present, we are spending about 4.5% of GDP on infrastructure whereas, for our sustained growth, this should ideally go up to 8%. Here, the private sector has an important role to play to support the initiatives of the

Government. While the blue print is set, we definitely need to see higher participation from private domestic and foreign investments to step in to bridge the gap.

Nevertheless, the economy is projected to repeat its stellar show and breast the tape once again with an over 8% growth rate. This spells good news for all infrastructure companies, including Siemens.

The Road Ahead

In the enabling business environment, we expect to continue with our robust performance, supported strongly by our diverse portfolio, huge manufacturing set up, extensive network of sales and services and committed employees. Given our global strengths, we feel that we need to seek out opportunities and clusters from the maze of multiple growth choices the economy has thrown up. We are approaching this task by taking a multi-pronged approach of mapping our best strengths and the best opportunities available.

This scenario therefore leads us to some interesting possibilities. One of the largest opportunities we believe will come from the emergence of mega cities. These would be concentrated zones of opportunity given the fact that they would require a multitude of solutions right across the spectrum from airports, railways, power plants, distribution networks and communication solutions. Even this list is indicative and the requirements would be substantially wider in their span. This challenging opportunity ties in well with our proven capabilities. Through our global network, we could quite comfortably address these requirements of a Mega City.

Today, we are in the happy situation of being able to be creative in our business strategies. We are now well on the way to setting a strong, stable foundation for future growth. This comes from the realization that business trends, like everything else about life itself, cannot often be completely predicted. Despite the fact that today, though we do not envisage any negatives, we need to be surely prepared and alert for any downturns one might need to encounter later. The foundation we today lay will make us strong and help us tide through any unforeseen eventuality – it is our insurance for the future. The only way we can look at long term business existence and presence.

Conclusion

The year has indeed been a good one for us and I am proud of our performance. The road ahead too looks paved with opportunities and we should be moving forward confidently from strength to strength. However, while we celebrate our past successes and look forward to

a bright future, we need to be aware of certain pitfalls. The fuel prices, though currently moving southwards pose a very real challenge to all of us and not only economists. We need to collectively evaluate the steps that need to be taken and address the attached uncertainties before the issue gets out of hand. This of course, is a more global issue.

Closer home, we need to move beyond the uncertainties attached to rainfall. Though we have come a long way and the economy has shown that it is being slowly de-linked from the fluctuations of nature, steps have to be taken to be impervious to nature's twists, as rural India yet hobbles on.

Looking ahead, managing growth continues to be the biggest challenge for Siemens. Our processes and systems have stood us in good stead over the past years. We are also alive to the fact that these processes need to be revisited and enhanced on a regular basis and upgraded with the passage of time. This is of course done on an ongoing basis. We see our preparedness as a key factor that will determine our ability to handle this high growth. With all the accumulated years of experience, we are confident of moving ahead and making the most of the opportunities the world has to offer.

Despite our sights firmly on the growth path, we have not lost sight of our social commitments. We have been amongst the first to lend a helping hand to the unfortunate. Our long term commitments continue unhindered, be it in providing relief to the victims of Tsunami here and in Sri Lanka or in tendering to the children of St. Catherine's High School, Mumbai.

Mr. J. Schubert, who has completed 10 years in India and Mr. Patrick de Royer, the new Executive Director, are being actively supported by our highly competent top

Management team as well as our Employees across all functions. Together, they have proven once again, that they not only have achieved their goals, but delivered results beyond set targets.

Just at the time of going into print, I have got the unfortunate news of the untimely death of our colleague and whole-time Director, Mr. Harminder Singh. As you may know, Mr. Singh, was in charge of the Power businesses of the Company and played a key role in shaping this business. His knowledge and experience helped us drive growth in this segment, which is today the largest contributor to the Company's revenues. We will miss him in the times ahead and highly commend him for his numerous contributions to the Company.

In 2007, we reach another milestone in India as we commemorate 50 years since incorporation. We are an integral part of the society and take pride in the technological contributions we have made over these years to help India emerge as a modern progressive nation. Your support and trust in us over the years, too has helped us to forge ahead in our endeavors.

I look forward to your continued support for achieving greater heights as we go forward.

Thank you.

Mumbai,
December, 2006

Deepak S. Parekh
Chairman

Board of Directors

Non-executive Directors



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



D. C. Shroff
Director
since
February, 1997.



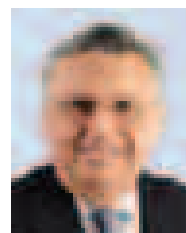
Y. H. Malegam
Director
since
April, 1998.



N. J. Jhaveri
Director
since
November, 2000.



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



K. Dadiseth
Director
since
January, 2006.



Pradip V. Nayak
Director
since
January, 2006.

Committees of Directors under Corporate Governance Code

Audit Committee

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

Investors Grievance Committee

D. C. Shroff (Chairman)
J. Schubert
Pradip V. Nayak
Ashok Jangid (Corporate Secretary)

Remuneration Committee

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

Organisation: Business Segments

Information and Communication

Enterprise Networks & Devices (Com EN&D)	1
P. Gartenberg	1
V. Hariharan	2

Industry

Automation and Drives (A&D)	1
V. V. Paranjape	1
R. M. Gala	2
Industrial Solutions and Services (I&S)	1
N. Sivasubramanian	1
S. Krishnan	2
Building Technologies (SBT)	1
A. Chaturvedi	1
B. M. Misra	2

Power

Power Generation (PG)	3
Harminder Singh	
T. T. Joseph	2
Power Transmission and Distribution (PTD)	3
Harminder Singh	
A. V. Kamath	2

Corporate Resources

Corporate Communications	1	top* Projects	1	Corporate Quality	1	Liasion Office - Colombo, Sri Lanka	1	Corporate Finance	2
Ms. K. Ghatge		R. Dalvi		J. Prabhudesai		S. Rajiv		P. Bhambani	
Corporate Planning	1	Strategic Purchase	1	Corporate Secretariat	1	Siemens One and Key Account Management	1	Accounts & Taxation	2
R. Dalvi		A. S. Shikarwar		Ashok Jangid		S. Banerjee		P. Joglekar	
								Import / Export Admin	2
								P. Sant	

Location In-charge

Head Office	1	Ahmedabad	1	Chennai	2	Cochin	2
S. D. Tare		A. Mehta		G.V.R. Rao		Suraj Kumar	
Kharghar	1	Baroda		Coimbatore	2	Hyderabad	2
V. B. Parulekar		Offices+Works	1	S. Divakar		T. Srikanth	
Pune	1	E. Ferdinand		Bangalore	2	Delhi (Ring Road)	3
C. J. Kaul		Kolkata	1	Rajeev Sharma		M. Vasudeva	
		S. Kar					

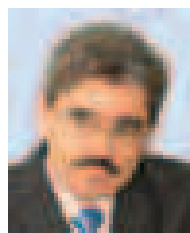
Notes: Bold numbers indicate reporting line to Corporate Management Members
YOJ: Year of Joining Siemens

@ Earlier, he was Alternate Director for Prof. Dr. K. Wucherer from December, 2000 to September, 2006

Executive Director - Designate from 1st February, 2006 and Executive Director from 1st March, 2006

(•) Mr. E. Ruyter and Mr. N. Sharan are employees of Siemens Information Systems Ltd. (SISL)

Whole-time Directors (Corporate Management)



Joe Kaeser
Director
since
October, 2006.



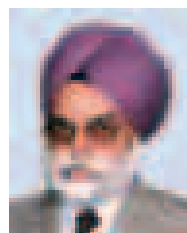
Dr. O. Schmitt®
Alternate Director
for Mr. J. Kaeser
since
October, 2006.



J. Schubert 1
Managing Director
since
October, 1996.
YOJ: 1974



P. de Royer 2
Executive Director
since
February, 2006.#
YOJ: 1978



Harminder Singh 3
Whole-time Director
since
April, 1998.
YOJ: 1980



K. R. Upili 4
Whole-time Director
since
January, 2006.
YOJ: 1964

Committees of Management (Constituted by the Board of Directors)

Share Transfer Committee

J. Schubert (Chairman)
P. de Royer
Ashok Jangid

Finance Committee

P. de Royer (Chairman)
J. Schubert
Ashok Jangid

Delegation of Powers Committee

J. Schubert (Chairman)
P. de Royer
K. R. Upili
Ashok Jangid

Chief Compliance Officer

Ashok Jangid

Transportation

Transportation Systems (TS) 1

V. B. Parulekar 1
M. K. Vig 2

Siemens VDO Automotive (SV)

P. De Jager 1
C d'Gama Rose 2

Medical

Medical Solutions (MED) 1

D. Ragavan 1
K. N. Prabhu 2

Real Estate

Siemens Real Estate (SRE) 2

S. D. Tare 2
N. Lobo 2

Corporate Legal 2
F. N. Katgara

Internal Audit 2
Ms. S. Ray

Corporate Commercial 2
V. D. Kale

Corporate Security 2
S. D. Tare

Employee Welfare Trusts 2
M. Dutt, G. Subramani,
Other Trustees

Corporate Human Resources 4
K. R. Upili

Occupational Safety & Environment 4
J. Rao

Medicare & Occupational Health 4
S. Sivaramakrishnan

Intellectual Property
Ekkehard Ruyter (°)
Chief Information Officer
Nishit Sharan (°)

Gurgaon 3
R. Sachdeva

Chandigarh 3
R. Handa

Lucknow 3
S. Bagchi

Jaipur 3
A. K. Sinha

Kalwa Works 3
G. D'Silva

Nashik Works 3
S. Pate

Aurangabad Works 3
D. S. Kulkarni

Goa Works 3
S. Tellis

Bangalore Works 3
S. Ramakrishna

Manesar Works 3
R. Khosla

Pune Works 3
D. Kachhwa

Profile of Directors (as on 23rd November, 2006)

Non-executive Directors

Mr. Deepak S. Parekh
Chairman

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

Mr. D. C. Shroff
Director

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

Mr. Y. H. Malegam
Director

CA
Date of Birth: 24.09.1933
Date of Appointment: 01.04.1998
ABC Bearings Ltd.
Bharatiya Reserve Bank – Note Mudran Pvt. Ltd.
Cabot (India) Ltd.
Hindustan Construction Co. Ltd.
ICICI One Source Ltd.
National Securities Clearing Corporation Ltd.
National Stock Exchange of India Ltd.
Nicholas Piramal India Ltd.
Tata Coffee Ltd.
Tata Tea Ltd.
The Clearing Corporation of India Ltd.

Prof. Dr. K. Wucherer
Special Director (Nominee of Siemens AG)

Prof. Dr.-Ing., Dr.-Ing.E.h.
Date of Birth: 09.07.1944
Date of Appointment: 01.10.2000

Mr. N. J. Jhaveri
Director

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

Mr. K. Dadiset
Director

B. Com., FCA (England & Wales)
Date of Birth: 20.12.1945
Date of Appointment: 27.01.2006
Britannia Industries Ltd.
ICICI Prudential Life Insurance Company Ltd.
Indian Hotels Company Ltd.
Indian School of Business
Nicholas Piramal India Ltd.
Prudential ICICI Asset Management Trust
Times Global Broadcasting Co. Ltd.

Mr. Pradip V. Nayak
Director

Degree in Economics & Politics
Read Law at Gray's Inn, London
Date of Birth: 06.09.1943
Date of Appointment: 27.01.2006
ABN Amro Trustee (India) Pvt. Ltd.
GlaxoSmithkline Pharmaceuticals Ltd.
Vibrac Animal Health India Pvt. Ltd.

Mr. J. Kaeser
Director

MBA
Date of Birth: 23.06.1957
Date of Appointment: 01.10.2006

Dr. O. Schmitt

Alternate Director for Mr. J. Kaeser from 01.10.2006 (earlier he was Alternate Director for Prof. Dr. K. Wucherer upto 30.09.2006)
Ph. D. in National Economics
Date of Birth: 10.09.1951
Date of Appointment: 15.12.2000

Whole-time Directors

Mr. J. Schubert
Managing Director

Dip. Ing.
Date of Birth: 07.05.1947
Year of Joining: 1974
Date of Appointment: 01.10.1996
Flender Ltd.
Siemens Information Processing Services Pvt. Ltd.
Siemens Information Systems Ltd.
Siemens Public Communication Networks Pvt. Ltd.

Mr. P. de Royer
Executive Director

MBA
Date of Birth: 25.10.1951
Year of Joining: 1978
Date of Appointment: 01.02.2006
Flender Ltd.
Siemens Corporate Finance Pvt. Ltd.
Siemens Information Systems Ltd.
Siemens Public Communication Networks Pvt. Ltd.
Siemens Information Processing Services Pvt. Ltd.

Mr. Harminder Singh
Whole-time Director

B.Sc. Engg. (E)
Date of Birth: 07.10.1948
Year of Joining: 1980
Date of Appointment: 01.04.1998
Siemens Industrial Turbomachinery Services Pvt. Ltd.
Siemens Power Engineering Pvt. Ltd.

Mr. K. R. Upili

Whole-time Director
B.Com., Diploma in Business Management (Finance & Personnel)
Date of Birth: 20.03.1947
Year of Joining: 1964
Date of Appointment: 27.01.2006
Siemens Corporate Finance Pvt. Ltd.

Corporate Secretary

Mr. Ashok Jangid
Corporate Secretary and Chief Compliance Officer

B.Com., FCS, LL.B
Date of Birth: 21.09.1960
Year of Joining: 1982
Date of Appointment: 14.12.1996
Siemens Nixdorf Information Systems Pvt. Ltd.
Torrent Power Services Pvt. Ltd.
Winergy Drive Systems India Pvt. Ltd.
Siemens Hearing Instruments Pvt. Ltd.

Note: The information is given under the following heads:

Name, Position, Qualifications, Date of Birth, Year of Joining Siemens (for Whole-time Directors and Corporate Secretary), Date of Appointment as Director / Corporate Secretary and Other Directorships in India (including Alternate Directorships)

Directors' Report

Dear Members,

The Directors are pleased to present the 49th Annual Report of your Company and the audited Accounts for the year ended on 30th September, 2006.

1. Financial Performance

Rs. in Millions

	2005-06	2004-05	Growth %
Gross Profit before Interest, Depreciation and Restructuring write back	5499.85	3922.16	40.23
Less: Interest	2.98	0.27	
Depreciation	442.12	290.84	
Profit before Tax adjustment	5054.75	3631.05	39.21
Add / Less:			
Tax adjustment	-1493.99	-1034.01	
Deferred Tax adjustment	126.29	-18.28	
Fringe Benefit Tax	-85.98	-31.26	
Net Profit after Tax adjustment	3601.07	2547.50	41.36
Add/less:			
Profit and Loss Account balances on account of Amalgamation of Demag Delaval Industrial Turbomachinery Pvt. Ltd.	-	-3.54	
Profit and Loss Account balance as at 1 st October 2004 on account of Amalgamation of erstwhile Siemens VDO Automotive Ltd. (SVDO)	-2.43	-	
Profit after tax for the period 1 st October 2004 to 30 th September 2005 on account of Amalgamation of erstwhile SVDO	57.57	-	
Amount available for appropriation	3656.21	2543.96	43.72
Appropriations:			
General Reserve	2925.76	1746.07	
Interim Dividend paid	-	149.12	
Proposed Dividend (2004-05 : Final Dividend)	640.60	331.38	
Dividend Distribution Tax	89.85	67.39	
Net Deficit on account of Amalgamation of Demag Delaval Industrial Turbomachinery Pvt. Ltd.	-	250.00	

2. Operations

The Company has posted an impressive performance during the Financial Year ended on 30th September, 2006. The New Orders received by the Company almost doubled to Rs.82,025 million (Rs.41,233 million during 2004-05). The major contributors were the Power Generation, Power Transmission & Distribution, Automation & Drives and Industrial Solutions & Services Divisions. Turnover rose sharply by 64% to Rs.45,103 million (Rs.27,485 million during 2004-05) and the Profit after Tax rose by 41% to Rs.3,601 million (Rs.2,548 million during 2004-05). While all the Divisions contributed to the growth, Power Generation, Power Transmission & Distribution, Automation & Drives and Industrial Solutions & Services Divisions were the key drivers.

3. Increase in Share Capital

During the year under review, the Paid-up Share Capital of the Company increased from Rs.331,384,030 to Rs.337,160,200, consequent to the allotment and issue

of 577,617 new Equity Shares of Rs.10 each to the Shareholders of erstwhile Siemens VDO Automotive Ltd., Bangalore (SVDO) pursuant to the Scheme of Amalgamation as detailed in Sr. No.7(a) of this Report. Out of the said 577,617 Equity Shares, 501,022 Equity Shares were allotted & issued to Siemens VDO Automotive AG, Germany, parent Company of SVDO and a 100% subsidiary of Siemens AG, Germany.

Subsequently, Siemens VDO Automotive AG merged with Siemens AG, and hence the share holding of Siemens AG in the Company marginally increased from 54.63% to 55.18%.

4. Sub-division of Face Value of Equity Shares

Pursuant to the approval received from the Members by way of Postal Ballot, each Equity Share of the Company of Face Value of Rs.10 has been Sub-divided into 5 Equity Shares of the Face Value of Rs.2 each (Stock Split) with effect from 21st June, 2006.

Directors' Report (continued)

Consequently, the Paid-up Share Capital of the Company of Rs.337,160,200 now comprises of 168,580,100 Equity Shares of Rs.2 each (prior to Stock Split : 33,716,020 Equity Shares of Rs.10 each).

Further, consequent to the said Stock Split, new International Securities Identification Number (ISIN) INE003A01024 has been created for the Company's Shares in dematerialized form.

5. Dividend

Considering the robust performance and the financial position of the Company during the year, the Board of Directors has recommend a Dividend of Rs.3.80 on each Equity Share of Rs.2 (190%), subject to the approval of the Members at the 49th Annual General Meeting to be held on 18th January, 2007. The Dividend will entail an outflow of Rs.640,604,380 on the Paid-up Equity Share Capital of Rs.337,160,200.

Last year, the Company paid total Dividend of Rs.14.50 (145%) on each Equity Share of Rs.10. This comprised of an Interim Dividend of Rs.4.50 (45%) on each Equity Share and a Final Dividend of Rs.10 (100%) on each Equity Share [including a Special Dividend of Rs.5.50 (55%) on each Equity Share].

6. Management's Discussion and Analysis

A detailed review of the operations, performance and future outlook of the Company and its businesses is given in the Management's Discussion and Analysis, which forms part of this Report as **Annexure II**.

7. Mergers, Acquisitions & Divestments

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

During the year under review, SVDO merged with the Company with effect from 16th January, 2006 (Effective Date). Consequent to the merger, SVDO has become 'Siemens VDO Automotive Division' of the Company.

Key details of the said Merger are summarized as follows:

Appointed date	1 st October, 2004
Effective date	16 th January, 2006
Share Exchange Ratio	1 Equity Share of Rs.10 of the Company for every 12 Equity Shares of Rs.10 each of SVDO
Record Date	21 st February, 2006
No. of new Equity Shares of the Company issued to the Members of SVDO	577,617 Equity Shares of Rs.10 each
Date of Allotment	14 th March, 2006

The aforesaid 577,617 new Equity Shares rank *pari passu* with the Equity Shares of the Company and shall be entitled for full amount of Dividend for the year ended on 30th September, 2006, if declared by the Members at the 49th Annual General Meeting to be held on 18th January, 2007. The said new Equity Shares have been listed on Bombay Stock Exchange Ltd. (BSE) and National Stock Exchange of India Ltd. (NSE).

b. Acquisition of Isolator business of Elpro International Ltd.

As a part of Investment-led growth strategy and to further strengthen the Company's position in the growing power sector, the Company had, with effect from 3rd May, 2006, purchased / acquired the Undertaking of Elpro International Ltd. engaged in the business of manufacture and sale of Isolators, together with its employees, assets & liabilities and the manufacturing facilities located at Balanagar, Hyderabad (Isolator Undertaking).

The said Isolator Undertaking has been integrated with the Power Transmission & Distribution Systems Division of the Company.

c. Acquisition of Equity stake in Flender Ltd.

The Company had, on 3rd May, 2006, acquired 50% Equity stake, comprising of 2,160,000 Equity Shares of Rs.10 each, in Flender Ltd, Kolkata for a total consideration of Rs.677.58 million. The balance 50% is held by A. Friedr. Flender AG, Germany – a subsidiary of our Parent Company, Siemens AG, Germany. Flender Ltd. is one of the leading player in Industrial Gearboxes segment.

Further, the Board of Directors of the Company has at its Meeting held on 25th July, 2006 approved the acquisition of the balance 50% Equity stake from A. Friedr. Flender AG, Germany, for a value not exceeding Rs.725 million. The acquisition is in the final stage of completion.

d. Acquisition of additional 23% Equity stake in Siemens Industrial Turbomachinery Services Pvt. Ltd. (SITS)

On 1st April, 2005, the Company acquired 51% Equity stake in SITS making it a subsidiary. On 28th September, 2006, the Company has acquired an additional 23% of the total Paid-up Equity of SITS comprising of 20,930 Equity shares of Rs.100 each for a total consideration of Rs.44.85 million and thereby increasing its total stake in SITS to 74%. The balance 26% stake is held by Pimac Engineers Pvt. Ltd., New Delhi.

e. Sale / Divestment

In line with the strategic changes in the Communications Group worldwide recently

announced by Siemens AG, Germany, parent company, the following in-principle decisions were taken by the Board of Directors of the Company at its Meeting held on 23rd November, 2006, subject to receipt of all requisite consents, approvals, etc. of the Members and statutory and regulatory authorities, as applicable:

i. Sale / transfer of Communications Enterprise Networks Division of the Company (COM EN)

The Board of Directors has approved, in-principle, the sale / transfer of the Company's Undertaking comprising of COM EN Division, engaged in the Enterprise Networks Business, on a going concern basis, with effect from 1st April, 2007 to a 100% subsidiary company to be incorporated in India by Siemens AG, Germany for this purpose. The said sale / transfer is subject to the approval of the Members of the Company by way of voting by Postal Ballot.

ii. Divestment of 100% stake in Siemens Public Communication Networks Pvt. Ltd. (SPCNL)

The Board of Directors has also decided, in-principle, to divest / sell the Company's 100% Equity stake comprising of 12,425,000 Equity Shares of Rs.10 each in SPCNL, primarily engaged in the business of fixed networks mobile networks and carrier services, to Nokia Networks India Pvt. Ltd., (name will be change to Nokia Siemens Networks India Pvt. Ltd.) a Company to be owned by Nokia Siemens Networks, Netherlands (a 50 : 50 Joint Venture of Nokia Corporation, Finland and Siemens AG, Germany).

8. Subsidiary Companies

a. Siemens Information Systems Ltd., Mumbai (SISL) – a 100% Subsidiary

For the year ended on 30th September, 2006, SISL has posted a good performance with a total income of Rs.8,737 million (2004-05: Rs.6,552 million) and a Net Profit of Rs.1,356 million (2004-05: Rs.1,251 million). During the Financial Year 2005-06, SISL declared two Interim Dividends aggregating to 1,260% (2004-05: 1,220%). No Final Dividend was declared by SISL for the Financial Year 2005-06.

b. Siemens Public Communication Networks Pvt. Ltd., Bangalore (SPCNL) – a 100% Subsidiary

For the year ended on 30th September, 2006, SPCNL has posted a total income of Rs.6,423 million (2004-05-Rs.5,156 million) and a Net Profit of Rs.207 million (2004-05: Rs.276 million). An Interim Dividend of 100% and a Final Dividend of 100% were declared by SPCNL for year ended on 30th September, 2006. No dividend was declared during the previous year 2004-05.

c. Siemens Information Processing Services Pvt. Ltd. Bangalore, (SIPS) (formerly known as Siemens BPO Services Pvt. Ltd.) – a 100% Subsidiary

The Company is holding 51% Equity stake in SIPS. The balance 49% is held by SISL, a 100% subsidiary of the Company. Thus, SIPS is a 100% Subsidiary of the Company. During the year ended on 30th September, 2006, SIPS has posted a total income of Rs.867 million (2004-05: Rs.504 million) and a Net Profit of Rs.101 million (2004-05: Rs.64 million). An Interim Dividend of 150% and a Final Dividend of 150% were declared by SIPS for the year ended on 30th September, 2006. No Dividend was declared during the previous year 2004-05.

d. Siemens Industrial Turbomachinery Services Pvt. Ltd., Bangalore (SITS) – 74% Subsidiary

During the year ended on 30th September, 2006, SITS has posted a total income of Rs.142 million and a Net Profit of Rs.8 million. During the previous Financial Year from 1st April, 2005 to 30th September, 2005 (Six months), the total income stood at Rs.142 million and Net Profit at Rs.18 million. A Dividend of 37% was declared by SITS for year ended on 30th September, 2006. No dividend was declared during the previous Financial Year from 1st April, 2005 to 30th September, 2005.

e. Siemens Nixdorf Information Systems Pvt. Ltd., Mumbai (SNIL) – 100% Subsidiary

SNIL is a 100% subsidiary of SISL and, being a subsidiary of a subsidiary, SNIL is treated as a subsidiary of the Company. SNIL has ceased its commercial activities and it is proposed to wind it up as soon as possible subject to all statutory and regulatory approvals.

On an application made by the Company pursuant to the provisions of Section 212(8) of the Companies Act, 1956, the Government of India, Ministry of Company Affairs, New Delhi, (MCA) vide its letter No. 47/303/2006-CL-III dated 22nd September, 2006, exempted the Company from annexing to this Report, the Annual Reports of the above subsidiary companies for the year ended on 30th September, 2006. Pursuant to the said letter from MCA, a gist of the financial performance of the subsidiary companies is disclosed in this Annual Report. However, if any Member of the Company or subsidiary companies so desires, the Company will make available copies of Annual Accounts of the above subsidiary companies and related information free of cost. The Annual Accounts of the said Subsidiaries are also available for inspection by any Member at the Registered Office of the Company and of the subsidiary companies concerned between 10.00 a.m. and 12.00 noon on any working day of the Company up to the date of the forthcoming 49th Annual General Meeting to be held on 18th January, 2007.

Directors' Report (continued)

9. Foreign Exchange Earnings and Expenditure

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

10. Conservation of Energy and Technology Absorption

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

11. Consolidation of Accounts

The Audited Consolidated Accounts and Cash Flow Statement, comprising of Siemens Ltd. and its subsidiary companies, appear in this Report in the section 'Siemens Group'. The Auditors' Report on the Consolidated Accounts is also attached. The Consolidated Accounts have been prepared in accordance with the Accounting Standards prescribed by the Institute of Chartered Accountants of India in this regard.

12. Fixed Deposits

The Company discontinued its Fixed Deposit Scheme in March, 1997. A sum of Rs.157,000 relating to 16 deposits remained unclaimed as on 30th September, 2006, and no further claims have been received for refund of deposits since then. No interest is payable on such unclaimed deposits after the maturity date.

13. Transfer to Investor Education and Protection Fund (IEPF)

Pursuant to the provisions of Sections 205A and 205C of the Companies Act, 1956, the amount of dividend and matured fixed deposits lying with the Company as unclaimed or unpaid for a period of seven years from the date they became due for payment, is required to be transferred to the IEPF set up by the Central Government. Accordingly, a sum of Rs.1,98,394 was transferred during the year ended on 30th September, 2006 to IEPF in respect of matured fixed deposits and interest thereon lying with the Company as unclaimed. No dividend was declared by the Company for the Financial Year 1997-98, and hence transfer of dividends to IEPF is not applicable.

14. Employees

Human Resources is the most valuable asset of the Company. As a part of our continuous efforts to better equip the employees to successfully deal with the challenges in the rapidly changing business environment, well-structured Training and Development programs are organized at periodical intervals. More emphasis is laid on tapping employee's potential and development of their key talent. The last Financial Year was an eventful year, with employees' performance at its best and their suggestions and ideas contributing directly to the bottom-line. Our industrial relations continue to be cordial.

During the year under review, four employees opted for voluntary retirement. The total number of permanent employees of the Company as on 30th September, 2006, increased by 25% to 5,971 (as on 30th September, 2005: 4,777).

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

15. Corporate Governance

As required by revised Clause 49 VI of the Listing Agreements entered into by the Company with the Stock Exchanges, a detailed report on Corporate Governance is given as **Annexure III** to this Report. The Company is in compliance with the requirements and disclosures that have to be made in this regard. The Auditors' Certificate on compliance with Corporate Governance requirements by the Company forms part of the said report.

16. General Shareholder Information

General Shareholder Information is given in **Annexure IV** to this Report.

17. Health and Safety

The Company considers safety, health and environment protection as a fundamental management responsibility. The Company's continuous efforts are directed to prevent accidents and have continual improvement in Safety and Environment Performance.

The Company has in place a Corporate Occupational Safety, Health & Environment Policy ("the Policy") for all its locations in India. The Policy also encompasses appropriate preventive measures as regards safety, health and environment. There is also a system for the management and control of the pollutants and a comprehensive Safety Management system for Construction Projects. The Policy and the systems address the necessary regulatory requirements. Our Safety, Health and Environment Management programs is implemented with a three pronged approach viz. Education, Engineering & Enforcement.

Various initiatives were carried out during the year under review such as conducting of Training Programmes on Safety and Environment, Mock Emergency Evacuation Drill at certain Offices and Works of the Company.

Environment Management System, in line with Standard ISO 14001 have been successfully implemented at Nashik Works and at the Motor and Switchgear Factories located at Kalwa.

18. Directors' Responsibility Statement

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

1. in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. appropriate accounting policies have been selected and applied consistently, and such judgments and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 30th September, 2006, and of the profit of the Company for the year ended on 30th September, 2006;
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.

19. Directors

Mr. H. Gelis was re-appointed as the Executive Director of the Company by the Members for a period of six months with effect from 1st January, 2006. Consequent to his taking up a new assignment with Siemens, Canada, Mr. Gelis ceased to be the Executive Director and a Director of the Company with effect from close of business hours on 28th February, 2006. The Board places on record its appreciation for the invaluable contribution made by Mr. Gelis during his tenure of over 5 years as an Executive Director.

At the Board Meeting held on 27th January, 2006, the Board of Directors had appointed Mr. Patrick de Royer as the Additional Director with effect from 1st February, 2006. At the same Meeting, Mr. de Royer was also appointed as a Whole-time Director of the Company for a period of 5 years with effect from 1st February, 2006. He was designated as 'Executive Director – Designate' from 1st February, 2006 and the 'Executive Director' from 1st March, 2006. The terms and conditions of his appointment, including the remuneration payable to him, are subject to approval of the Members.

The Board of Directors has, vide Resolution by Circulation dated 15th September, 2006, appointed Mr. Joe Kaeser as an Additional Director with effect from 1st October, 2006. Mr. Kaeser holds office upto the ensuing 49th Annual General Meeting of the Company to be held on 18th January, 2007.

Dr. O. Schmitt was appointed as an Alternate Director for Mr. Joe Kaeser with effect from 1st October, 2006 vide the aforesaid Resolution by Circulation. Earlier he

was an Alternate Director for Prof. Dr. K. Wucherer from 15th December, 2000 till the close of business hours on 30th September, 2006.

At the ensuing 49th Annual General Meeting Mr. Deepak S. Parekh, Mr. D. C. Shroff and Mr. Y. H. Malegam retire by rotation and, being eligible, offer themselves for re-appointment.

The above appointments and re-appointments form part of the Notice of the 49th Annual General Meeting and the relevant Resolutions are recommended for your approval.

Profiles of these Directors, as required by the revised Clause 49 IV G of the Listing Agreements entered into with the Stock Exchanges, are given in the Notice of the 49th Annual General Meeting.

20. Auditors

BSR & Co., Chartered Accountants, retire as the Statutory Auditors at the conclusion of the 49th Annual General Meeting to be held on 18th January, 2007 and offer themselves for re-appointment. A Certificate from them has been received to the effect that their re-appointment as Statutory Auditors, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

21. Cost Auditors

The Central Government's Cost Audit Order dated 17th March, 1993, requires audit of Cost Accounting records of the Company for the product "Electric Motors", for every Financial Year. M/s. R. Nanabhoj & Co, Cost Accountants, Mumbai, have been conducting this audit since 1972.

22. Acknowledgments

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

Your Directors place on record their deep appreciation for exemplary contribution of the employees at all levels. Their dedicated efforts and enthusiasm has been integral to your Company's impressive growth.

On behalf of the Board of Directors

Siemens Ltd.

Deepak S. Parekh
Chairman

Mumbai
Thursday, 23rd November, 2006

Annexure I to the Directors' Report

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

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

A. Conservation of Energy

a. Measures undertaken (implemented):

- Use of energy efficient electronic ballast instead of conventional magnetic chokes.
- Use of rotary compressor with VFD instead of reciprocating compressor.
- Use of solar shuffler unit for canteen water heating.
- Procurement of two new energy efficient ovens with Thyristor control.
- Installation of Translucent roof sheet in rotor factory, receiving and stores to utilize natural light and save energy.
- Implementation of Induction heating of bearings instead of existing conventional heating ovens in Assembly shop to save energy.
- Water conservation by elimination of cooling Towers.
- Low Power high performing controllers have been launched in the areas of power plant automation resulting in lesser power consumption.
- Undertaken initiatives for optimized and time synchronized use of lights and generators in all office and production areas.
- Installation of Express feeder at Kalwa Works resulting in savings in fuel consumption.
- Automation of office lighting.

b. Measures proposed to be implemented:

- Use of energy saving luminaries and mercury vapour lamps for lighting.
- Replacing old AC units with energy efficient AC units by March, 2007.
- Energy Audit of major facilities being planned from January 2007 - April 2007.
- Installation of Express feeder at Kharghar.

c. Impact of measures undertaken:

- Optimisation of energy consumption.
- Savings in energy and fuel cost.

B. Research and Development (R&D)

1. Specific areas in which R&D was carried out:

- Launch of World's most powerful compact controller with lowest power consumption to carry out power plant controls with greater availability and reliability.
- Control Panel designs have been standardized to reduce the engineering cycle times thereby meeting ever shortening delivery schedules of highly demanding customers.
- Successfully carried out Proof of Concept for enhancing the operational reliability of Static Excitation Systems for Generator controls.
- Development and commercial launch of Triple Modular Redundant Control System.
- Versatile Field Interface Modules to meet diversified needs of signal processing, conditioning and protection for the field instrumentation in Power Plants.
- Refurbishment of existing range of 3KL Switch Disconnecter Fuse.
- Set-up offshore application engineering team to support global R&D group for automotive fuel systems.
- Development of Block Proving with Axle Counter, 1MW Traction converter, 1.5MW Earth moving shovel for coal mines and 600kW windmill generator.

2. Benefits derived as a result of the above R&D:

- Enhancement of product spectrum.
- Increased customer base and additional business volume.
- Shortening of delivery schedules.
- Enhanced safety levels in the areas of Turbine and Boiler protection and Railway Signalling.
- New range of products with enhance ratings, safety features and appealing aesthetics.

3. Further plan of action:

- Development of compact, integrated control systems for own manufactured Turbines.
- Incorporating new PROFIBUS releases in the Control Systems.
- Development of FAMS for Distributed controls of plant auxiliaries.

- Introduction of GSM technology for remote data transmission in geographically distributed environment.
- Development of cost effective products in control and distribution and to enhance Type-testing facilities.
- Development and Testing of insulation schemes.
- Local manufacture of Block Proving with Axle Counter.
- Developing a full-fledged application engineering team for automotive instruments and support team for powertrain systems.

4. Expenditure on R&D:

- Capital : Rs. 30.61 million
- Revenue : Rs.175.98 million
- Total : Rs. 206.59 million
- Total R&D expenditure as a percentage of total turnover (%) - 0.46%

C) Technology Absorption & Innovation

1. Efforts undertaken:

- Necessary training imparted to engineers for know-how and know-why and to localize technology and methods.
- Development and manufacture of Ring Main Units in India with import of core parts from Siemens AG.
- Development of electronic interlocking for Railway Signalling jointly with Siemens AG.
- Usage of latest HW platforms in PG Automation configurations.
- Usage of induction heating for rotor brazing instead of conventional gas heating.
- Installation of infra-red anti-collision safety devices.
- Adoption of joint manufacture program for Steam Turbines upto 50 MW.

2. Benefits derived from the above:

- On the job training to aid indigenous development
- Address local market requirements.
- Retention of existing customer and increase customer base.
- Meet the Global standards and increase export potential.
- Increase market share by developing products for specific segments.

- Total automation solutions with uniform hardware from single window.
- Enhancement of product spectrum.
- Machine standardisation leading to increase in manufacturing capacity of turbines by reduced cycle time, lower costs of procurement and machining and lower costs of non-conformance.
- Enhanced safety and effective factory space utilisation.

3. Imported Technology:

Technology imported	Year of Import	Whether the technology has been fully absorbed
Magnet manufacturing mechanized process	2005-06	Yes
Thermoset Injection Moulding Technology for moulded BMC parts	2005-06	Yes
Winding Technology from Marsilli, Italy	2005-06	Yes
Compact Controller Hardware	2005-06	Yes
3AP2 FG-420 KV breaker with PSD application having break time of 40 ms	2005-06	Yes
Core part of RMU (gas vessel) from Siemens AG	2005-06	Partly - Under implementation
Coli manufacturing and winding process	2005-06	Partly - Under implementation
Process of machining of components for traction motors	2005-06	Partly - Under implementation
3D Coordinate measuring machine as the QA backup	2005-06	Partly - Under implementation

On behalf of the Board of Directors

Siemens Ltd.

Deepak S. Parekh
Chairman

Mumbai
Thursday, 23rd November, 2006

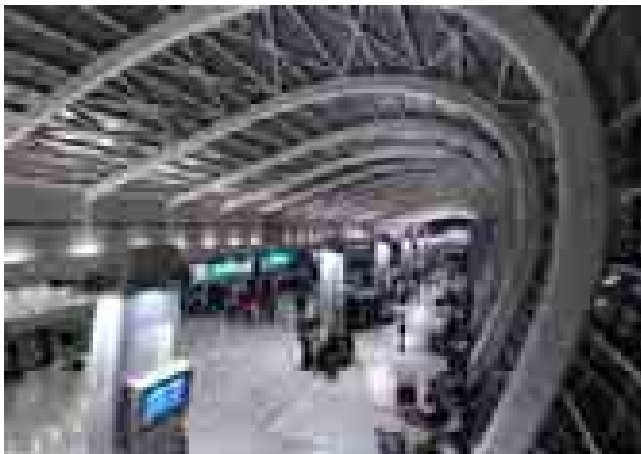
Annexure II to the Directors' Report

Management's Discussion and Analysis

General Performance Review

During 2005-06, the GDP grew at a robust rate of 8.4 % and for the first quarter of the current year, (April-June'06) clocked a growth of 8.9%. The economy has been on an overall growth trajectory, emerging as one of the fastest growing economies in the world. The services sector continued to play a prominent role in this growth by virtue of both its high share as well as rapid expansion. It grew at a healthy rate of over 10% and contributed 64% to the overall growth. The industry sector grew at a higher 8.7% with the manufacturing sector having put up a strong performance registering 9% growth. Agriculture, forestry & fishing sector, which grew by 3.9% during the period showed an improving trend.

Infrastructure development has been the key in sustaining economic growth in the country. India has made considerable progress over the last few years and the Government has set a clear direction for improvement in infrastructure by taking concrete steps. In the power sector, it has already initiated setting up of ultra mega power projects of 4000 MW each with public-private partnership. Emphasis was also laid on modernization & up gradation of old power plants. Further, the Government has taken significant policy initiatives to improve conditions for attracting private investment and FDI for infrastructure projects. The Government's thrust on strengthening the Railway resulted in large investments being earmarked for modernization, expansion and technology up-gradation. Addressing the need for more efficient airports, the Indian Government has begun an aggressive drive to modernize existing airports. The international airports in Delhi and Mumbai are being upgraded with private sector participation. To further facilitate fund flow, the FDI cap in the sector has been moved to 49%.



Modernizing existing Airports is one of the thrust areas for the Indian Government. Siemens' integrated solutions for modern airports are ideally suited for this segment

Siemens with its strong portfolio in infrastructure covering Power plants, Transmission & Distribution, Airports and Railways, was in a good position to leverage the wide spectrum of opportunities in the present growing infrastructure segment. The Power Generation (PG) Division witnessed an exemplary performance with several breakthrough orders in domestic as well as export markets. Similar performance was witnessed in the Power Transmission and Distribution (PTD) division with huge export orders and substantial growth in the High Voltage segment. The business volume of the power segment alone grew by 255%. The Transportation Systems business consolidated its market leadership amidst fierce competition from international players. The entry into the traction segment further strengthened the position of the transportation group in India.

The Industry segment sustained a growth rate of 8.7 % in 2005-06 with the overall index of industrial production (IIP) recording a growth of 8.1 %. The IIP has also continued its impressive performance during the first five months (April - August) of 2006-07 by reporting year on year acceleration of 10.6%. This strong growth momentum continues to be dominated by the buoyant manufacturing and construction sectors. The growth in domestic and overseas demand has been a catalyst for investments, new projects, as well as plans for modernization and capacity enhancement being announced. This has spurred the business confidence. The capital goods and consumer goods sector had a stellar performance in 2005-06 recording double-digit growth. Industries such as cement, coal, automobile, and metal also grew well. As a consequence, Siemens' Industrial businesses registered an impressive performance.

The Healthcare market in India showed a positive annual growth of 16%. While the expansion and modernization of hospitals by both the public and private sector continued, the Government also sustained its efforts of extending healthcare facilities in rural and semi-urban centres in India. There was also increased demand for cutting edge equipments and technology in the industry. This in turn, had a positive impact on medical tourism in the country. These opportunities helped Siemens Medical Solutions maintain its leading position in the market.

The Telecom sector in India continued to register a healthy growth. The continued modernization of India's public telecommunication infrastructure had a positive impact on the enterprise communications market. Further, the lower and mid-market segments of the enterprise market registered highest growth. In this encouraging market scenario, the enterprise communications businesses of Siemens strengthened its market leadership and gained substantial market share.

The Indian Software and services industry maintained its steady growth and witnessed increased spends by the companies. The Global Industry witnessed a gradual shift from cost reduction & regulatory compliance to revenue growth oriented initiatives. The year also witnessed the coming of age of the Indian IT multinationals with the traditionally India-centric, indigenous players beginning to build noticeable global presence. In this scenario, Siemens Information Systems Ltd. registered impressive performance across all its business parameters.

To sum up, a GDP growth of 8.4%, multi-billion dollar FDI proposals, domestic companies going on aggressive overseas expansion and surging stock markets finally forced the world to acknowledge India's rise as an economic power on the rise. On the back of this commendable growth of the Indian economy, Siemens witnessed a remarkable performance. The year was also eventful for the company, which celebrated 50 years of its manufacturing presence in the country. During the year, Siemens announced the setting up of a Greenfield Steam Turbine factory at Vadodara. In addition to this, large investments were made for capacity expansion at existing factories and mergers & acquisitions that were completed during the year.

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

Energy

Power Generation (PG) Division

The power sector continued to remain favorable in 2005-06. New thermal power generation projects of approximately 6500 MW were finalized in the last fiscal. Overall, there was a capacity addition of 3,468MW (utilities) & electricity generation grew by 5%. To fulfill its mission, 'Power for all by 2012', the Government



The order from the Torrent group, for setting up an 1100MW Sugem Power plant at Surat, was amongst many breakthroughs achieved by Siemens

continued its emphasis on enhancing power generating capacity through green-field projects and modernization of old power plants. Further, the industrial sectors such as steel, paper and cement have done exceptionally well, resulting in commensurate addition in industrial power plants. As a consequence, the power plant automation market also witnessed a substantial growth in the last fiscal.

The Power Generation(PG) Division witnessed an exemplary performance in 2005-06, with healthy growth in all parameters. The Order value jumped by 598% and Sales increased by 184% over the last fiscal. The Division maintained its position as no. 2 supplier of turbines in the industrial sector. Apart from substantial improvement in service network, divisions's successes were driven by high rate of innovation, leading to local value creation and addition.

Amongst several breakthrough orders won by PG, the most significant order was from Torrent Group for setting up 1100 MW Sugem CCPP at Surat using 3 nos. advanced class gas turbine (SGT5-4000F). Other major orders were for 2x150MW STG sets from Bhushan Energy and for 2x24 MW STG sets from Dwarikesh Sugars. The orders in the Automation sector included the Burner management systems for 12 units of Neyveli Lignite Corporation, R&M of 2 units of UPRVUNL, Obra TPS in addition to the 5-year maintenance contract from Konaseema Gas Power. Exports orders from Bangladesh Power Development Board for Supply, installation & commissioning of SIMEX-G Generator Excitation system at 2x55 MW Ghorasal Thermal Power station and Ceylon Electricity Board for the Supply, installation & commissioning of the Distributed Control System at the Sapugaskanda Power Station were also important.

PG commissioned several projects successfully including the 130 MW STG Set for JSW Steel and 57 MW STG for Essar Steel. PG also developed SST 200 low-end turbines for <8 MW market range and introduced RG3 based Brushless Excitation systems in India. The automation group also commissioned the 155 MW Bhandar CCPP, 70 MW GSECL-Kutch Lignite Power plant, 3x200 MW NTPC Ramagundam Stage-I Excitation system, 38.5 MW Jaiprakash Industries captive power plant at Rewa and 120MW MAHAGENCO project, Uran.

Outlook: With Government's ambitious target of adding about 61GW in Xth plan, investments in new projects and modernization of existing power plants is expected to continue. The Government has already initiated setting up of ultra mega power projects of 4000 MW each with public-private partnership. Private sector players like TATAs,

Management's Discussion and Analysis (Continued)

Reliance, Torrent, Essar have shown keen interest in developing large capacities in the private sector. PG Division has clearly identified its growth areas that include focusing on large utility projects, industrial sector power projects, targeting service market and enhancing exports to neighboring countries as well as offering instrumentation packages, wider product spectrum, upgrades and services. Further, with addition of the new Industrial turbine factory, the Division would be in a better position to take advantage of the market opportunities.

Energy

Power Transmission & Distribution (PTD) Division



Siemens strengthened its position in the Transmission and Distribution business by bagging the largest order for PTD worldwide, from Qatar General Electricity for 24 new substations.

The progressive roadmap set forth by the Government's policy initiatives such as the Electricity Act 2003 and the Electricity Policy 2005 are beginning to yield results in Transmission and Distribution (T&D) segment. In addition to large projects, there was also positive development in the area of turnkey projects due to distribution reforms and rural electrification targets set by the Government. The entry of new players has led to capacity build-up, creating pressure on pricing.

During the year 05-06, Power Transmission and Distribution Division (PTD) delivered an impressive performance. As compared to the previous year, its Sales increased by 85%, while Order Value jumped by over 335% including the large export orders from Qatar. Excluding the large orders, the Order value growth was still a credible 64%. The factories produced record output in panels and breakers with excellent delivery reliability. Besides a significant increase in the rural electrification project business, Siemens witnessed a substantial growth in the High Voltage turnkey segment in domestic, as well as exports market.

PTD received the largest ever contract for Siemens India, as well as PTD worldwide valued at around Rs. 26,000 million from Qatar for development of their substations in the power network. The scope includes 24 new substations of 220/132/66 kV and more than 450 km of high voltage cabling for 220/132/66 kV cables. Other highlights were securing of the first Indian contract for 800 kV substations from PGCIL and first transformer contracts from L&T and AP Transco for Autotransformers. PTD also bagged orders from the State of West Bengal for establishing 15 new sub-stations, from MSEDCL- Bhandup for MV and associated equipment, as well as from GETCO for MV panels and EHV Breakers, among others.

PTD successfully completed and commissioned several projects, including 10 substations in Qatar, 5 substations in Bangladesh, 11 substations in Bihar and 2 substations in Haryana, besides commissioning a hi-tech and prestigious project to enhance capacity of the existing 400kV transmission lines of Power grid at Gorakhpur in Uttar Pradesh, Purnea in Bihar and Gooty / Cuddapah in Andhra Pradesh. PTD also launched newer products and systems such as Gas insulated Ring Main Units and 400kV Circuit Breaker. The indigenously developed Air Insulated Switchgear, 8BK88PLUS was adjudged as one of the top 5 innovations in Siemens global family. Further, the integration of the Isolator business of Elpro into Siemens has strengthened its portfolio.

Outlook: The Government is moving ahead to set up the National Grid and increasing targets in interregional grid capacity. This will ensure availability of Government investments in the future. Further, reform policy has also permitted much needed investments from the private sector. Hence, T&D segment will continue to present substantial business opportunities in the country. PTD plans to consolidate its business with existing customers and make an entry in new countries for the High and Medium Voltage turnkey contract business. The strengthening of its product portfolio with its new Transformer factory, integration of the Isolator business of Elpro and VA Tech will also give the Division a competitive advantage in the market.

Industry

Automation and Drives (A&D) Division

In 2005-06, market for Automation and Drives grew by a healthy 19%. The Industry sector of the economy witnessed a strong increase in investments for capacity enhancement coupled with a demand surge from OEMs. Predominant contributors were sectors such as Metals, Cement, Chemicals & Pharmaceuticals, Food & Beverages, Automotive and Textiles. The sustained growth in the



The DELTA Vega range of products won immediate acceptance in the market especially amongst architects, interior designers, builders and end consumers

services sector spurred requirement for electricals in buildings, whereas continued incentives for wind power generation resulted in sustained demand for wind generators and other associated electricals. Despite the buoyancy in demand, prices were under pressure, primarily due to substantial increase in key raw materials and strategies adopted by new entrants to gain foothold in the market.

Siemens Automation & Drives (A&D) business more than doubled over the last two years and it gained significant market share in a majority of its business areas, making it the overall no. 1 player. For 2005-06, A&D recorded 44% increase in Order value and 38% rise in Turnover, while its profits jumped impressively.

The Division received its single largest order worth Rs.128 million from ITC Paper & Boards, Bhadrachalam for LV switchboards. It received several orders in the F&B segment from ITC Tobacco (Rs.6.5 million), Shakti Sugar Mills (Rs.24 million), Britannia Industries Ltd. (Rs.8.5 million), GMR Sugar (Rs.4 million) and Dharani Sugar (Rs.8 million). In addition to repeat orders from Suzlon and Vestas for wind mill generators (Rs.1100 million), A&D also won orders from Tata Steel (Rs.71 million), Hindalco (Rs.48 million), Sandoz (Rs.13.5 million) and Mahindra Renault (Rs.24 million). Additionally, it made inroads into the Sri Lankan market by securing orders from the National Water Sewage & Drainage Board and North Sails Lanka.

A highlight of the year was the launch of a premium range of Modular Switches & Sockets named DELTA vega. This new product range bagged immediate breakthrough orders from Niho Construction, Delhi and several other prominent builders. It also launched a new range of products focusing on RFID & Machine Vision Systems, as

well as the Switch Disconnecter Fuse Units – Superswitch. Further, its Switchgear factory in Kalwa was developed as the global base for manufacturing Definite Purpose Contactors. On the R&D front, Nashik Works has undertaken development of earth moving shovel for coal mines for 1.5 MW.

Outlook: With the positive trend expected to continue, the market is estimated to grow at an overall 17%. This growth is expected to come from investments in expansion and modernization across the industry segments. Buildings, Automotive, Food & Beverages, Metal and metal products are segments expected to drive demand. A&D aims to further strengthen its market presence with the introduction of switches, sockets and field instruments. In order to address the market needs, various marketing initiatives are also planned.

Industrial Solutions & Services (I&S) Division

The Investment climate continued to be favorable across all sectors. During the year, modernization of Mumbai and Delhi airports were kicked off and the Government also announced its decision to modernize 35 non-metro airports. The enhanced focus on infrastructure development in airports, roads, ports, power generation and distribution, had a spin-off effect on all other sectors. Thus, the overall business sentiment remained very optimistic and I&S market in particular grew by 44%, excluding mega orders. Due to higher demand in the market, competitive pressures have eased out, but supply situation has worsened due to capacity constraints. The hardening of raw material costs has also put pressure on pricing.

FY 05- 06 was a remarkable year for the Industrial Solutions & Services (I&S) Division. Sales grew by 85%, while excluding the mega orders, its Order value went up



Siemens successfully completed the 1st direct order for I & S Metals Group from POSCO (Pohang Iron & Steel Co., Korea) for complete electricals and automation for their processing and coating lines.

Management's Discussion and Analysis (Continued)

by 71%. I&S maintained its leadership position in the market vis-à-vis competitors in the existing business areas. Its local competencies were acknowledged by global customers such as POSCO Korea, KHD Germany, Kashira Russia etc. and about 20% orders came from the export market. In order to take advantage of the extensive opportunities presented by the growing market, the Division restructured itself, moving from a regional to sector-based approach. This has helped I&S to penetrate further in different areas and also target new sectors like Paper, Oil & Gas, Airports and Water. Its thrust on offering retrofit solutions and advance service levels helped in enhancing customer satisfaction. The division also increased its employee strength across the country to handle the growth opportunities.

The Division bagged a number of significant orders including Siemens' single largest overseas cement order from the National Cement Company, Yemen (Rs.600 million) for design, engineering, supply and commissioning of complete electrics and automation on turnkey basis for its 3450 TPD Greenfield cement plant in silent consortium with KHD Humbolt Wedag GmbH, Germany. Other important projects won were from Vedanta Alumina Ltd. (Rs.330 million), Reliance Utilities Private Ltd. (Rs.340 million), McNally Bharat Engineering (Rs.250 million), Kashira Steel Works, Russia (Rs.215 million), SAIL Rourkela Steel Plant (Rs.87 million), etc. During the last fiscal, I&S successfully commissioned projects for POSCO in Korea, Sherman in China, Hindustan Zinc, Vizag steel plant, etc

Outlook: The business scenario is expected to grow with increased opportunities and growth especially in steel, cement and airports. Investments in other industries like Auto, Food & Beverages, Wind energy, glass, non-ferrous will also continue to grow. The proposed Ultra Mega power plant projects are likely to drive the need for more coal / lignite mining and hence benefit the mining business. In addition to enhancing its existing business segments, the Division has also formulated an entry strategy in the water sector with resources and product identification. A foray in the Oil & Gas sector is also on the anvil, while the evaluation of local manufacturing for improving competitiveness in Airport logistics sector is underway.

Siemens Building Technologies (SBT) Division

The Building and Construction industry continued to witness strong growth with the overall market growing by around 25%. The security solutions segment also registered major growth. This boom in the building industry was further fuelled by investments from national



Siemens Building Management Systems and services have been recognized and accepted by some of the most respected business houses in the country.

and international companies in sectors such as IT, ITES, Retail, Pharmaceuticals, Banks, etc. The rapid growth in this area also led to new players from US and Europe entering the already fragmented field.

Keeping up its track record of good performance, Siemens Building Technologies (SBT) Division registered 52% growth in Order value and 64% growth in Sales turnover. The division gained significant market share in 3 of the 4 business fields, namely Fire Safety, Security Systems and Heating & Ventilation Products, while consolidating its position in the Building Automation segment. Like every year, SBT outdid competition and has established itself as the leading solution provider for "intelligent buildings".

The major success for SBT during the last fiscal was winning over VSNL as a key customer for all their network centers. The Division has since, already completed three projects for them. Other successes include orders from State Bank of India (SBI), HSBC, Lehman Brothers and 24x7, a Global BPO. Its competency as an integrated Solution provider, coupled with its excellent track record of timely project completion, led to repeat orders from SBI, HSBC and Lehman Brothers and 24X7 amidst stiff competition. Another highlight was an agreement with Blue Star as a partner of preference for HVAC products and Solutions. SBT jointly with the I&S division also won an order for the Delhi Metro Rail Corporation office building.

During the year, the SBT introduced BC 80 and FC10 fire alarm system for Analogue addressable and conventional fire alarm systems respectively. The SBT team in India also developed IBMS software and Fire Graphics (MMI) software locally. To manage the phenomenal growth, the division also strengthened its systems, processes and resource manpower across the country.

Outlook: With tremendous growth foreseen in the construction and building segment, this industry continues

to hold immense potential. Further, the Government backed Special Economic Zones, new safety regulations and increased threat perceptions will lead to increased demand for Building Technologies Solutions. The development of infrastructure projects such as Airports, also present interesting growth opportunities for SBT. The division's major focus for business advancement is to increase the product business through channels and enhance service revenues. It will be investing mainly in localization of products like VAV boxes, Detectors, controllers etc. The division also plans to launch IP based controllers and surveillance networks and intends to propagate non-proprietary protocols like BACnet.

Communications

Communications Enterprise Networks (Com EN) Division



Siemens HiPath Wireless LAN is redefining the WLAN Space with Data & Voice.

The enterprise communications market grew at around 17%, boosted primarily by the continued modernization of India's public telecommunication infrastructure. During the year, more reliable and more economical bandwidth was made available to the Indian enterprises nationwide. The highest growth was witnessed in the SME segment of the enterprise market. Also, the Indian enterprises continued to invest in up gradation of their existing telecom infrastructure to take advantage of increased public network capabilities and lower cost bandwidth, and also to improve their operational efficiencies and cost control measures. Some sectors like Transportation, Defense and IT saw large and sophisticated projects being implemented.

Siemens Communications Enterprise Networks (Com EN) Division consolidated its No. 1 position as provider of converged communication solutions and services across the entire market spectrum. The gap between Com EN and its next major competitors widened further in the high end as well as mid end segment. During the year,

Turnover increased by 29% and its export business also rose significantly, with Sri Lanka and Indonesia contributing the most. The overall success was due to Com EN's lead in the market in introducing the latest technology products and solutions and thereby strengthening its portfolio to meet with the market demands. In particular, it expanded its portfolio to provide total voice & data and Call Center solutions. In last fiscal, Com EN India was appointed as the regional HQ for APAC.

Com EN won several major orders such as State Bank of India (Rs.75 million) for Dealer Room solution, Kolkata Metro (Rs.14 million), Reserve Bank of India (Rs.25 million) for Video Solution, etc. The division also successfully executed projects for Delhi Metro and ASCON III. The new products range launched in the market included Mauel Video Walls, HiPath Wireless LAN and Huawei-3Com data networking portfolio. To offer this high performance data networks to the Indian enterprises, Com EN signed an alliance with Huawei-3Com during the last fiscal.

Outlook: The market is likely to remain an up gradation & replacement driven market. Com EN's advanced enterprise communications solutions will continue to serve enterprises planning to upgrade their existing infrastructure. Its sales and service network is growing and maturing with excellent, seasoned manpower in place of the Direct and Indirect channels. It will continue to introduce a number of highly innovative products and solutions in the area of Call Centers, Voice and Data over Wireless LAN mobility and convergent voice, data and video communications. It also plans to continue last year's successful drive in the mid to low-end segment with its highly affordable HiPath range for the SOHO and SME segments.

Healthcare

Medical Solutions (MED) Division

The Healthcare segment witnessed a healthy growth rate of around 16% during the last fiscal. This growth was driven by expansion and modernization plans undertaken by major hospitals coupled with rising demand for the cutting edge equipments and technology from public and private sector. However, the market also witnessed challenging times with a 75% increase in custom duties and hardened bank lending rates. Despite a few setbacks, the market maintained a steady growth.

The Medical Division maintained its leadership position and recorded positive growth in the market amidst stiff competition. In key segments like CT scanners and Angiography products, Med grew significantly higher than the market. While Angiography segment grew by more than 35%, CT scanner segment grew by more than 25%. In other segments like MR & US, the division grew along the

Management's Discussion and Analysis (Continued)



The 1st Brain Suite with MR in India, was installed at MAX Hospital, New Delhi. by our MED division who have maintained their technological leadership in the healthcare market

market. For the last fiscal, Sales turnover grew by 12%, Orders rose by 9%, while exports from Goa works increased by over 44%.

Med was credited for introducing the latest technology in India simultaneous to its global launch. It has successfully installed Brain suite with MR at Max Hospital, New Delhi and Image Guided Radiation Therapy at Ruby Hall, Pune. These installations executed by Siemens were the first of its kind in the Asia Pacific Region. The Division also bagged an order to install the industry's first dual source Somatom Definition CT at AllIMS, Delhi. Other significant orders included the single largest contract worth Rs.180 million from the Hyderabad Government and an order from Focus Diagnostics to install the private sector's first MAGNETOM Avanto MR in the southern region. In addition to a bulk order for six 40 Slice CT scanners from the Army, Government of Bihar and Gujarat, other orders were from Lourdes Hospital, Cochin, Aarthi Scans, Chennai, Jaslok Hospitals, Mumbai and Jupiter, Mumbai.

A key highlight for the Division was the signing of an agreement with Jupiter Lifeline Hospital for jointly establishing a 'Training & Education Center' for the first time in Asia with the objective of providing multimodality training to doctors and paramedics. Another achievement for the Division was being recognized as the largest provider of comprehensive & customized 'Mobile Diagnostic Facility'. 15 such facilities are operational around the country that helps NGOs, Charitable Trusts, Government agencies and private hospitals to achieve their mission, of 'Taking Healthcare to People'.

Outlook: Looking forward, the healthcare market is expected to grow significantly with Cardiology and Oncology segments driving the market. Heightened activities in second tier cities, coupled with investments by

private and public sector for up gradation and expansion of the healthcare facilities, is fueling growth. To capitalize on this robust growth, competition is expected to get more intense, thereby, changing the business model. MED plans to continue setting benchmarks in the industry by introducing newer products and technology that will further help to strengthen its leadership position. It will also focus on adopting new marketing initiatives, enhancing its service network and customer support programs. The division's investment in R&D at its Goa factory will also continue to grow.

Transportation

Transportation Systems (TS) Division



Our successful completion of the different phases of the Delhi Metro project will give us the necessary edge to get further orders for their network expansion plan for the 2010 Commonwealth Games.

With the Government's thrust on improving Railway infrastructure in the country, the Railway Transportation market maintained an overall growth rate of around 6% p.a. The upswing in industry's growth and effective asset management led to a significant increase in revenue for the Railways. It has generated surplus funds of Rs. 120 billion and has ambitious investment plan of more than Rs. 3000 billion in the next five-year plan. Hence, overall the market remained positive and stable.

The Transportation Systems (TS) Division consolidated its leadership position in the market amidst competition from even international players. The division made huge investments in advanced technology to produce indigenous solutions with local value addition to suit local market requirements. Further, its growing network of service infrastructure and economical pricing added to its success. Its Sales increased by 37%, however due to increased raw material costs and investments in new technology areas put pressure on its profit margins. In previous fiscal, the division had received two mega orders

from the Railways. After adjusting for these one-time mega orders the normal business on a comparable basis remained at last year's level.

Some important projects won by TS during the year included the largest maintenance contract from Hubli loco shed, first annual maintenance contract for 180kVA inverters for electric locomotives and repeat orders from DLW for diesel locomotives for Electronic controls cabinets (ECCs) and microprocessor based control systems. The division also bagged a prestigious export order from Siemens Austria for point machines, which reinforced faith in the quality of equipments manufactured locally.

The Division also commissioned several projects successfully like adding two service locations for diesel locomotives & passenger coach inverters at Krishnarajapuram and putting the signaling and telecommunication system for a 3rd line of Delhi Metro in revenue operation ahead of schedule. TS also introduced an Electronic signaling system for the Indian railways. Due to its excellent service support, the service response time for passenger coach inverters was narrowed to less than 5 hours.

Outlook: The Division is expected to benefit from the investment plans for strengthening of the rail infrastructure in the country and growing urban mass transit market. The announcements for construction of dedicated freight corridor between Delhi to Kolkata & Delhi to Mumbai and network expansion plans of Delhi Metro for the Commonwealth Games in 2010 are likely to give a boost to the industry in the railway segment. Entry into the traction segment will provide future growth opportunities for TS. A clear focus on productivity improvement and asset management will provide competitive strength to the division and ensure its growth in an expanding market.

Siemens VDO Automotive (SV) Division

The twin macroeconomic parameters of GDP growth and a rise in personal disposable incomes continued to have a positive impact across the automotive industry. Production during the year grew across all segments - passenger vehicles (14%), two-wheelers (16%) and commercial vehicles (21%). Further, the Government's intent in developing India as the hub for small-car manufacturing has fuelled industry growth with many players announcing capacity expansion.

The merger of Siemens VDO Automotive (SV) into Siemens Ltd. was completed in January 2006 and SV is now a division of Siemens Ltd. For the fiscal ended 2005-06, Sales was up by 6% and margins were positive. With the

amalgamation, the accounts had to be re-aligned. During the last fiscal, SV emerged as the supplier of the electronic instrument clusters to the top three vehicle manufacturers - Tata Motors, Maruti Suzuki and Hyundai. The award of diesel engine management systems by two OEMs during FY06 contributed to SV's strategic ambition of broadening its role in the automotive electronic space by supplying Power train and body and chassis electronics, in addition to instrumentation electronics. SV opened a new chapter in the area of Commercial Vehicles (CV) for supply of telematic systems - a technology used for tracking and tracing vehicles, to the CV major Ashok Leyland. The divisions also launched new products like Immobilizers, Piezo common Rail Systems, Knock Sensors, Telematics Systems, Fuel supply units. etc



Our automotive products have found wide acceptance among the well-known car manufacturers like Tata Motors, Maruti Suzuki & Hyundai as well as major Indian and Multinational OEMs.

SV won several challenging projects from major Indian and Multinational OEM's in 2005-06. The Indian OEM's were exposed to wider technology, which has paved the way for fulfilling SV India's ambition in the space of automotive electronics. In the highly competitive environment the OEMs are putting pressure on lowering input costs in order to offer better value proposition to the customers. To support these efforts SV has undertaken process improvement programs to bring about better productivity and cost efficiency. During the year, the application engineering capability was upgraded both in numbers and range of competences. This was done in order to meet the needs of the domestic market as well as to support other global development centres.

Outlook: With the Government's thrust on automotive sector and overall growth in the Indian Economy, the industry is expected to remain buoyant. Many players have announced capacity expansion fuelling the growth and opening employment opportunities. Further electronic

Management's Discussion and Analysis (Continued)

content in vehicles is rising significantly, driven by safety and emission norms as well as driver comfort and desire for additional functionality. This itself promises SV a growth rate of over 20%. Further, the FY07 will be a year of preparing for growth, as most of the won projects, especially in the new business areas, Powertrain and Chassis & Body electronics, will go into production and subsequent ramp-up from FY08. Hence, the most important initiatives will be to increase capacities & modernise manufacturing facilities and enhance its R&D strengths. This will help SV emerge as the leading integrated electronic supplier to the Indian automotive industry.

Siemens Real Estate (SRE)

The robust growth of Siemens India's operations led to increased business opportunities for the Siemens Real Estate (SRE) Division. SRE witnessed significant growth in its business and executed several key projects. Amongst the construction projects, key highlights were completion of Phase I of Turbine factory at Baroda, Traction Motor factory and Logistic Centre at Kalwa and the Keonics car park tower project. Further, several offices and facilities were expanded and modernized to meet the requirement of growing space demand. The division also implemented eFMS, a computer-aided facility Management Solution for business process improvement and better monitoring and control. Other key initiatives taken by SRE included the Implementation of Location Concept India 2005. This involved an in-depth study conducted across Siemens locations to gauge future space requirements keeping in mind the growth momentum and will be used as a reference point for future plans across the country.



SRE's Location Concept India 2005 takes into consideration space requirements across all locations keeping in mind the future plans and growth momentum.

Group Companies of Siemens Ltd.

Siemens Information Systems Limited (SISL)

The growth of the global economy by a robust 3.6 percent led to a steady growth in IT & related business services spends during the FY 06. During the year, the Indian IT



SISL emerged the leader in the airport solutions by bagging major orders from two major airports namely, Hyderabad and Bangalore.

Services Exports grew by 32%, while the Domestic IT Services Market estimates indicate a growth of 25% in FY 06. The focus is gradually shifting from cost reduction and regulatory compliance to revenue growth oriented initiatives. The year also witnessed the coming of age of the Indian IT multinationals with the traditionally India centric, indigenous players beginning to build noticeable global presence - through cross border acquisitions and organic growth in other low cost locations.

During the year, Siemens Information Systems Ltd (SISL), a 100% subsidiary of Siemens Ltd., witnessed all round growth. Total income witnessed a steady growth of more than 34% over the previous year. Significantly, the order value increased by a whopping 62%, indicating that the Company's strategy of business acquisition & reorganization was successful.

SISL's multi pronged strategy of redefining its business offerings and increasing its thrust on emerging segments paid rich dividends. The Company emerged a leader in the domestic airport market with both the projects - Hyderabad & Bangalore Airport coming its way. It also maintained its dominant position in the domestic Media market. During the year, APAC emerged as a leading destination for its services with some strategic engagements in Thailand, Vietnam, Singapore, Indonesia, China & Australia. The concerted efforts to further enhance collaboration with various SAG divisions continued.

During the year, SISL bagged its single largest order ever from Hyderabad International Airport for Rs. 530 million. It also bagged a Rs. 420 million order from Bangalore International Airport. In both these projects, SISL is providing airport-wide Information Technology & Communication system, in the role of a Master System Integrator. The Company also continued its dominance of the SAP implementation with some key wins. Among them was a Digital Asset Management solution for Bennett, Coleman & Co Ltd. (Rs.57 million), an e-Governance solution for the Municipal Corporation of Greater Mumbai (Rs.368 million) and implementation of enterprise solutions for NTPC (Rs.150 million).

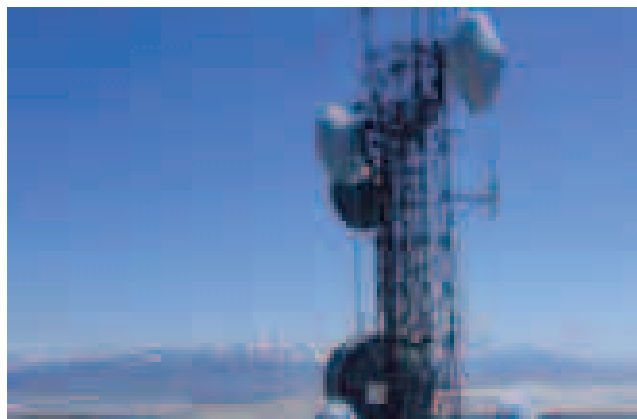
During the year, the Company significantly enhanced co-operation with all Siemens MED modalities, while also increasing engagements with A&D and SV with a 50% increase in business volume. It also successfully delivered Soarian® - the new generation IT solution for healthcare enterprises – for general availability and mass deployment rollout in the US and Europe.

Outlook: SISL expects the growth momentum to be carried forward to the next year too. The thrust for this growth would come from the Company's strategy to vertically align it's business, consolidating its strength in SAP related services & offshore software development for the 'For Siemens Business'. Newer verticals such as Automotive, Government and Pharma will be thrust areas, while the Asia Pacific market is expected to be a growth driver with specific focus on Telecom, SAP services, MES and Training. The company has outlined an investment plan to support its growth strategy involving upgradation of technology and infrastructure. The Company has planned for additional capacity in Mumbai, Pune, Kolkata and Chennai. Recently, Siemens announced the bundling of its worldwide IT business into a new group – Siemens IT Solutions and Services (SIS) where SISL has been give a greater role.

Siemens Public Communication Networks Ltd. (SPCNL)

The Indian Telecom market has been growing at a phenomenal growth rate of over 20% for the past 2-3 years. The economic growth coupled with progressive telecom policies such as removal of restrictions on foreign investments and industrial delicensing were catalysts for this growth. While services market grew at 17%, the GSM cellular growth was above 100 per cent during the past year and the equipment market grew by 26%. The international players from America, Europe, China and Korea are moving fast to tap the enormous opportunities presented in the Indian telecom sector.

In the last fiscal, Siemens Public Communication Networks Ltd. (SPCNL), a 100% subsidiary of Siemens Ltd. registered



SPCNL registered impressive growth in the area of Public Networks both fixed and mobile

a good performance, despite the aggressive pricing strategy adopted by competitive forces to gain a foothold in the fast growing market. With 26% increase in its Order intake and 30% increase in Sales over the previous fiscal, SPCNL witnessed substantial growth in Fixed as well as Mobile Networks. With contracts from BSNL, the Company significantly increased its market share in fixed line.

Some of the prestigious orders won by SPCNL include Idea Cellular Ltd. (Rs.3,000 million), SPICE Nepal Pvt. Ltd. (Rs.670 million), Bharti (Rs.1900 million) and many repeat orders from BSNL. SPCNL's logistics, manufacturing and configuration centre at Salt Lake Works, Kolkata (SLW), achieved considerable cost optimization during execution of BSNL Projects through innovative Re-engineering, Rationalization and indigenization processes.

Siemens Communication Services (SCS), a 100% export oriented R&D unit of SPCNL was successful in garnering additional high-end development work by rolling out nine new product lines with the highest quality in Network Management Systems, which is the main domain. In the area of Mobile Core Products (HLR, IMS) SCS contributed to Siemens Communications' worldwide program with five releases. Significant growth was also achieved in the area of Mobile Radio Products. SCS is now the No 2 RNCi/NetEv development center worldwide and has installed a test bed that links Bangalore to the other large development locations in Europe and China. Moreover, this financial year, SCS filed the highest number of patents among all Siemens companies in India.

Outlook: The Indian telecommunication industry comprising services and equipment market is expected to grow to Rs.166 billion by 2007, from Rs.146 billion in

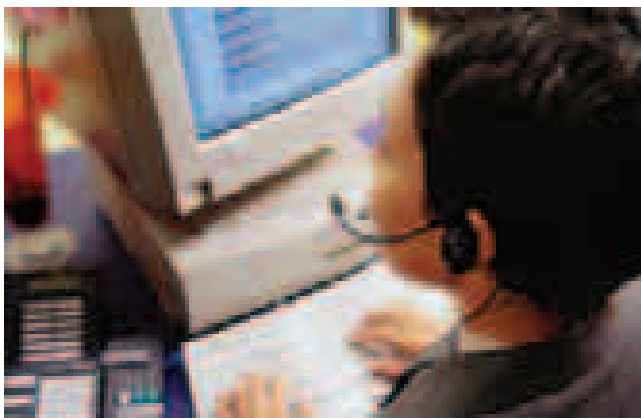
Management's Discussion and Analysis (Continued)

2005. According to TRAI the total number of subscriber base in India will reach 250 million by 2007 and that mobile phone users will account for 200 million.

Note: Siemens Networks will merge into a 50-50 joint venture with the Nokia Networks Business Group, creating a telecommunications powerhouse that will be called Nokia Siemens Networks. The new company will be a global communications leader with strong positions in important growth segments of the fixed and mobile network infrastructure and services, featuring a world-class fixed-mobile convergence capability. Nokia Siemens Networks is expected to start operations in January 2007, subject to the completion of the closing conditions and the agreement of a number of detailed implementation steps.

Siemens Information Processing Services Pvt. Ltd. (SIPS)

During 2005-06, the overall Indian IT and IT Enabled Services (ITES) companies moved up the value chain,



SIPS is fully geared to meet the growing demands of ITES-BPO sector by expanding their products and services portfolio.

expanding their product and services portfolio. While revenues and headcount in ITES - BPO segment grew by 37% and 44% respectively over the previous year, exports grew by 33%. The US accounted for about 68% of the India outsourcing exports, followed by Europe accounting for 24%.

Siemens Information Processing Services Pvt. Ltd. (SIPS), a Siemens Ltd. subsidiary, is engaged in the business of providing back office and customer contact services to Siemens operating companies in USA and third parties. In the last fiscal, SIPS recorded a good performance with a Sales growth of 67% over the previous year. The head count grew by over 100%. This was largely driven by projects from the UK and US offices of Siemens. During the year, SIPS grew more than the market, with a growth of 67 % as compared to market growth of 35%.

One of the significant highlights was the strategic partnership with Siemens Energy Services PLC, UK for Utility services, a new business vertical for Siemens. Other successes were orders from SSL US for third party business.

Outlook: The ITES-BPO sector continues to grow phenomenally well. A Nasscom-McKinsey report envisages software and BPO exports to hit USD 60bn by FY10, a compound annual growth rate (CAGR) of 28% over the five-year period. BPO exports, on the other hand, have potential to touch US \$ 25bn by FY10. SIPS expects to continue its growth at an accelerating pace. As a step to further explore business opportunities, the company plans joint product offerings with SISL and SBS. After its successful foray in Utility Services segment, SIPS will also explore for similar projects in this segment.

Siemens Industrial Turbomachinery Services Private Ltd. (SITS)

Due to a strong economic performance, a good investment was witnessed in the oil and gas sector and some Greenfield projects were announced. Siemens was successful in capturing a good market share in this new Small Gas Turbine (STG) segment, which forms the base for rendering growth opportunities for Siemens Industrial Turbomachinery Services Pvt. Ltd (SITS).

During the latter part of the year, Siemens Ltd. increased its stake in SITS from 51% to 74%. SITS, with its well-established service center at Bangalore, specializes in the service, repair and overhaul of Small Siemens Gas Turbines (SGT) and rotating equipment.

For the fiscal ended 2005-06, its Order value stood at Rs.380 million, Sales stood at Rs.125 million. Amongst major orders received was the control retrofit order from



The demand for small gas turbines is expected to grow with increased growth prospects in Oil & Gas sector and Power Generation Sectors.

ONGC for their NQO platform and a three-year rate contract for overhauling the Gas Turbine Fleet. In exports, SITS was successful in securing overhaul orders from Middle East. The company was recertified by the Siemens Product Lead Centre, SITL UK, for its product range.

Outlook: With the congenial investment climate, growth prospects in the Oil & Gas sector and realization of the policy initiatives in Power generation sector, a continued growth in the demand for Small Gas Turbines is expected. This will boost the aftermarket service business segment of SITS. The company expects to perform better with initiatives undertaken in last fiscal such as strengthening of manpower and value-added services. New investment is planned for the enhancement of the present workshop facilities in Bangalore.

Corporate Functions Review

Internal Control Systems

Siemens Ltd. has adequate internal control systems, which foster reliable financial reporting, safeguard assets, encourage adherence to management policies as well as international agreements and conventions – as far as they are applicable – and promote ethical conduct. The company has appointed an audit committee – which regularly reviews with the management, external and internal auditors – the adequacy of internal control systems.

The company has an independent Internal Audit department reporting to the Executive Director. This department is responsible for conducting internal audits of the company as well as its group & subsidiary companies in India. The audits are planned and covered systematically within the framework of an Audit Charter set by the parent company.

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

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

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

Quality

During the year, a number of Quality improvement initiatives were taken up across Divisions in the annual Strategic Planning process covering Customer, Process and Employee perspectives. Results achieved were a stronger 'First Time Right' culture; Cleaner Processes and better workplace management to deal successfully with the increased business pressure.

Training Programs were conducted in Quality Management Systems, Problem solving techniques, Cost of Quality and 5S to cover employees right from Apprentice Workmen and Trainee Engineers to Senior Managers. This has led to increased Quality awareness and the use of relevant tools and approaches for different needs and situations.

Guidance and support were given to Divisions for continually improving their Quality Management system, leading to successful ISO 9000 re-certification and assessing gaps for further improvement – based on the Siemens Quality Management System. Siemens Ltd. hosted the Siemens Asia Pacific Regional Quality Management Conference at Mumbai in Dec '05 and shared best practices in Quality from Siemens in India. This has enhanced the awareness of Indian Quality standards and our commitment to being globally competitive.

For the forthcoming year, the focus will be on realizing tangible and measurable savings and benefits out of improvement activities. Also, in order to enhance our global competitiveness, training programs are to be based on gaps to benchmarked world-class Quality Management practices derived from Siemens Quality Management Assessments.

During the fiscal year 2005-06, the Kalpana Suggestion Scheme received 1442 suggestions (45% higher than last year), registered benefits of Rs.31 million and gave away awards worth Rs. 2.2 million. The Kalpana scheme was also introduced in SISL from March '06 onwards.

Safety and Environment

Siemens has always considered Safety, Health and Environment Protection as a fundamental management responsibility. In fact, Safety and Environmental aspects have been accorded the highest levels of importance and are integrated with Planning, Design, Procurement, Fabrication, Construction and Installation and Commissioning of facilities. The Company has continued with its three-pronged strategy of Education, Engineering and Enforcement.

Management's Discussion and Analysis (Continued)

For creating a safe work environment, the OSE training on Safety and Environment Protection was imparted to employees including contract employees. A total of 2696 employees were trained in 79 training programs conducted during the Financial Year. Some of the main training topics covered were Behavioral Based Safety, Fire Fighting (Hands On), Emergency Preparedness and Construction Safety, among others.

Emergency Evacuation Drills were also conducted at our Factories in Aurangabad, Nashik, Kalwa, and the offices at Kalwa, Kharghar and Worli. These drills were conducted as a part of the 'Preventive Crisis Management' and with a view to evaluate the response of employees and existing infrastructure in handling an emergency.

From an Engineering perspective, Eco Friendly Turbo Ventilators have been installed at our Switchgear factory, Kalwa and Central Plant Engineering Department, Nashik. These ventilators do not consume any power and provide better ventilation and improved air changes. Other initiatives include installation of the Oxygen-Acetylene manifold at the Motor Factory, Kalwa thereby minimizing the potential hazard of fire and explosion at the shop floor and also the Mobile ladder with platform replaced by a scissor lift with platform and handrails to prevent the fall of a person while working on panels at the Switchboard factory, Kalwa. Water and Energy conservation projects were also undertaken at the Nashik and Kalwa factories respectively.

Additionally, implementation of a comprehensive Safety Management System for Construction Projects and implementation of Corporate Occupational Safety, Health & Environment Policy at all locations in India were undertaken. The Nashik Works, Kalwa Works (Switchgear Factory, Motor Factory, Central Services) have also successfully implemented Environment Management System as per ISO-14001.

Human Resource initiatives

In its continuous endeavor to enrich 'employee experience', Siemens Human Resource (HR) Division laid emphasis on tapping employee potential and development of key talent. The Company also identified key function areas and developed a succession plan to ensure continuity in leadership. Overall, the last fiscal was an eventful year, with employees' performance at its best and their suggestion and ideas contributing directly to the bottom-line. The employee force was strengthened further with about 1200 people joining Siemens Ltd.

A significant highlight of the year was the restructuring and redesigning of the compensation package. This

exercise was aimed at simplifying the structure and at the same time aligning with the market trends. The entire initiative was successfully rolled out after active involvement, interactions and extensive communication with employees thus resulting in a positive response for the program. In order to foster a high performance culture, the organization is also introducing a variable pay



An elaborate induction programme for graduate trainee engineers was undertaken to ensure their smooth transition from campus to corporate life.

program strongly linked to achievement of targets.

The performance management process is a vital link between the organization and its employee as it helps the Company to realize its aspirations through cascaded target setting, periodic review and rewards based on performance for all its employees. The process was continued with renewed vigor across Siemens entities.

With respect to learning initiatives, the Company organized a host of training programmes, exceeding a total number of 119 internal programmes, across the Country. These varied from Behavioral Programs (based on competencies), Functional Programs (on work related areas), General Management Programs (for Business Managers conducted at IIM-Bangalore), etc. The Induction programme for young Graduate Trainee Engineers (GTE), which is critical in ensuring a smooth transition from Campus to Corporate life for our young engineers, was an event of special significance as more than 180 GTEs joined the organization.

The objective behind of HR initiatives at factories have been to build the skills of our workmen to a level of international competence. Numerous welfare activities have ensured a healthy work life balance for our workmen.

Outlook for Siemens Ltd.

The growth momentum in the Indian economy is expected to continue during the year 2006-07, with a GDP growth forecasts of about 8%. This could touch around 10% if all the announced infrastructure projects take off and are implemented on time. The economy has continued to exhibit strong growth during the first quarter of 2006-07 by registering an increase of 8.9%. The enhanced performance in the services and manufacturing sectors are expected to act as the catalysts for driving growth. With the Government steaming ahead with reforms including the participation of private sector in infrastructure projects, the prospects for 2006-07 look very positive.

The Indian power sector will be the key determinant for the country's all round development. The Indian Government has long been aware of this and has set itself an ambitious target of more than doubling capacity by the year 2012. The Government is moving ahead with renewed vigor to add 100 GW and has announced several Ultra Mega Power projects of 4000 MW each. Further, the modernization of old power plants and also the initiative to increase the Inter-regional capacity is expected to present substantial investment opportunities in the sector. Besides, several progressive initiatives undertaken by the Government are now galvanizing change and has sparked interest in private investment opportunities. In this dynamic and promising environment, the Siemens Power business is in an advantageous position having a complete portfolio to address the power needs of India. Having five factories in India with a high value added structure, this group has also emerged as a regional hub for several technologies and businesses to serve the export market.

The Indian industry has entered into a phase of higher competition in this era of globalization. The resilience shown by the industrial sector even amidst rising global oil prices indicates the inherent strengths and capabilities the industrial sector has built over the years. The positive industrial trends are set to continue in the current fiscal too with a projected growth rate of 9.7%. Significantly, growth has been spread right across business segments, especially in steel, cement and airports. Investments in other industries like Auto, Food & Beverages, Wind energy, glass and non ferrous are also showing signs of benefiting from the basic industry thrust. This overall bullish scenario augurs well for the industry businesses of Siemens - Industrial Solutions & Services, Automation & Drives as well as Building Technologies.

The Indian healthcare market is also expected to grow impressively, with the Cardiology and Oncology segments driving the market. Growth in second tier cities coupled with investments by private and public sector for up

gradation and expansion of the healthcare facilities is likely to fuel growth. However, there is likely to be intense competition in the sector with a number of players now adopting specific strategies. Technology is also expected to play the key role of differentiator, with introduction of the latest technology enjoying a first mover's advantage. Siemens with its clear technological edge, is expected to benefit from these market opportunities.

The thrust on infrastructure development by the Government has also resulted in large investments in the Railway sector. A number of expansion plans, dedicated freight corridors and metro rail linkages planned in various cities are expected to give a fillip to our Transportation business. The Indian automotive sector also continues to be one of the fastest growing markets. Global majors are in the process of setting up manufacturing capacities in India and have identified India as a sourcing destination for some of their vehicles. This increased customer base is likely to present significant opportunities for Siemens VDO Automotive business.

The Telecom industry is predicted to grow at an exponential rate. India continues to be one of the largest markets and is driven by the year on year addition of a large subscriber base. Thus, the telecom service providers will continue to invest heavily in upgrading their networks in order to be abreast of this large number of subscribers. Further, with Indian businesses on an upswing and looking at investing in up grading and modernizing their telecom infrastructure, the market is set to be buoyant. Siemens Communications businesses, with its competitive edge in the market and established products & solutions are well poised for growth.

The Indian software and services industry is witnessing phenomenal growth. Global businesses continue to look to the Indian IT sector for support in making them more competitive in an increasingly seamless world. Also, with the Global economy perking up, companies are now looking at IT as a business advancement tool, rather than a cost reduction tool. In this optimistic business scenario, SISL expects to continue on its growth momentum. SISL is also expected to play a larger role in the newly formed IT group worldwide.

To sum up, India has huge investment opportunities in the wake of its sterling performance as one of the economic successes globally. The improvement in quality and quantity of infrastructure is very clearly driving this growth. Siemens as a strong and established player has the competitive advantage to leverage these opportunities. While the company will continue to focus on its base businesses, it will also focus on specific high

Management's Discussion and Analysis (Continued)

potential verticals like Water, Airports and Oil & Gas to garner higher growth levels. With its established credentials in manufacturing, the company now seeks to enlarge its served market across newer geographies. With this, Siemens India is expected to contribute significantly to the regional and global value chain.

Note:

This document contains forward-looking statements and information – that is, statements related to future, not past, events. These statements may be identified by words such as “expects,” “anticipates,” “intends,” “plans,” “believes,” “seeks,” “estimates,” “will” or words of similar meaning. Such statements are based on our current expectations and certain assumptions, and are, therefore, subject to certain risks and uncertainties. A variety of factors, many of which are beyond Siemens’ control, affect its operations, performance, business strategy and results and could cause the actual results, performance or

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

Annexure III to the Directors' Report

Corporate Governance Report

[As required by Clause 49 of the Listing Agreements with the Stock Exchanges (Listing Agreement)]

I. Company's philosophy on Governance and Corporate Principles

Philosophy

For Siemens Ltd., Corporate Governance stands for responsible and value creating management and control of the Company. The Company's Policies and Practices are not only consistent with the statutory requirement but also underline our commitment to operate in the best interest of the Stakeholders.

We are committed to maintain highest standards of ethical behavior and strive persistently to manage the Company in accordance with the fundamental principles of trusteeship, transparency, empowerment, accountability and integrity.

Corporate Principles

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



We strengthen our CUSTOMERS - to keep them competitive.

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



We push INNOVATION - to shape the future

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



We empower our PEOPLE - to achieve world-class performance

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



We embrace corporate RESPONSIBILITY - to advance society

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



We enhance company VALUE - to open up new opportunities

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

II. Board of Directors (Board)

• Composition

The Board comprises of experts drawn from diverse fields / professions. It consists of total of 12 Directors (excluding Alternate Director). The Board of the Company has an optimum combination of Executive and Non-executive Directors, which is in conformity with the requirement of Clause 49 of the Listing Agreement in this regard. The Chairman of the Board is a Non-executive and Independent Director.

Board Composition

Particulars	Composition of the Board		Minimum Requirement as per Clause 49
	No. of Directors	% of Total Directors	
Non-executive Directors (Therein Independent Directors)	8 (6)	66.67 (50)	50% (33.33%)
Whole-time Directors	4	33.33	—
Total	12	100	

Corporate Governance Report (continued)

The necessary disclosures regarding Committee positions have been made by all the Directors. None of the Directors is a Member of more than 10 Committees and Chairman of more than 5 Committees across all public limited companies in which he is a Director.

The Composition as on date, the changes during the year under review, number of Meetings attended and Directorships / Committee Memberships in other Companies, are as follows:

	Name of the Director	Category ⁽¹⁾	Attendance at Board Meetings held during FY 2005-06		Attendance at last AGM held on 27.01.06	Other Directorships in India ⁽²⁾	Other Committee Positions in India ⁽³⁾	
			Held #	Attended			Member	Chairman
1	Mr. Deepak S. Parekh (Chairman)	NED (I)	4	4	Yes	17	2	5
2	Mr. J. Schubert (Managing Director)	WTD	4	4	Yes	4	1	Nil
3	Mr. Patrick de Royer ⁽⁴⁾ (Executive Director)	WTD	2	2	N.A.	5	1	1
4	Mr. Harminder Singh	WTD	4	2	No	2	Nil	Nil
5	Mr. K. R. Upili (from 27.01.2006)	WTD	2	2	Yes	1	Nil	Nil
6	Mr. D. C. Shroff	NED (I)	4	4	Yes	14	4	3
7	Mr. Y. H. Malegam	NED (I)	4	4	Yes	11	3	3
8	Prof. Dr. K. Wucherer ⁽⁵⁾ (Nominee of parent company, Siemens AG)	NED	4	Nil	No	Nil	Nil	Nil
9	Mr. N. J. Jhaveri	NED (I)	4	4	Yes	13	5	4
10	Mr. K. Dadiseth (from 27.01.2006)	NED(I)	2	1	Yes	7	1	Nil
11	Mr. P. V. Nayak (from 27.01.2006)	NED(I)	2	2	Yes	3	2	Nil
12	Mr. J. Kaeser ⁽⁵⁾ (from 01.10.2006)	NED	N.A.	N.A.	N.A.	Nil	Nil	Nil
13	Dr. O. Schmitt ⁽⁵⁾ (Alternate for Mr. J. Kaiser ⁽⁶⁾)	NED	4	3	Yes	Nil	Nil	Nil
14	Mr. H. Gelis ⁽⁷⁾	WTD	2	2	Yes	N.A.	N.A.	N.A.

Notes:

1. Category: WTD - Whole-time Director, NED – Non-executive Director, NED (I) – Non-executive Director and Independent
2. Includes Alternate Directorships and Directorships in private companies.
3. Includes only Audit Committee and Investors Grievance Committee of public limited companies.
4. Executive Director – Designate from 01.02.2006 and Executive Director from 01.03.2006
5. In the whole-time employment of the parent company, Siemens AG, Germany.
6. Ceased to be the Alternate Director for Prof. Dr. K. Wucherer with effect from the close of business hours on 30.09.2006 and appointed as the Alternate Director for Mr. J. Kaeser from 01.10.2006.
7. Ceased to be the Executive Director and a Director of the Company with effect from the close of business hours on 28.02.2006.

Details provided from the date of appointment of the respective Directors

- **Board Meetings**

The Board Meeting dates are normally pre-determined. During the Financial Year 2005-06, the Board met four times as follows:

Date of the Board Meeting	Total number of Directors on the date of Meeting	Number of Directors who attended
24 th November, 2005	8	7
27 th January, 2006	8	7
26 th April, 2006	11	10
25 th July, 2006	11	10

Board Meetings are held once in every quarter. In addition to this, Board Meetings are convened to transact special businesses, as and when necessary.

- The gap between two Meetings did not exceed four months.
- Agenda papers, containing all necessary information, are made available to the Board well in advance to enable the Board to discharge its responsibilities effectively and take informed decisions. Where it is not practicable to attach or send the relevant information as a part of Agenda Papers, the same are tabled at the Meeting.

The information as specified in Annexure IA to the Clause 49 of the Listing Agreement, is regularly made available to the Board, whenever applicable, for discussion and consideration.

III. Committees of Directors under Corporate Governance Code

a. Audit Committee of Directors (Audit Committee) - Since 15th December, 2000

Composition

The Audit Committee presently comprises of 3 Independent Directors and 1 Non-executive Director, having rich accounting / financial management expertise. The Chairman is an Independent Director. The present composition of the Audit Committee and changes therein since the last Annual Report, are as follows:

Name	Tenure		Position	Category
	From	To		
Mr. Y. H. Malegam	15.12.2000	–	Chairman	Non-executive and Independent Director
Mr. Joe Kaeser / Dr. O. Schmitt (Alternate Director for Mr. J. Kaeser)	01.10.2006	–	Member	Non-executive Director
Mr. Deepak S. Parekh	22.11.2004	–	Member	Non-executive and Independent Director
Mr. K. Dadiseth	01.02.2006	–	Member	Non-executive and Independent Director
Prof. Dr. K. Wucherer / Dr. O. Schmitt (Alternate Director for Prof. Dr. K. Wucherer upto 30.09.2006)	15.12.2000	30.09.2006	Member	Non-executive Director
Mr. Ashok Jangid	15.12.2000	–	Secretary	Corporate Secretary

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

The powers and terms of reference of the Audit Committee are as mentioned in the Clause 49 II (C), (D) & (E) of the Listing Agreement and Section 292A of the Companies Act, 1956.

Corporate Governance Report (continued)

Terms of reference

The terms of reference are briefly described below:

- a. Oversight of the Company's financial reporting process and disclosure of financial information.
- b. Recommend the appointment, re-appointment and, if required, replacement or removal of Statutory auditor, fixation of audit fees and approving payments for any other services.
- c. Review with management the annual and quarterly financial statements before submission to the Board.
- d. Review with management, performance of Statutory and internal auditors and 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 Statutory auditors before the audit commences, of the nature and scope of audit as well as have post-audit discussion to ascertain any areas of concern.
- i. 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.
- j. Review the functioning of the Whistle Blower mechanism.
- k. Review the following information:
 - Management discussion and analysis of financial condition and results of operations;
 - Statement of significant related party transactions;
 - Management letters / letters of internal control weaknesses issued by the statutory auditors;
 - Internal audit reports relating to internal control weaknesses;
 - The appointment, removal and remuneration of the chief internal auditor;
 - The financial statements, in particular, the investments made by unlisted Subsidiary Companies.

In addition to the above, the following disclosures are made to the Audit Committee, as and when applicable:

- Basis of related party transactions
- Disclosure of Accounting Treatment
- Utilisation / application of proceeds from public issues, rights issues, preferential issues, etc., if any.

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

Meetings and attendance during the year

The Audit Committee met five times during the Financial Year 2005-06 and the gap between two Meetings did not exceed 4 months. The details of attendance of the Members and Corporate Secretary at these Meetings are as follows:

Name	Attendance at the Meeting held on				
	24.11.2005	27.01.2006	25.04.2006	25.07.2006	26.07.2006 (Special)
Mr. Y. H. Malegam	Yes	Yes	Yes	Yes	Yes
Dr. O. Schmitt (Alternate Director for Prof. Dr. K. Wucherer upto 30.09.2006)	Yes	Yes	No	Yes	Yes
Mr. Deepak S. Parekh	Yes	Yes	Yes	Yes	Yes
Mr. K. Dadiseth (from 01.02.2006)	N.A.	N.A.	Yes	No	No
Mr. Ashok Jangid	Yes	Yes	Yes	Yes	Yes

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

The Chairman of the Audit Committee was present at the 48th Annual General Meeting held on 27th January, 2006.

b. Investors Grievance Committee of Directors (Investors Grievance Committee) – Since 15th December, 2000
Composition

The Investor Grievance Committee has been constituted to attend to and redress the investors' grievances. The Committee is headed by an Independent Director. The present composition of the Committee and changes therein since the last Annual Report, are as follows:

Name	Tenure		Position	Category
	From	To		
Mr. D. C. Shroff	15.12.2000	–	Chairman	Non-executive and Independent Director
Mr. J. Schubert	15.12.2000	–	Member	Managing Director
Mr. P. V. Nayak	01.02.2006	–	Member	Non-executive and Independent Director
Mr. N. J. Jhaveri	25.07.2005	31.01.2006	Member	Non-executive and Independent Director
Mr. Ashok Jangid	15.12.2000	–	Secretary and Compliance Officer	Corporate Secretary

Terms of reference

- Review the existing "Investor Redressal System" and suggest measures for improvement.
- Receive the report of Registrar and Share Transfer Agent (RTA) on 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 RTA, including the terms and conditions, remuneration, service charges / fees.
- Decide the frequency of audit of RTA and consider Auditors' Report thereon.

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

Meetings and attendance during the year

The Investors Grievance Committee met twice during the Financial Year 2005-06. The details of attendance of the Members and the Corporate Secretary at these Meetings are as follows:

Name	Attendance at Meetings held on	
	27.01.2006	25.07.2006
Mr. D. C. Shroff	Yes	Yes
Mr. J. Schubert	Yes	Yes
Mr. P. V. Nayak (from 01.02.2006)	N.A.	Yes
Mr. N. J. Jhaveri (Upto 31.01.2006)	Yes	N.A.
Mr. Ashok Jangid	Yes	Yes

Mr. Ashok Jangid, Corporate Secretary, has been nominated as the "Compliance Officer" with effect from 13th November, 2000 pursuant to the requirements of the Securities and Exchange Board of India (SEBI) Regulations and Listing Agreement.

Details of Investor Complaints

The Corporate Secretariat Department of the Company and TSR Darashaw Ltd., RTA, attend to all grievances of the shareholders and investors received directly or through SEBI, Stock Exchanges, Ministry of Company Affairs, Registrar of Companies, etc.

Corporate Governance Report (continued)

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

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

The details of Complaints received, cleared / pending during the Financial Year 2005-06 is given below :

Nature of Complaints	Received	Cleared	Pending
Non-receipt of Share Certificates duly transferred	115	115	-
Non-receipt of dividend warrants	23	23	-
Letters from SEBI	3	1	2
Letters from Stock Exchanges	3	3	-
Total	144	142	2

Number of complaints received during the year as a percentage of total number of Members is 0.18%

c. Remuneration Committee of Directors (Remuneration Committee) – Since 15th December, 2000

Composition

The Remuneration Committee comprises of four Independent Directors. The present composition of the Remuneration Committee is as follows:

Name	From	Position	Category
Mr. N. J. Jhaveri	15.12.2000	Chairman	Non-executive and Independent Director
Mr. D. C. Shroff	15.12.2000	Member	Non-executive and Independent Director
Mr. Deepak S. Parekh	01.10.2004	Member	Non-executive and Independent Director
Mr. Y. H. Malegam	22.11.2004	Member	Non-executive and Independent Director
Mr. Ashok Jangid	15.12.2000	Secretary	Corporate Secretary

Terms of reference

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

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

Meetings and attendance during the year

During the year under review, the Committee met on 23rd November, 2005 and on 26th April, 2006, which was adjourned to 30th May, 2006. All the Members and Mr. Ashok Jangid, Corporate Secretary, were present at the said Meetings.

The Chairman of the Remuneration Committee was present at the 48th Annual General Meeting held on 27th January, 2006.

Remuneration Policy

The Remuneration Policy of the Company is performance driven and is structured to motivate employees, recognize their merits and achievements and promote excellence in their performance.

I. For Whole-time Directors

The Board of Directors / the Remuneration Committee of Directors is authorised to decide the remuneration of the Whole-time Directors, subject to the approval of the Members and Central Government, if required. The remuneration structure comprises of Salary, Perquisites, Retirement Benefits, Performance Linked Incentive (PLI), Commission and Compensation under Stock Option Plan(s) of Siemens AG, Germany, parent company. Annual increments are decided by the Remuneration Committee within the salary grade approved by the Members.

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

PLI, Compensation under Stock Options Plan(s) of Siemens AG and Commission constitute the variable component of remuneration.

Under PLI, specific targets are set for each Whole-time Director at the beginning of each Financial Year. The targets are also linked to the Company's targets. PLI is paid to the Whole-time Directors on achievement of the said targets.

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

Commission is determined on the basis of the Net Profits of the Company in a particular Financial Year, subject to the overall ceiling as stipulated in Sections 198 and 309 of the Companies Act, 1956.

Remuneration paid / payable to the Whole-time Directors for the Financial Year 2005-06

(Amount in Rs.)

	Mr. J. Schubert	Mr. P. de Royer ⁽¹⁾	Mr. H. Singh	Mr. K. R. Upili ⁽²⁾	Mr. H. Gelis ⁽³⁾
Salary	2,592,000	1,564,000	2,008,800	1,404,194	810,000
Perquisites ⁽⁴⁾	1,729,752	2,583,750	2,093,296	15,39,463	2,570,358
Performance Linked Incentive	3,000,000	2,000,000	3,000,000	2,000,000	1,250,000
Compasation under Stock Option Plan(s) of Siemens AG	–	–	–	–	7,106,920
Commission ⁽⁵⁾	2,500,000	1,335,000	2,000,000	1,335,000	835,000
Total	9,821,752	7,482,750	9,102,096	6,278,657	12,572,278
Tenure					
From	01.10.1996	01.02.2006	01.04.1998	27.01.2006	01.01.2001
To	30.09.2007	31.01.2011	31.03.2008	26.01.2008	28.02.2006
Shares of Rs.2 each held as on 30.09.2006	Nil	Nil	3,310	465	N.A.

Notes

1. Pro-rata payment for the part of the year from 01.02.2006 to 30.09.2006.
2. Pro-rata payment for the part of the year from 27.01.2006 to 30.09.2006.
3. Pro-rata payment for the part of the year from 01.10.2005 to 28.02.2006.
4. Perquisites includes Company's contribution to Provident and Superannuation Funds for Indian Directors and Overseas Allowance for Expatriate Directors viz. Mr. J. Schubert, Mr. P. de Royer and Mr. H. Gelis.
5. Commission is subject to approval of Annual Accounts by the Members at the forthcoming 49th Annual General Meeting to be held on 18th January, 2007.

Corporate Governance Report (continued)

No severance fees are payable to the Directors on termination of employment. The Company does not have a scheme for stock options of its Shares either for the Directors or the employees. However, under the Compensation under Stock Option Plan(s) of Siemens AG, Germany, the Whole-time Directors and certain other Senior Managers of the Company are entitled to cash equivalent of the fair market value of Options / Awards, as explained above.

II. For Non-executive Directors

The Non-executive Directors are paid remuneration by way of Commission and Sitting fees.

Commission

In terms of the Members' approval given at the 47th Annual General Meeting held on 27th January, 2005, Commission is payable at a rate not exceeding 1% per annum of the Net Profits of the Company computed in the manner referred to in Section 309 of the Companies Act, 1956. The actual amount of Commission payable to each Non-executive Director is decided by the Board on the following criteria:

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

The Non-executive Directors do not participate in the discussion and decision in this matter. As regards the Commission payable to the Chairman, the same is decided by the other Members of the Board.

Sitting Fees

In addition to the Commission, Non-executive Directors are entitled to Sitting Fees for attending Board / Committee Meetings, as per the details given below. :

Meetings	Sitting fees per Meeting with effect from 1 st October, 2005
Board Meetings	Rs.20,000
Audit Committee Meetings	Rs.20,000
Remuneration Committee, Investors Grievance Committee and Special Committee Meetings	Rs.10,000

Remuneration paid / payable to the Non-executive Directors for the Financial Year 2005-06

Name	Sitting Fees for Board / Committee Meetings attended (Rs.)	Commision ⁽¹⁾ (Rs.)	Special Commission for Extra-ordinary Performance of the Company ⁽¹⁾ (Rs.)	Total (Rs.)	Number of Shares of Rs.2 each held as on 30.09.2006
Mr. Deepak S. Parekh	220,000	450,000	230,000	900,000	4,500
Mr. Y. H. Malegam	220,000	350,000	175,000	745,000	3,125
Mr. D. C. Shroff	120,000	310,000	175,000	605,000	4,500
Mr. N. J. Jhaveri	110,000	300,000	175,000	585,000	2,500
Prof. Dr. K. Wucherer	N.A.	N.A.	N.A.	N.A.	Nil
Mr. K. Dadiseth (from 27.01.2006)	40,000	200,000	120,000	360,000	Nil
Mr. P. V. Nayak (from 27.01.2006)	70,000	200,000	120,000	390,000	Nil
Dr. O. Schmit ⁽²⁾	140,000	300,000	175,000	615,000	Nil

Notes:

1. Subject to approval of Annual Accounts by the Members at the forthcoming 49th Annual General Meeting to be held on 18th January, 2007.
2. Ceased to be the Alternate Director for Prof. Dr. K. Wucherer with effect from the close of business hours on 30.09.2006 and appointed as the Alternate Director for Mr. J. Kaeser w.e.f. 01.10.2006.

Mr. D. C. Shroff is a Senior Partner of Crawford Bayley & Co., Solicitors & Advocates, who have a professional relationship with the Company. The professional fees of Rs.200,499 paid to Crawford Bayley & Co. during the Financial Year under review, is not considered material enough to impinge on the independence of Mr. Shroff.

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

IV. Committees of Management (Constituted by the Board of Directors)**a. Share Transfer Committee (STC) - Since 1st January, 2001****Composition**

Name	Tenure		Position	Designation
	From	To		
Mr. J. Schubert	01.01.2001	–	Chairman	Managing Director
Mr. Patrick de Royer	01.02.2006	–	Member	Executive Director
Mr. Ashok Jangid	01.01.2001	–	Member and Secretary	Corporate Secretary
Mr. H. Gelis	01.01.2001	28.02.2006	Member	Executive Director

The STC notes and takes on record the transfer / transmission / transposition of shares and consolidation / splitting of folios, issue of share certificates in exchange for sub-divided, consolidated, defaced, etc., as approved by the Authorised Officers of the Company. The STC also notes the dealings in the shares by the designated employees under Company's Code of Conduct for Prevention of Insider Trading. The STC Meetings are held as and when required, usually fortnightly. 23 Meetings of the STC were held during the Financial Year 2005-06. The Minutes of the Meetings of the STC are noted at the Board Meetings of the Company.

b. Finance Committee (FC) - Since 1st January, 2001**Composition**

Name	Tenure		Position	Designation
	From	To		
Mr. Patrick de Royer	01.02.2006	–	Chairman (from 01.03.2006)	Executive Director
Mr. J. Schubert	01.01.2001	–	Member	Managing Director
Mr. Ashok Jangid	01.01.2001	–	Member and Secretary	Corporate Secretary
Mr. H. Gelis	01.01.2001	28.02.2006	Chairman	Executive Director
Mr. R. Rangarajan	19.07.2001	26.04.2006	Member	Executive Vice President - Corporate Finance

The FC authorises opening / closing of bank accounts, availing of credit facilities, giving of loans, intercorporate deposits, guarantees, investment in mutual funds, etc. The FC Meetings are held as and when required, usually monthly. 9 Meetings of the FC were held during the Financial Year 2005-06. The Minutes of the Meetings of the FC are noted at the Board Meetings of the Company.

Corporate Governance Report (continued)

c. Delegation of Powers Committee (DPC) - Since 1st January, 2001

Composition

Name	Tenure		Position	Designation
	From	To		
Mr. J. Schubert	01.01.2001	–	Chairman	Managing Director
Mr. Patrick de Royer	01.02.2006	–	Member	Executive Director
Mr. K. R. Upili	01.02.2006	–	Member	Whole-time Director
Mr. Ashok Jangid	01.01.2001	–	Member and Secretary	Corporate Secretary
Mr. H. Gelis	01.01.2001	28.02.2006	Member	Executive Director

The DPC issues / revokes Powers of Attorney, fixes the procedures for signing authority, grants authority for various purposes to the employees, etc. The DPC Meetings are held as and when required, usually monthly. 11 Meetings of the DPC were held during the Financial Year 2005-06. The Minutes of the Meetings of DPC are noted at the Board Meetings of the Company.

V. Subsidiary Companies

The Company does not have a material non-listed Indian subsidiary whose Turnover or Networth (i.e. Paid-up Capital and Free Reserves) exceeds 20% of the consolidated Turnover or Networth respectively, of the Company and its subsidiaries in the immediately preceding accounting year.

The Company monitors the performance of its subsidiaries, inter alia, by the following means:

- The Financial Statements, in particular the investments made by the unlisted subsidiary companies, are reviewed by the Audit Committee of the Company, as and when applicable.
- The Minutes of Board Meetings of the subsidiaries are noted at the Board Meetings of the Company.
- Details of significant transactions and arrangements entered into by the unlisted subsidiary companies are placed before the Board of the Company, as and when applicable.

VI. Chief Executive Officer (CEO) / Chief Financial Officer (CFO) Certification

As required by Clause 49 V of the Listing Agreement introduced with effect from 1st January, 2006, the CEO and CFO certification of the Financial Statements, the Cash Flow Statement and the Internal Control Systems for financial reporting are enclosed.

VII. Business Conduct Guidelines

"Integrity guides our conduct towards our business partners, colleagues, shareholders and the general public."

The above basic statement of our Corporate Principles constitutes the foundation of the Company's Business Conduct Guidelines (BCGs). BCGs are globally binding uniform rules of conduct that apply to every Siemens employee worldwide. Our Principles and our BCGs form part of the curricula in our training programs for junior employees. Every two years, all managerial employees sign a pledge renewing their commitment to uphold the BCGs. Audits are conducted to ensure that the BCGs are being implemented properly.

The Board of Directors has nominated **Mr. Ashok Jangid, Corporate Secretary**, as the Regional Compliance Officer in this regard with effect from 2nd August, 2004. He is responsible for the implementation and monitoring of the BCGs in Siemens Ltd. and also in its subsidiary companies in India.

Further, the Company has adopted BCGs as the Code of Conduct for Directors and Senior Management of the Company, as per the requirement of Clause 49 I D of the Listing Agreement. Accordingly, the application of BCGs has also been extended to the Non-executive Directors of the Company. The Company has received confirmations from all the Directors and Senior Management of the Company regarding compliance with the BCGs for the year ended on 30th September, 2006.

A certificate from Mr. J. Schubert, Managing Director, to this effect forms part of this Report. Further, BCGs are also available on the website of the Company (www.siemens.co.in)

VIII. Policy for Prevention, Detection and Investigation of Frauds and Protection of Whistleblowers (Whistleblower Policy)

The Company is committed to provide an open, honest and transparent working environment and seeks to eliminate fraudulent activities in its operations. To maintain high level of legal, ethical and moral standards and to provide a gateway for employees to report unethical behaviour and actual or suspected frauds, the Company has adopted Whistleblower Policy with effect from 1st February, 2005.

The Whistleblower Policy of the Company broadly covers a detailed process for reporting, handling and investigation of fraudulent activities and providing necessary protection to the employees who report about such fraudulent activities / unethical behaviour.

Mr. Ashok Jangid, Corporate Secretary, has been nominated as the Compliance Officer under this Policy with effect from 1st February, 2005.

IX. General Body Meetings

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

Financial Year	AGM No.	Venue	Day and Date	Time
2004-05	48 th	Yashwantrao Chavan Pratishthan Auditorium Y. B. Chavan Centre General Jagannath Bhosale Marg Nariman Point, Mumbai - 400 021	Friday 27 th January, 2006	3.30 p.m.
2003-04	47 th		Thursday 27 th January, 2005	3.00 p.m.
2002-03	46 th		Wednesday 21 st January, 2004	3.30 p.m.

b. Special Resolutions passed at last three AGMs:

- i. 48th AGM held on 27th January, 2006 - Approving amendment to the Articles of Association of the Company to provide that a Director need not hold qualification shares.
- ii. 47th AGM held on 27th January, 2005 -
 - (a) Approving payment of Commission to Non-executive Directors.
 - (b) Approving change in place of keeping the Register & Index of Members, etc.
- iii. 46th AGM held on 21st January, 2004 - Approving voluntary delisting of Shares from Delhi, Calcutta and Madras Stock Exchanges.

c. Passing of Resolutions by Postal Ballot:

Pursuant to Section 192A of the Companies Act, 1956 and Companies (Passing of the Resolution by Postal Ballot) Rules, 2001, the following Resolutions were passed by the Members by way of Postal Ballot on 17th May, 2006.

- Ordinary Resolution – Sub-division of each Equity Share of the Company of Face Value of Rs.10 into 5 Equity Shares of the Face Value of Rs.2 each (Stock Split).
- Ordinary Resolution – Making consequential alterations to Clause V of the Memorandum of Association of the Company relating to Share Capital.
- Special Resolution – Making consequential alterations to Article 3 of the Articles of Association of the Company titled 'Capital'.

Corporate Governance Report (continued)

Mr. P. N. Parikh, Practicing Company Secretary, was appointed as the Scrutinizer for conducting the Postal Ballot voting process. Based on the Report of the Scrutinizer dated 15th May, 2006, the Results of voting by Postal Ballot were declared on 17th May, 2006. The same is summarized hereunder:

Particulars	Resolution No.1		Resolution No. 2		Resolution No. 3	
	Stock Split		Alteration to Memorandum of Association		Alteration to Articles of Association	
	No. of Postal Ballots	No. of Votes	No. of Postal Ballots	No. of Votes	No. of Postal Ballots	No. of Votes
Valid Ballots / Votes	4,643	22,217,198	4,603	22,215,672	4,596	22,214,304
In favour	4,611	22,212,862	4,562	22,210,072	4,557	22,210,356
Percentage		99.98%		99.97%		99.98%
Against	32	4,336	41	5,600	39	3,948
Percentage		0.02%		0.03%		0.02%
Invalid Ballots / Votes	481	47,069	521	48,595	528	49,963

Thus, all the aforesaid Resolutions have been passed by overwhelming majority of Members who cast their vote. Resolutions, if required, shall be passed by Postal Ballot during the year ending on 30th September, 2007, as per the prescribed procedure.

X. Disclosures

- Transactions with related parties, as per requirements of Accounting Standard 18, are disclosed elsewhere in this Annual Report and they are not in conflict with the interest of the Company at large.
- With regard to matters related to capital markets, the Company has complied with all requirements of the Listing Agreement as well as SEBI regulations and guidelines. No penalties were imposed or strictures passed against the Company by the Stock Exchanges, SEBI or any other statutory authority during the last three years in this regard.
- Disclosures have also been received from the senior managerial personnel relating to the financial and commercial transactions in which they or their relatives may have a personal interest. However, none of these transactions have potential conflict with the interests of the Company at large.
- The Company has adopted a Policy for Prevention, Detection and Investigation of Frauds and Protection of Whistleblowers (Whistleblower Policy) and has established the necessary mechanism in line with Clause 7 of Annexure I D to Clause 49 of the Listing Agreement. No personnel has been denied access to the Audit Committee.

XI. Means of communication

- The Quarterly / Annual Financial Results of the Company are published in the following leading national English newspapers:
Indian Express and Financial Express
In addition, the same are published in Loksatta, local language (Marathi) newspaper.
- The following are also promptly displayed on the Company's website (www.siemens.co)
 - Financial Results and the Presentations, as and when made, to the media and analysts in the 'Investor Relations' Section
 - Official press releases in the 'Press' Section.
 - Letters / intimation to Stock Exchanges in the 'Notices for Corporate Development' Section under the 'Investor Relations' Section
 - Shareholding Pattern in the 'Investors Relations' Section

- c. Information about the Financial Results, Shareholding Pattern, full Annual Report and other specified details are electronically filed on the EDIFAR website (www.sebiedifar.nic.in) as required under the Listing Agreement.
- d. The Management's Discussion and Analysis forms part of Directors' Report as Annexure II.

XII. General Shareholder Information

'General Shareholder Information' is given in Annexure IV to the Directors' Report.

XIII. Status of compliance with non-mandatory requirements

1. The Company has constituted a Remuneration Committee of Directors comprising of Independent Directors. The details of the Committee have been mentioned earlier in this Report.
2. Since the Financial Results are published in leading newspapers as well as promptly displayed on the Company's website and EDIFAR website, the results are not sent to each household of the Shareholders.
3. The Company has adopted a Policy for Prevention, Detection and Investigation of Frauds and Protection of Whistleblowers. The details with regard to functioning of the Policy have been mentioned earlier in this Report.
4. The Company is in the regime of unqualified financial statements.

On behalf of the Board of Directors

Siemens Ltd.



Deepak S. Parekh
Chairman

Mumbai

Thursday, 23rd November, 2006

Note: The information given hereinabove is as of date unless otherwise stated.

Corporate Governance Report (continued)

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

To the Members of Siemens Ltd.

We have examined the compliance of conditions of corporate governance by Siemens Limited ("the company") for the year ended on 30 September 2006, as stipulated in Clause 49 of the Listing Agreements entered into by the Company with Stock Exchanges.

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

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

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

For BSR & Co.
Chartered Accountants

Mumbai
23 November 2006

Akeel Master
Partner
Membership No: 046768

Declaration by the Managing Director under Clause 49 of the Listing Agreement regarding compliance with Business Conduct Guidelines (Code of Conduct)

In accordance with Clause 49 ID of the Listing Agreement with the Stock Exchanges, I hereby confirm that, all the Directors and the Senior Management personnel of the Company have affirmed compliance with the Business Conduct Guidelines (Code of Conduct), as applicable to them, for the Financial Year ended on 30th September, 2006.

Siemens Ltd.



J. Schubert
Managing Director

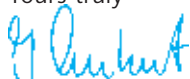
Mumbai
Thursday, 23rd November, 2006

Certification by the Chief Executive Officer Pursuant to Clause 49 of the Listing Agreement

I, J. Schubert, certify that:

- a) I have reviewed the financial statements and the cash flow of Siemens Limited ('the company') for the year ended 30 September 2006 and to the best of my knowledge and belief:
 - i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - ii) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b) There are, to the best of my knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.
- c) I accept responsibility for establishing and maintaining internal controls and that I have evaluated the effectiveness of internal control systems of the company. There are no deficiencies in the design or operation of internal control.
- d) I have indicated to the auditors and the Audit committee that there are no
 - i) significant changes in the internal control during the year;
 - ii) significant changes in accounting policies during the year;
 - iii) instances of significant fraud of which I have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system. Yours truly, J ,Llv(J. Schubert)
Place: Mumbai; Date: 22nd November 2006.

Yours truly



J. Schubert

Place : Mumbai

Date: 22 November 2006

Certification by the Chief Financial Officer Pursuant to Clause 49 of the Listing Agreement

I, P. de Royer, certify that:

- a) I have reviewed the financial statements and the cash flow of Siemens Limited ('the company') for the year ended 30 September 2006 and to the best of my knowledge and belief:
 - i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - ii) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b) There are, to the best of my knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.
- c) I accept responsibility for establishing and maintaining internal controls and that I have evaluated the effectiveness of internal control systems of the company. There are no deficiencies in the design or operation of internal control.
- d) I have indicated to the auditors and the Audit committee that there are no
 - i) significant changes in the internal control during the year;
 - ii) significant changes in accounting policies during the year;
 - iii) instances of significant fraud of which I have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system.

Yours truly



P. de Royer

Place : Mumbai

Date: 22 November 2006

Annexure IV to the Directors' Report

General Shareholder Information

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

1. 49th Annual General Meeting

Day, date and time	Thursday, 18 th January, 2007 at 3.30 P.M
Venue	Yashwantrao Chavan Pratishthan Auditorium, Y. B. Chavan Centre, General Jagannath Bhosale Marg, Nariman Point, Mumbai - 400 021

Agenda

Ordinary Business:

1. Adoption of audited Annual Accounts for the year ended on 30th September, 2006 and the Reports of the Directors and Auditors thereon.
2. Declaration of Dividend.
3. Re-appointment of Mr. Deepak S. Parekh on retirement by rotation.
4. Re-appointment of Mr. D. C. Shroff on retirement by rotation.
5. Re-appointment of Mr. Y. H. Malegam on retirement by rotation.
6. Re-appointment of BSR & Co. as the Statutory Auditors.

Special Business:

7. Appointment of Mr. Patrick de Royer as a Director.
8. Appointment of Mr. Patrick de Royer as the Whole-time Director / Executive Director for a period of five years with effect from 1st February, 2006 and payment of Remuneration to him.
9. Appointment of Mr. Joe Kaeser as a Director.
10. Increase in remuneration of Mr. Juergen Schubert, Managing Director.
11. Increase in remuneration of Mr. Patrick de Royer, Executive Director.
12. Increase in remuneration of Mr. Harminder Singh, Whole-time Director.
13. Increase in remuneration of Mr. K. R. Upili, Whole-time Director.
14. Change in place of keeping of Register and Index of Members, etc. consequent to change of address of TSR Darashaw Ltd., Registered and Share Transfer Agent.

2. Financial Calendar

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

For the Financial Year 2006-07, Financial Results will be announced as per the following tentative schedule:

1 st quarter ending on 31 st December, 2006	18 th January, 2007
2 nd quarter ending on 31 st March, 2007	23 rd April, 2007
3 rd quarter ending on 30 th June, 2007	23 rd July, 2007
Year ending on 30 th September, 2007	22 nd November, 2007

3. Book Closure

The Company's Register of Members and Share Transfer Books will remain closed from Thursday, 4th January, 2007 to Thursday, 18th January, 2007 (both days inclusive) for the payment of Dividend, if declared at the ensuing 49th Annual General Meeting to be held on 18th January, 2007.

4. Dividend

The Board of Directors has recommended a Dividend of Rs.3.80 on each Equity Share of Rs.2 (190%), for the Financial Year ended on 30th September, 2006. Upon approval by the Members at the ensuing 49th Annual General Meeting to be held on 18th January, 2007, the said Dividend will be paid at par on Wednesday, 7th February, 2007 in the following manner:

- i. **In case of Shares held in Physical form:** To Members whose names appear on the Company's Register of Members on Thursday, 18th January, 2007.
- ii. **In respect of Shares held in electronic form (demat form):** To the beneficial owners of the Shares as at the close of business hours on Wednesday, 3rd January, 2007, as per details to be furnished by National Securities Depository Limited and Central Depository Services (India) Limited.

5. Issue of Shares to the Shareholders of erstwhile Siemens VDO Automotive Ltd., Bangalore (SVDO)

During the year under review, 577,617 new Equity Shares of Rs.10 each of the Company were issued to the Shareholders of erstwhile SVDO pursuant to the Scheme of Amalgamation of SVDO with the Company. Consequently, the Paid-up Share Capital of the Company has increased from Rs.331,384,030 to Rs.337,160,200.

6. Sub-division of Face Value of Equity Shares

Pursuant to the approval received from the Shareholders by way of Postal Ballot, each Equity Share of the Company of Face Value of Rs.10 has been Sub-divided into 5 Equity Shares of the Face Value of Rs.2 each (**Stock Split**) with effect from **21st June, 2006**.

Accordingly, the Paid-up Share Capital of the Company of Rs.337,160,200 now comprises of 168,580,100 Equity Shares of Rs.2 each (prior to Stock Split : 33,716,020 Equity Shares of Rs. 10 each).

7. Listing on Stock Exchanges

The Equity Shares of the Company are listed on the following Premier Stock Exchanges of India having nation-wide trading terminals:

Stock Exchanges	Stock Code
Bombay Stock Exchange Ltd. (BSE) Phiroze Jeejeebhoy Towers, Dalal Street Mumbai - 400 001	500550
National Stock Exchange of India Ltd. (NSE) Exchange Plaza, Plot No. C/1, G Block Bandra - Kurla Complex, Bandra (E), Mumbai - 400 051	SIEMENS EQ

The Company has paid the listing fees for the year 2006-07 to the aforesaid Stock Exchanges.

With effect from 27th June, 2006, the Company forms part of "**S&P CNX Nifty Index**" (CNX Nifty) of NSE. CNX Nifty is the leading index for large Companies on NSE. It consists of 50 companies representing 24 sectors of the Economy. BSE has permitted trading of the Company's Shares in the '**A' Group**'. The Company's Shares are also available for trading in the Futures & Options segment. The market lot for trading in the Company's Shares in this segment is 375.

8. International Securities Identification Number (ISIN)

New ISIN **INE003A01024** has been created for the Company's Shares in dematerialized form consequent to Stock Split. The annual custodial fees for the Financial Year 2006-07 have been paid to National Securities Depository Limited (**NSDL**) and Central Depository Services (India) Ltd. (**CDSL**).

General Shareholder Information (continued)

9. Market Price Data

- (1) The market price and volume of the Company's Shares traded on Bombay Stock Exchange Ltd. (BSE) and National Stock Exchange of India Ltd. (NSE) during each month of the last Financial Year from 1st October, 2005 to 30th September, 2006 were as follows:

	BSE			NSE		
	High Rs.	Low Rs.	Volume Nos.	High Rs.	Low Rs.	Volume Nos.
October 2005	2,639.95	2,225.00	543,357	2,639.65	2,230.00	481,129
November 2005	3,468.00	2,340.15	1,025,322	3,475.00	2,340.10	3,183,278
December 2005	3,698.00	3,045.00	963,851	3,690.00	3,170.00	3,202,985
January 2006	4,630.00	3,500.15	676,975	4,647.00	3,560.05	2,167,753
February 2006	4,543.00	4,240.00	344,636	4,545.00	4,241.05	1,099,225
March 2006	5,906.00	4,500.00	1,839,091	5,909.00	4,501.90	4,618,209
April 2006	6,310.00	5,401.00	944,216	6,310.00	4,600.00	2,630,621
May 2006	6,110.00	3,801.00	920,565	6,110.00	3,650.00	2,974,627
Upto 12 th June 2006 (Before Stock Split)	5,040.00	3,815.00	379,694	5,082.00	3,800.00	1,274,363
From 13 th June, 2006* (After Stock Split)	964.00	741.10	4,251,890	965.00	732.00	11,649,773
July 2006*	950.75	800.00	3,950,411	951.00	737.70	12,178,670
August 2006*	1,076.00	868.05	4,341,505	1,076.80	868.05	14,675,736
September 2006*	1,105.50	1,027.00	2,167,864	1,106.70	1,016.10	6,559,165

* Indicates price and volume of Shares after Stock Split. The Shares of the Company were traded at ex-split price on the Stock Exchanges with effect from 13th June, 2006.

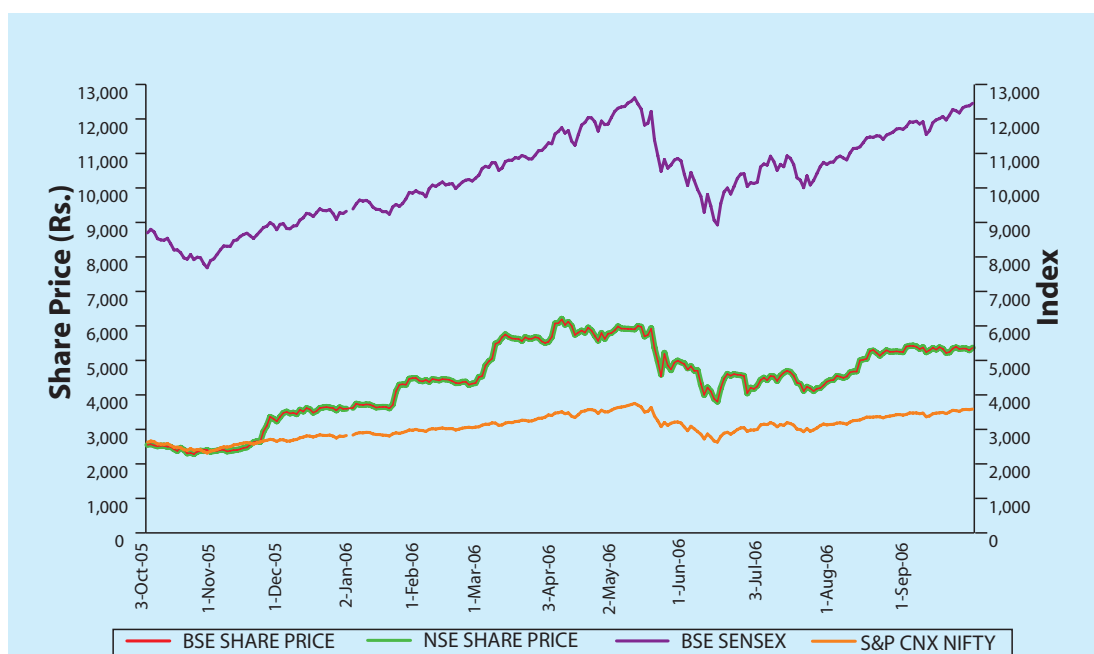
(2) Market Capitalisation:

The Market capitalisation of the Company's Shares registered a rise of over 100% during the Financial Year 2005-06. The Market Capitalisation as on 30th September, 2006 and 30th September, 2005 is given hereunder:

(Rs. In million)

Market Capitalisation	BSE	NSE
As on 30 th September 2006	180,811	180,979
As on 30 th September 2005	86,314	86,952
% Growth	110%	108%

(3) Company's Share price movement during the Financial Year 2005-06 on Bombay Stock Exchange Ltd. (BSE) and National Stock Exchange of India Ltd. (NSE) vis-à-vis respective indices:



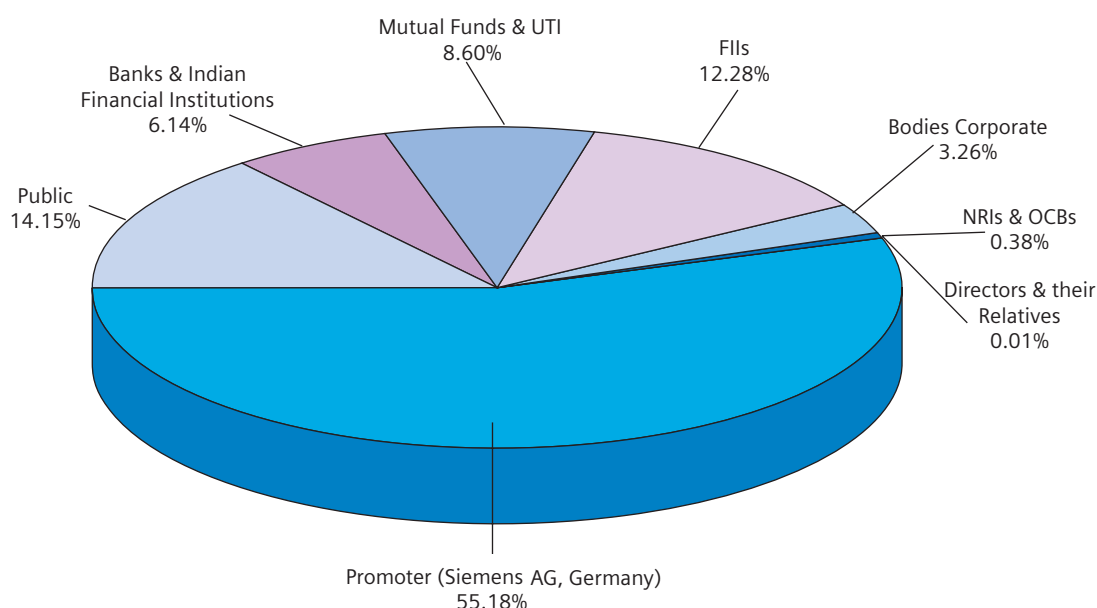
Note: The Share prices in the aforesaid graph for the period from 13th June 2006 till 30th September, 2006 have been adjusted in view of Stock Split.

10. Distribution of Shareholding as on 30th September, 2006

Number of Shares held (Face Value of Rs.2 each)	Shareholders		Shares	
	Number	% of total	Number	% of total
1-500	68,168	86.16	5,684,263	3.37
501-1000	4,860	6.14	3,686,840	2.19
1001-2000	3,645	4.61	5,342,103	3.17
2001-3000	945	1.20	2,354,474	1.40
3001-4000	438	0.55	1,549,461	0.92
4001-5000	240	0.30	1,108,340	0.66
5001-10000	413	0.52	2,908,153	1.72
10001 & above	409	0.52	145,946,466	86.57
Total	79,118	100.00	168,580,100	100.00

General Shareholder Information (continued)

11. Shareholders' Profile as on 30th September, 2006



Type of Shareholder	As on 30 th September, 2006	
	No. of Shares of Rs.2 each	% of total
Promoter (Siemens AG, Germany)	93,020,545	55.18
Public	23,853,527	14.15
Banks & Indian Financial Institutions	10,336,799	6.14
Mutual Funds & UTI	14,508,709	8.60
Foreign Institutional Investors (FIIs)	20,704,273	12.28
Bodies Corporate	5,493,384	3.26
Non-Resident Indians (NRIs) and Overseas Corporate Bodies (OCBs)	646,963	0.38
Directors & their Relatives	15,900	0.01
Total	168,580,100	100.00
	2006	2005
No. of Shareholders as on 30th September	79,118	31,315

12. Top Ten Shareholders of the Company as on 30th September, 2006

Sr. No.	Name of the Shareholder	Category	Number of Shares of Rs.2 each	% of total Paid-up Capital*
1	Siemens AG, Germany	Promoter	93,020,545	55.18
2	Life Insurance Corporation of India	Financial Institution	7,367,771	4.37
3	Morgan Stanley Investment Management Inc A/c Morgan Stanley India Investment Fund Inc	Foreign Institutional Investor	1,980,320	1.17
4	Bharat Bijlee Limited	Corporate Body	1,412,580	0.84
5	Morgan Stanley Mutual Fund A/c Morgan Stanley Growth Fund	Mutual Fund	1,358,110	0.81
6	HDFC Trustee Company Limited – HDFC Equity Fund	Mutual Fund	1,350,000	0.80
7	General Insurance Corporation of India	Financial Institution	1,228,125	0.73
8	Lloyd George Investment Management (Bermuda) Ltd. A/c South Asia Portfolio	Foreign Institutional Investor	1,170,415	0.69
9	Citigroup Global Markets Mauritius Private Ltd.	Foreign Institutional Investor	1,154,215	0.68
10	FID Funds (Mauritius) Limited	Foreign Institutional Investor	1,078,808	0.64
Total			111,120,889	65.91

* Total Paid-up Capital is Rs.337,160,200 comprising of 168,580,100 Shares of Rs.2 each.

13. Dematerialisation of Shares

As per the directions of Securities and Exchange Board of India, trading in the Shares of the Company by all the investors is permissible only in dematerialised form since 29th November, 1999.

The details of Shares dematerialized and those held in physical form as on 30th September, 2006 are given hereunder:

Particulars of Shares	Shares of Rs.2 each		Shareholders	
	Number	% of total	Number	% of total
Dematerialized form				
National Securities Depository Ltd. (NSDL)	160,872,496	95.43	56,630	71.57
Central Depository Services (India) Ltd. (CDSL)	25,88,529	1.53	9,761	12.34
Sub-total	163,461,025	96.96*	66,391	83.91*
Physical Form	5,119,075	3.04	12,727	16.09
Total	168,580,100	100	79,118	100

* Including 55.18% holding of Siemens AG, Germany.

Considering the advantages of dealing in securities in electronic / dematerialised form, Shareholders still holding Shares in physical form are requested to dematerialise their Shares at the earliest. For further information / clarification / assistance in this regard, please contact TSR Darashaw Ltd., Registrar and Share Transfer Agent.

General Shareholder Information (continued)

14. Liquidity

The Company's Shares are actively traded on Bombay Stock Exchange Ltd. (BSE) and National Stock Exchange of India Ltd. (NSE). The average daily number of Shares traded and the average daily value of Shares traded in BSE and NSE during the Financial Year 2005-06 is given below:

	Prior to Stock Split (Face Value of Rs.10)		Post Stock Split (Face Value of Rs.2)	
	BSE	NSE	BSE	NSE
Average daily number of Shares traded	44,405	125,054	186,224	567,791
Average daily value of Shares traded (Rs. in Million)	199.50	568.65	174.64	536.14

Note: Consequent to Stock Split, new Shares of Face Value Rs.2 each are being traded at the Stock Exchanges with effect from 13th June, 2006.

15. Registrar and Share Transfer Agent

Share transfers, dividend payment and all other investor related matters are attended to and processed by our Registrar and Share Transfer Agent viz. **TSR Darashaw Ltd. (TSRDL)** (formerly known as Tata Share Registry Ltd.)

Shareholders are requested to note that the office of TSRDL has been shifted to the below mentioned new address with effect from 13th November, 2006:

TSR Darashaw Ltd.
6-10, Haji Moosa Patrawala Industrial Estate
20, Dr. E. Moses Road
Mahalaxmi, Mumbai - 400011
Time: 10 a.m. to 3.30 p.m. (Monday to Friday)
Phone: 0091 22 6656 8484 Fax: 0091 22 6656 8494
Email: csg-unit@tsrdarashaw.com
Website: www.tsrdarashaw.com

16. Share Transfer System

Transfers of Shares in physical form are effected and Share Certificates are despatched within an average period of 20 - 23 days from the date of receipt of request, provided the relevant documents are complete in all respects.

With a view to expedite the process of Share Transfers, certain Officers of the Company have been severally authorised to approve the valid applications for transfer, which have been duly processed and scrutinized by the Registrar and Share Transfer Agent. The said Officers of the Company attend to the Share transfer activities at least once in every fortnight. The Share Transfer Committee meets periodically to note and record the transfers approved by the Authorised Officers.

Details of Share Transfers in Physical form

Particulars of Share Transfers	No. of Transfers	No. of Shares
Prior to Stock Split (Face Value of Rs.10 each) (From 01.10.2005 till 20.06.2006)	202	53,395
Post Stock Split (Face Value of Rs.2 each) (From 21.06.2006 till 30.09.2006)	562	532,553

Note: 20th June, 2006 was the Record Date for Stock Split.

17. Shareholder Satisfaction Survey

The Company had initiated a Shareholder Satisfaction Survey ('the Survey') in December, 2005 to provide a platform for all the Members to convey their satisfaction levels on the quality of services provided by the Investor Relations Team of the Company and TSR Darashaw Ltd., Registrar and Share Transfer Agent (RTA).

It is heartening to note that out of the Members who have responded to the Survey, an average of 96% of the Members have expressed their satisfaction with the quality of services provided by the 'Investor Relations Team' of the Company. Further, an average of 98% of the Members have expressed their satisfaction with the quality of services provided by the RTA.

The summary of Satisfaction levels on other key parameters are as follows:

Particulars	Average Satisfaction level
Services provided for transfer / transmission of shares, dematerialization / rematerialisation, payment of dividend, issue of duplicate Shares, etc.	99%
Dissemination of information through Annual Report, Company's website (www.siemens.co.in), Stock Exchanges, Newspapers, etc.	98%
Timeliness, quality and effectiveness of redressal of Shareholders' complaints	91%

The Company continues to take initiatives to improve the quality of services being provided to the Investors.

18. Plant Locations

Location	Address
Maharashtra	
Aurangabad Works	E-76, Waluj, MIDC Area, Aurangabad - 431136
Nashik Works	Plot No. C-1, Additional Industrial Area, MIDC, Ambad, Nashik - 422 010
Kalwa Works	Post Box No.85, Thane - Belapur Road, Thane - 400 601
Pune Works	Gate No. 432, 433 & 434, Medankarwadi, Chakan, Khed, Pune - 410501
Goa	
Goa Works	L-6, Verna Industrial Area, Panjim-Margao Highway, Verna, Goa - 403722
Gujarat	
Vadodra Works	Maneja Village, Opp. Makarpura Railway Station, Vadodra, Gujarat - 390 013
Karnataka	
Bangalore Works	140, Hosur Road, Bangalore - 560 095
Andhra Pradesh	
Hyderabad Works	Plot No. 89 & 90, IDA, Gandhinagar, Post Balanagar, Hyderabad - 500037
Haryana	
Manesar Works	Plot No. 16, Sector V, IMT, Manesar, Gurgaon, Haryana - 122050

19. Corporate Secretariat Department

Name and contact details of Corporate Secretary:

Mr. Ashok Jangid

Corporate Secretary

Siemens Ltd.

130, Pandurang Budhkar Marg

Worli, Mumbai - 400 018

Phone: 0091 22 2498 7000

Fax : 0091 22 2498 7043

The Corporate Secretariat Department and its quality systems have been assessed in accordance with the **Standard ISO 9001:2000** by KPMG Quality Registrar with effect from October, 2001. The Scope covers design, development and provision of services in the area of Company Secretarial functions for Siemens Ltd. and its group companies. The Corporate Secretariat Department has been re-certified in accordance with the Standard ISO 9001:2000 up to 30th October, 2007.

General Shareholder Information (continued)

20. Investor Relations Team

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

Contact Person: Ms. Monica Chopra, Senior Manager - Corporate Secretariat

E-mail: Corporate-Secretariat.in@siemens.com

Phone: 0091 22 24987000/ 24987173 Fax: 0091 22 24987043.

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

21. Registered and Corporate Office address

Siemens Ltd.
130, Pandurang Budhkar Marg
Worli, Mumbai - 400 018, India
Phone: 0091 22 24987000 Fax: 0091 22 24987500.

22. Website

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

23. Additional Information

i. Dividend History during the last five years

Financial Year	Dividend		Remarks
	Rate (%)	Payout (Rs.'000)	
2000-01	40	132,554	
2001-02			
Interim Dividend	30	99,415	
Final Dividend	25	82,846	
Total	55	182,261	
2002-03			
Interim Dividend	35	115,984	
Final Dividend	40	132,554	Includes 10% Special Dividend
Total	75	248,538	
2003-04			
Interim Dividend	40	132,554	
Final Dividend	50	165,692	Includes 20% Special Dividend
Total	90	298,246	
2004-05			
Interim Dividend	45	149,123	
Final Dividend	100	331,384	Includes 55% Special Dividend
Total	145	480,507	

ii. Electronic Clearing Service (ECS)

Under ECS, Shareholders get an option to receive dividend directly into their bank accounts rather than receiving the same through dividend warrants. Shareholders holding Shares in physical form who would like to avail of this facility, are requested to send the ECS mandate to the Company's RTA. Shareholders holding Shares in electronic form (demat form) are requested to give the ECS mandate to their respective Depository Participants directly.

The ECS mandate Form can be obtained from the Company's RTA or downloaded from the Company's website (www.siemens.co.in) under the Section 'Investor Relations'.

iii. Nomination Facility

Pursuant to the provisions of Section 109A of the Companies Act, 1956, Shareholders are entitled to make nominations in respect of Shares held by them. Shareholders holding Shares in physical form and desirous of making nominations are requested to send their requests in Form No. 2B to the Company's RTA. Shareholders holding Shares in electronic form (demat form) are requested to give the nomination request to their respective Depository Participants directly.

Form No.2B can be obtained from the Company's RTA or downloaded from the Company's website (www.siemens.co.in) under the Section 'Investor Relations'.

iv. Unclaimed / Unpaid Dividend.

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

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

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

General Shareholder Information (continued)

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

Financial Year	Unclaimed / Unpaid dividend amount (In Rs.)	Due date for transfer to IEPF
1999-00	1,415,821	20 th January, 2008
2000-01	839,508	22 nd February, 2009
2001-02		
Interim Dividend	605,180	29 th May, 2009
Final Dividend	457,592	26 th February, 2010
2002-03		
Interim Dividend	548,275	26 th August, 2010
Final Dividend	625,724	26 th February, 2011
2003-04		
Interim Dividend	584,380	28 th May, 2011
Final Dividend	801,995	3 rd March, 2012
2004-05		
Interim Dividend	763,578	31 st May, 2012
Final Dividend	1,325,870	3 rd March, 2013

Shareholders are requested to get in touch with the Company's RTA / Investor Relations Team for claiming the said dividend standing to the credit of their account.

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

v. Changes in Bank Account details, address, etc.

Shareholders holding Shares in physical form are requested to promptly notify the Company's RTA, the changes in their address, Bank Account details and nominations. Shareholders holding Shares in electronic form (demat form) are requested to send their instructions regarding change of address, bank account details, nominations, etc. directly to their respective Depository Participants.

vi. Code of Conduct for Prevention of Insider Trading

Pursuant to the requirements of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, as amended, the Company has adopted a Code of Conduct for Prevention of Insider Trading with effect from 1st August, 2002. **Mr. Ashok Jangid, Corporate Secretary**, is the Compliance Officer with effect from that date. This Code of Conduct is applicable to all Directors and such identified employees of the Company who are expected to have access to unpublished price sensitive information relating to the Company.

vii. Disclosure Practices for Prevention of Insider Trading

As required by the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, the Company has adopted a Policy for Corporate Disclosure Practices for Prevention of Insider Trading with effect from 1st August, 2002. **Mr. Ashok Jangid, Corporate Secretary**, is the Compliance Officer with effect from that date. This Policy is applicable to all the Directors and employees of the Company.

viii. Secretarial Audit for reconciliation of Capital

As stipulated by Securities and Exchange Board of India, a qualified practicing Company Secretary carries out the Secretarial Audit to reconcile the total admitted capital with National Securities Depository Limited (**NSDL**) and Central Depository Services (India) Limited (**CDSL**) and the total issued and listed capital. This audit is carried out

every quarter and the report thereon is submitted to the Stock Exchanges, NSDL and CDSL and is also placed before the Board of Directors. The audit, inter alia, confirms that the total Listed and Paid-up Capital of the Company is in agreement with the aggregate of the total number of Shares in dematerialised form (held with NSDL and CDSL) and total number of Shares in physical form.

ix. Other Corporate Information

Bankers

- 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

BSR & Co.

Cost Auditors

R. Nanabhoy & Co.

Solicitors

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

On behalf of the Board of Directors

Siemens Ltd.



Deepak S. Parekh
Chairman

Mumbai

Thursday, 23rd November, 2006

Note: The information given hereinabove is as of date unless otherwise stated.

Corporate Social Responsibility

At Siemens, Corporate Social Responsibility is an integral part of our business philosophy - "Giving back graciously to society a piece of our success." Over the years, Siemens has supported various social causes with active participation from employees. Some of the projects undertaken during the last fiscal are:

Rebuilding Lives - Nurturing the Future

Siemens, along with the German Business Community, is actively involved in the holistic Rehabilitation Project for Tsunami victims. This is in partnership with the Srinivasan Services Trust, a reputed NGO from Tamil Nadu. The project - covering 2 villages each in Nagapattinam and Kanyakumari districts - encompasses five areas: constructing Medical & Social centers, building Houses, providing educational infrastructure and training, providing livelihood opportunities and undertaking Rural Development. Over the last 18 months, implementation of several activities has progressed very well and is in an advanced stage of completion.

The construction of the Medical and Social Centres in all four adopted villages have been completed on schedule. Dr K Wucherer, member of the Corporate Executive Committee of Siemens AG, made a special visit to India and inaugurated the first Medical Centre in Thenampattinam village of Nagapattinam district in May 2006. Today, all the four medical & social centers are complete and operational.



Mr J Schubert and Dr K Wucherer jointly inaugurating the medical centre at Thenampattinam

The Medical Center, manned with a full time doctor, a nurse and an attendant, caters to families within a radius of 3-5 km of the village. Apart from the daily healthcare check ups and treatment, special camps on Anemia testing, malnutrition and hygiene and sanitation awareness camps are conducted on a regular basis. The Community Center is a meeting place, where social workers provide counseling to children and women and run special training programs to make unemployed youngsters and women economically independent. It is also equipped with a computer, where training for children is imparted.

Besides Medical Centres, housing is another focus area of the project. Houses have been specially designed to suit coastal climactic conditions and run on wind energy to overcome the power shortage in the villages. These houses are built at a safe distance away from the coastline. Over 50 houses are already being built, while more than 70 houses are under construction in the villages.



The Women undergoing occupational training to make themselves independent

Providing livelihood opportunities to unemployed youth and women is yet another important aspect of the project. More than 600 women have been trained in various occupational activities, like making of woolen garments and seashell products. Over 250 young members have been provided vocational guidance training in Automobile repairing, Hospitality and Customer Relationship skills, leading to generation of income of around Rs.2000-4000 every month.

In the area of education, various activities are being implemented such as refurbishment of school buildings and special coaching classes for school and college students. Apart from these, around 800 adults have benefited so far from the adult education classes, while around 200 children have availed computer training.

The project also emphasizes on Rural Development activities focusing on developing the overall village infrastructure. As part of this initiative, awareness programs and motivation campaigns are conducted to inculcate cleanliness and committees are formed to monitor the work. Setting up compost yards for solid waste management, providing kitchen garden seeds, forming soak pits and construction of fish drying yards are some of the activities undertaken so far.

The successful execution of the project so far is a testimony to the effort of countless volunteers working diligently over the past two years with the singular aim of restoring normalcy to the region. The common goal is to lift 80 % of the people in the adopted villages above the poverty line in 5-6 years.

St. Catherine's Home

Siemens has continued its association with St. Catherine's Home, a primary school and orphanage at Bandra, Mumbai, which is in its fourth year now. The objective of this initiative is to provide a normal childhood to the children. Siemens has adopted three batches of nearly 115 children and contributes every year towards their boarding and educational expenses. In addition, Siemens also assists with the restoration / upgrading of infrastructure. With active employee participation, the Company is already involved in the building of two new classrooms, renovation of the rooftop, setting up of rain shelters, construction of a play ground with playing equipments, renovation of toilets and painting of the building's exteriors.

Further - on an on-going basis, Siemens organizes many recreational programs. This year too - Siemens organized a summer camp to Lonavala and a visit to Essel World. A health checkup camp was also organized for all the children of the home. This was a preventive checkup that included general tests for blood, urine and eyes, besides counseling for general hygiene. At the re-opening of the school in the new-year, all the children were provided with School uniforms.

On the occasion of Siemens completing 50 years of its manufacturing presence in India, a charity concert was organized, during which our customers and employees donated generously. The contribution amount collected during the concert was also forwarded to the school.

Essel World



The kids enjoying the joy rides at Essel World

Health Camp



A child being checked at the health camp

Summer Camp 2006



Having a great time at Lonavala outdoors...

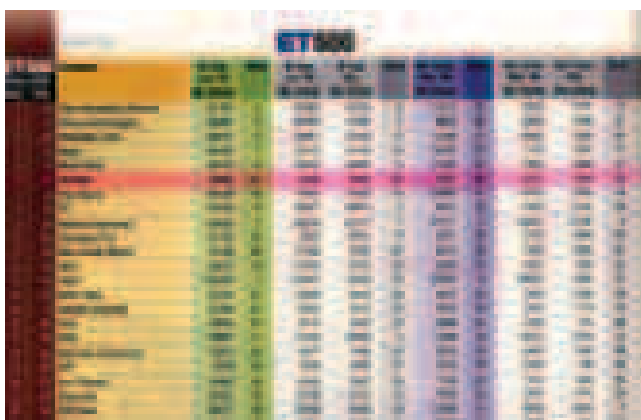


...and indoors

Awards and Recognition

During 2005-06, Siemens was showered with a series of honors, as industry watchers took note of the Company's accomplishments and rising stature. Siemens has earned the respect not only of its customers and shareholders but also of the media and analyst fraternity in the country. And the awards kept rolling in. To mention a few:

Siemens ranked 6th in ET500



Siemens was ranked 6th among the top 500 companies in India by The Economic Times (ET), moving up from last year's position of tenth. The newspaper - in its annual survey of the top 500 corporations in India - has ranked Siemens along with other renowned Indian companies like Tata Consultancy, Infosys Technologies, Hindustan Lever and Wipro. Siemens Ltd. has been adjudged as the top-ranked engineering company in the ET500 and is the only company from this sector to make it in the coveted toppers list, which is dominated by companies in the IT and FMCG sectors.

The ET500 ranking considers eight parameters, which include market capitalisation, absolute change in market cap over the past one year, sales, absolute change in sales over the past year, net profit, absolute change in net profit over the past year, price to earnings (P/E) multiple and return on net worth (RoNW). The market cap of companies during the period June 16-30, 2006 has been considered, while sales and profit numbers are for the 12 months ended March '06. Siemens has performed consistently on all the eight parameters with variations that are among the least in the list and has a P/E of 48 times, which is among the highest.

Siemens India included in the emerging S&P Global Challengers list

Standard & Poor's, one of the world's pre-eminent providers of credit ratings has included Siemens India in the global list of 300 mid-size companies that are expected to emerge as challengers to the world's leading blue chip companies. Designated as S&P Global Challengers, the list comprises of publicly traded companies that show the highest growth

characteristics encompassing intrinsic and extrinsic growth. The list, based on various factors such as share price appreciation, sales growth, earnings growth and employee growth, has placed Siemens at the 34th position in the Asia-Pacific region. The 2006 edition of the S&P Global Challengers list has representations from 32 countries and 10 sectors and Siemens ranks second amongst the seven domestic companies positioned in the list.

Siemens Ltd.'s performance acknowledged by Industry 2.0 and Dalal Street journal

Prominent publications such as Industry 2.0 and Dalal Street have also adjudged Siemens Ltd. among the leading performers. Industry 2.0, a leading technical magazine catering to the Indian manufacturing segment, comes up with the annual ranking of Top 500 Manufacturing Companies in India. In the 2006 edition of the Top 500 manufacturing companies, Siemens has been rated as the No. 1 Engineering Company in India. The ratings are done on 20 parameters clubbed under five dimensions, namely: Size, Operating Efficiency, Financial Risk, Profitability and Growth.

Similarly, Siemens Ltd's spectacular performance and consistent growth in topline as well as bottomline has earned it recognition among the investors as well. Dalal Street Investment Journal, India's largest circulated investment magazine, has adjudged Siemens India as one of the fastest growing companies in India and ranked the company at No. 12 in the large-size category.

SISL selected for Deloitte Technology Fast 50 India 2005 and Deloitte Technology Fast 500 Asia Pacific 2005

During the year, Siemens Information System Limited (SISL) has been selected for awards in the category of Deloitte Technology Fast 50 India 2005 and Deloitte Technology Fast 500 Asia Pacific 2005 respectively. These prestigious awards by a global consulting firm recognize SISL's rapid growth and emergence, both within India and in the Asia Pacific region. Deloitte Technology Fast 50 India Program recognizes the fastest growing technology companies in India, based on their percentage revenue growth over the last three financial years. These awards objectively rank the technology, media and telecommunications industries and were created to recognize the effort and dedication of the fastest growing 50 companies in India and 500 in the Asia Pacific region. The technology areas include the entire gamut from Internet, biotechnology, medical and scientific to computers. It also includes both public and private companies.

Siemens conferred the Indo-German Chamber of Commerce Champion's Award 2006

On the special occasion of completing 50 years of incorporation in India, the Indo-German Chamber of Commerce conferred a Champion's Award 2006 to Siemens



Mr J Schubert receiving the champion's awards

Ltd. for its remarkable performance in the country. Siemens is an active member of the Indo-German Chamber of Commerce and has jointly played a key role in building strong trade and commerce relationships between India and Germany.

Siemens awarded status of "Accredited client" by Central Board of Excise and Customs

The Ministry of Finance, Department of Revenue and Central Board Of Excise & Customs has implemented the Risk Management System (RMS) & accredited client program for cargo clearance to reduce clearance time for reputed importers in Mumbai. Siemens Ltd. is one of the first few organizations that have been awarded the status of an accredited Client. As a result, the computerized RMS program will - first and foremost - detect Siemens as an Accredited client and accept Siemens' declaration on value of Invoices, Classification of items and Duty rate. Secondly, the Bill of Entry submitted by Siemens (or its Customs House Agents) will be passed by their system without any manual intervention from the Customs Officers. And finally, materials will not be subjected to physical examination. Overall, this will reduce Customs assessment time to approximately 30 minutes or less.

In addition to the above, several divisions such as Power Generation, Power Transmission & Distribution, Automation & Drives and Industrial Solutions & Services were recognized by their respective Groups in Germany for their outstanding performance.

Siemens Group in India

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

Siemens in India as a Group is constituted of 15 companies, 17 manufacturing plants and a wide network of Sales and Service offices across the country, providing direct employment to over 15,000 persons. The Group's businesses are represented by various companies as given below:

Company	Equity stake	Brief Description
Siemens Ltd.	Siemens AG 55.18% Others 44.82%	<ul style="list-style-type: none"> ❖ Portfolio consists of products, systems, solutions and services in Power Generation, Power Transmission and Automation & Drives, Industrial Solutions and Services, Distribution, Building Technologies, Transportation Systems, Communications Enterprise Networks and Medical Solutions ❖ 14 factories - Five at Kalwa, Thane; Two at Aurangabad; One each at Goa, Nashik, Vadodara, Bangalore, Pune, Gurgaon and Hyderabad. ❖ 5,971 employees ❖ HQ at Mumbai
Siemens Information Systems Ltd (SISL)	Siemens Ltd 100%	<ul style="list-style-type: none"> ❖ Systems Integrator and Total Solutions Provider, having extensive domain expertise and technology specialisation. Provides solutions for clients primarily in the fields of Telecommunications, Healthcare, Manufacturing, Utilities, Public Sector and Government ❖ 6 development centers ❖ 4,035 employees ❖ HQ at Mumbai
Siemens Public Communication Networks Pvt. Ltd. (SPCNL)*	Siemens Ltd 100%	<ul style="list-style-type: none"> ❖ Provider of network equipment including supply, design and installation; Portfolio comprises Wireline, Transmission, Access, Mobile and IP products etc. ❖ Factory at Saltlec, Kolkata ❖ Telecommunications software development center at Bangalore ❖ 1,321 employees ❖ HQ at Gurgaon
Siemens Information Processing Services Pvt. Ltd. (SIPS) (Earlier known as Siemens BPO Services Pvt. Ltd.)	Siemens Ltd 51% SISL 49%	<ul style="list-style-type: none"> ❖ Provides back office and customer contact services to Siemens operating companies in the US and UK, with the necessary technology and process competence. ❖ 2,206 employees ❖ HQ at Bangalore
Siemens Industrial Turbomachinery Services Pvt. Ltd. (SITS)	Siemens Ltd. 74% Pimac Engineers Pvt. Ltd. 26%	<ul style="list-style-type: none"> ❖ Specializes in the service, repair and overhaul of Small Gas Turbines and Rotating Equipment ❖ A well-established service center at Bangalore ❖ 31 employees
Flender Ltd.	Siemens Ltd. 50% Flender AG 50% (A Siemens AG company)	<ul style="list-style-type: none"> ❖ Manufacturer of Industrial Gear Boxes ❖ One factory at Kharagpur, West Bengal ❖ 327 employees

Company	Equity stake	Brief Description
Osram India Pvt. Ltd.	Osram AG 100% (A Siemens AG company)	<ul style="list-style-type: none"> ❖ Product portfolio includes incandescent, fluorescent and compact fluorescent lamps ❖ Manufacturing plant at Sonapat, Haryana ❖ 747 employees ❖ HQ at Gurgaon
Siemens Hearing Instruments Pvt. Ltd. (SHIL)	Siemens Audiologische Technik GmbH 100%	<ul style="list-style-type: none"> ❖ Offers Hearing aids from the In-The Canal (ITC) to In-The Ear (ITE) and Behind the Ear (BTE) hearing devices ❖ Headquartered at Bangalore ❖ 40 employees ❖ HQ at Bangalore
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 ❖ 462 employees ❖ HQ at Gurgaon
Siemens Corporate Finance value Pvt. Ltd.	Siemens AG 100%	<ul style="list-style-type: none"> ❖ Partners with Siemens AG Corporate Finance, in providing added services to various sub functional areas within treasury, reporting & taxes and strategy consulting ❖ 43 employees ❖ HQ at Mumbai
Winergy Drive Systems India Pvt. Ltd. (WDSIL)	Winergy AG 100% (A Siemens AG company)	<ul style="list-style-type: none"> ❖ Provider of drive systems (gear units, couplings, generators and inverters) for wind turbines ❖ 59 employees ❖ HQ at Chennai
VAI Engineering & Automation Pvt. Ltd.	Voest Alpine Industrieanlagenbau GmbH 100% (A Siemens AG company)	<ul style="list-style-type: none"> ❖ Provides a comprehensive range of supplies and services for all related technological processes and integrated automation solutions for the entire life-cycle of metallurgical plants ❖ 110 employees ❖ HQ at Kolkata
Powerplant Performance Improvement Ltd. (PPIL)	Siemens AG: 50% +1 share BHEL: 50% -1 share	<ul style="list-style-type: none"> ❖ Offers engineering solutions for upgrading, renovating and refurbishment of power plants ❖ HQ at Gurgaon

Bangalore International Airport Ltd. (BIAL) and Torrent Power Services Pvt. Ltd. (TPSPL), in which Siemens AG holds stake, are companies incorporated to executive respective projects in Airport and power sectors.

Note:

* Siemens Networks will merge into a 50-50 joint venture with the Nokia Networks Business Group, creating a telecommunications powerhouse that will be called Nokia Siemens Networks. The new company will be a global communications leader with strong positions in important growth segments of the fixed and mobile network infrastructure and services, featuring a world-class fixed-mobile convergence capability. Nokia Siemens Networks is expected to start operations in January 2007, subject to the completion of the closing conditions and the agreement of a number of detailed implementation steps.

50 years of Manufacturing Excellence in India : (1956-2006)



Kalwa Works – Switchboards (1957)

Manufactures Low Voltage Motor Control Centres (MCC), Power Control Centres (PCC), Medium Voltage (from 3.3 kV to 36 kV) Panels, Vacuum Circuit Breakers, Control & Relay Panels, Ring Main Unit (RMU), etc.

Area: 15,000 sq. mts.
Employees: ~400



Kalwa Works - Motors (1966)

Manufactures large and standard Drives and Motors, Special Purpose, Motors, 3-phase AC Induction Motors, Windmill Generators, Point Machines, etc.

Area: 14,500 sq. mts.
Employees: 442



Kalwa Works - Switchgear (1973)

Manufactures DP Contactors, Bi-relays, Breakers, Push Buttons, etc.

Area: 15,800 sq mts.
Employees: ~530



Nashik Works - Electronics (1987)

Manufactures Converters & Inverters for applications in passenger coaches & loco-motives, Railway Signaling controls, custom-made systems for industrial automation & control applications, DC Drives & Heater Control & Power Supplies systems.

Area: 1,42,223 sq. mts.
Employees: ~309



Aurangabad Works - Switchgear (1991)

Manufactures Low Voltage Switchgear range of products including Electrical installation technology (ET) based products - MCB (3KA & 10KA), fuses.

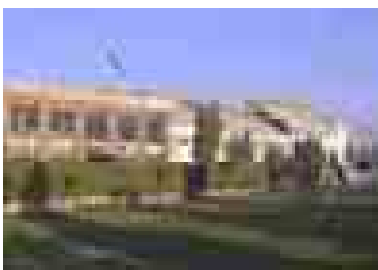
Area: 17,814 sq mts.
Employees: ~150.



Salt Lake Works - Telecommunications (1993)

Manufactures Switching, Transport and Access products for Siemens Public Communication Networks Pvt. Ltd. (SPCNL).

Area: 12,837 sq. mts.
Employees: ~220.



Sonepat Works - Lighting (1995)

Manufactures CFL Lamps, T12 & T8 Lamps, GLS Lamps and Tubular Glass shells.

Area: 39,651 sq mts.
Employees: ~1000



Goa Works - Medical (1995)

Manufactures a wide range of X-Ray Generators, tables, C-Arms

Area: 86,200 sq. mts.
Employees: 74



Aurangabad Works - Power Transmission & Distribution (1998)

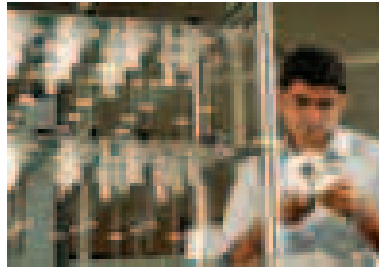
Manufactures High Voltage SF6 Circuit Breakers (72.5, 145 kV and 245 kV circuit breakers)

Area: 3245 sq. mts.
Employees: 40



Manesar Works - Automotive (2005)

Manufactures Mechanical and electronic instrument clusters for two wheelers and fuel level sensors and two-wheeler Mechanical Speedo Movements.
Area: 1600 sq mts.
Employees: 200



Pune Works - Automotive (2005)

Manufactures mechanical instrument clusters and fuel level sensors for two wheelers and passenger cars
Area: 705 sq. mts.
Employees: 100



Bangalore Works - Automotive (2005)

Manufactures Electronic Clusters & Speed Sensors for passenger cars, two wheeler Mechanical Speedo movements, Cross coil movements, Individual Instruments for the domestic & export markets and Pressure / Temperature Sensors etc.
Area: 12,627 sq. mts.
Employees: 600



Kalwa Works - Traction motor (2006)

Manufactures DE locomotors and prototype series of motor for EMU application



Kalwa Works - Transformer (2006)

Under Construction
Area: 40,000 sq. mts.



Vadodara - Steam Turbines (New Announcement) 2006

Under construction
Area: 6,500 sq. mts.



Kharagpur Works - Gearboxes (2006)

Manufactures standard gearboxes for torque transmission upto 600kNm
Area: 59,190 sq. mtrs
Employee: 296



Hyderabad Works - Isolator (2006)

Manufactures double, center break and pantograph isolators upto 420kV/3150A, associated earthing switches & drive mechanism boxes.
Area: 11,797 sq. mtrs
Employee: 108



**Siemens Ltd.
Forty-ninth Annual Report
for the year ended 30 September 2006**

Auditors' Report to the Members of Siemens Limited

We have audited the attached balance sheet of Siemens Limited ('the Company') as at 30 September 2006, the profit and loss account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

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

- (i) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
- (ii) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
- (iii) The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
- (iv) In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act;
- (v) On the basis of the written representations received from the directors of the Company, as at 30 September 2006, and taken on record by the Board of Directors, we report that no director is disqualified as at 30 September 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act; and
- (vi) 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 Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the balance sheet, of the state of affairs of the Company as at 30 September 2006; and
 - (b) in the case of the profit and loss account, of the profit of the Company for the year ended on that date; and
 - (c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For BSR & Co.
Chartered Accountants

Akeel Master
Partner
Membership No: 046768

Mumbai
23 November 2006

Annexure' to the Auditors' Report

Referred to in our report of even date

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noted on such verification.
- (c) Fixed assets disposed off during the year were not substantial, and therefore, do not affect the going concern assumption.
- (ii) (a) The inventory, except goods-in-transit and stocks lying with third parties, has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable. For stocks lying with third parties at the year-end, written confirmations have been obtained.
- (b) The procedures for the physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) The Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under section 301 of the Act.
- (iv) In our opinion and according to the information and explanations given to us, and having regard to the explanation that purchases of certain items of inventories are of specialized technical specification that are required by Company's customers and suitable alternative sources are not available to obtain comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventories and fixed assets and with regard to the sale of goods and services. We have not observed any major weakness in the internal control system during the course of the audit.
- (v) In our opinion, and according to the information and explanations given to us, there are no contracts and arrangements the particulars of which need to be entered into the register maintained under section 301 of the Act.
- (vi) In our opinion, and according to the information and explanations given to us, the Company has complied with the provisions of section 58A, section 58AA or other relevant provisions of the Act and the rules framed there under and the directives issued by the Reserve Bank of India with regard to deposits accepted from the public. Accordingly, there have been no proceedings before the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal in this matter and no order has been passed by any of the aforesaid authorities.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules prescribed by the Central Government for maintenance of cost records under section 209(1)(d) of the Act in respect of electrical motors and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records.
- (ix) (a) According to the information and explanations given to us and on the basis of our examination of the records, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth tax, Service tax, Customs duty, Excise duty, Cess and other material statutory dues with the appropriate authorities.
According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income tax, Sales tax, Wealth tax, Service tax, Customs duty, Excise duty, Cess and other material statutory dues were in arrears as at 30 September 2006 for a period of more than six months from the date they became payable.
There were no dues on account of Cess under section 441A of the Act since the date from which the aforesaid section comes into force has not yet been notified by the Central Government.
- (b) According to the information and explanations given to us, there are no dues of Income-tax, Wealth tax and Cess which have not been deposited with the appropriate authorities on account of any disputes.
According to the information and explanations given to us, the following dues of Sales tax, Service tax, Excise duty and Customs duty have not been deposited by the Company on account of disputes.

Name of the statute	Nature of the Dues	Amount (Rs. in thousands)	Period to which the amount relates	Forum where Dispute is pending
Central Excise Act, 1944 and Service Tax	Duty and penalty	8,786	1989/90 to 1999/00, 2000/01, 2002/03, 2004/05, 2005/06	Commissioner (Appeals)
		21,580	1980/81, 1994/95, 1995/96, 1996/97 to 1998/99, 2001/02 to 2003/04	Customs, Excise, Service Tax Appellate Tribunal
State and Central Sales Tax Acts, Work Contract Tax Acts, Entry Tax	Tax, interest and penalty	41,232	1967/68, 1968/69, 1970/71, 1973/74, 1979/80, 1980/81, 1982/83, 1983/84, 1984/85, 1986/87, 1987/88, 1988/89, 1992/93 to 2001/02, 2003/04	Assistant Commissioner
		84,629	1974/75 to 1977/78, 1986/87, 1987/88, 1989/90, 1991/92, 1992/93, 1993/94, 1995/96, 1996/97, 1998/99 to 2004/05	Deputy Commissioner
		9,849	1995/96	Joint Commissioner
		8,344	1994/95, 1996/97, 1998/99	Revision Board
		9,836	1989/90, 1990/91, 1994/95 to 1999/00	Sales Tax Tribunal
		14,615	1993/94 to 1996/97, 2000/01, 2003/04	High Court
Customs Act, 1962	Duty	120,000	1998/99	High Court

- (x) The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.
- (xi) The Company did not have any outstanding dues to any financial institution, banks or debenture holders during the year.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi / mutual benefit fund / society.
- (xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- (xv) In our opinion and according to the information and explanations given to us, the terms and conditions on which the company has given guarantees for loans taken by others from banks or financial institutions are not prejudicial to the interest of the Company.
- (xvi) The Company did not have any term loans outstanding during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance sheet of the Company, we are of the opinion that the funds raised on short-term basis have not been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to companies/firms/parties covered in the register maintained under section 301 of the Act.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money by public issues.
- (xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For BSR & Co.
Chartered Accountants

Akeel Master
Partner
Membership No: 046768

Mumbai
23 November 2006

Balance Sheet

as at 30 September 2006

(Currency : Indian rupees thousands)

	<i>Schedule</i>	2006	2005
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	5	337,160	331,384
Reserves and surplus	6	10,533,695	7,476,241
		<u>10,870,855</u>	<u>7,807,625</u>
Loan funds			
Unsecured loans	7	20,032	25,657
		<u>10,890,887</u>	<u>7,833,282</u>
APPLICATION OF FUNDS			
Fixed assets			
Gross Block	8	6,472,935	5,225,924
Accumulated depreciation		(3,851,751)	(3,255,784)
Net Block		<u>2,621,184</u>	<u>1,970,140</u>
Capital work-in-progress		1,541,629	367,825
		<u>4,162,813</u>	<u>2,337,965</u>
Investments	9	4,639,729	3,302,577
Deferred tax asset, net	10	276,619	150,333
Current assets, loans and advances			
Interest accrued on investments		3,597	1,798
Inventories	11	4,842,246	3,283,990
Sundry debtors	12	11,097,716	7,319,804
Cash and bank balances	13	9,394,447	4,855,139
Loans and advances	14	4,164,082	1,809,396
		<u>29,502,088</u>	<u>17,270,127</u>
Current liabilities and provisions			
Current liabilities	15	(24,275,052)	(12,759,018)
Provisions	16	(3,415,310)	(2,468,701)
		<u>(27,690,362)</u>	<u>(15,227,719)</u>
Net current assets		<u>1,811,726</u>	<u>2,042,408</u>
		<u>10,890,887</u>	<u>7,833,282</u>
Significant accounting policies	1 - 4		
Schedules to the financial statements	23 - 33		

The schedules referred to above form an integral part of the balance sheet.
As per our report attached

For BSR & Co.
Chartered Accountants

Ashok Jangid
Corporate Secretary

For Siemens Ltd.

Deepak S. Parekh
J. Schubert
P. de Royer
K. R. Upili
D. C. Shroff
Y. H. Malegam
N. J. Jhaveri
Dr. O. Schmitt
K. Dadiseth
P. V. Nayak

Chairman
Managing Director
Executive Director

Directors

Akeel Master
Partner
Membership No: 046768
Mumbai,
23 November 2006

Mumbai,
23 November 2006

Profit and Loss Account for the year ended 30 September 2006 (Currency : Indian rupees thousands)

	Schedule	2006	2005
INCOME			
Sales and services (gross)		47,484,996	28,653,290
Excise duty		(2,789,880)	(1,555,834)
Sales and services (net)		44,695,116	27,097,456
Commission income		408,356	387,343
		45,103,472	27,484,799
Interest income, net	17	366,650	215,150
Other operating income, net	18	293,480	481,235
Other income	19	1,089,175	880,549
		46,852,777	29,061,733
EXPENDITURE			
Cost of sales and services	20	34,639,116	20,104,793
Personnel costs, net	21	2,828,783	2,205,676
Depreciation/ amortisation (other than on leased assets)	8	442,120	290,836
Other costs, net	22	3,888,009	2,829,376
		41,798,028	25,430,681
Profit before tax		5,054,749	3,631,052
<i>Of which discontinuing operations</i>	4	146,375	109,068
Current tax		(1,493,988)	(1,034,008)
Fringe benefit tax		(85,975)	(31,262)
Deferred tax (expense)/benefit		126,285	(18,276)
Net profit after tax and before profit after tax of erstwhile Siemens VDO Automotive Ltd. (SVDO)		3,601,071	2,547,506
Profit after tax for the period 1 October 2004 to 30 September 2005 on account of amalgamation of erstwhile SVDO	3	57,574	-
Net profit after tax		3,658,645	2,547,506
<i>Of which discontinuing operations</i>	4	97,105	72,356
Profit and loss account balance as at 1 October 2004 on account of amalgamation of erstwhile SVDO (Refer Schedule 3) (2005: Demag Delaval Industrial Turbomachinery Pvt Ltd)		(2,429)	(3,541)
Amount available for appropriation		3,656,216	2,543,965
Appropriations:			
Interim dividend paid		-	149,123
Proposed dividend		640,604	331,384
Tax on Proposed dividend (includes tax on interim dividend)		89,845	67,391
Net deficit on account of amalgamation of Demag Delaval Industrial Turbomachinery Pvt Ltd		-	250,000
Transfer to general reserve		2,925,767	1,746,067
		3,656,216	2,543,965
Earnings per share ('EPS')			
(Equity share of face value Rs.2 each)			
- Basic and diluted	32	21.36	15.72
Significant accounting policies			
	1 - 4		
Schedules to the financial statements			
	23 - 33		

The schedules referred to above form an integral part of the profit & loss account. As per our report attached

For BSR & Co.

Chartered Accountants

Akeel Master

Partner
Membership No: 046768
Mumbai,
23 November 2006

Ashok Jangid
Corporate Secretary

For Siemens Ltd.

Deepak S. Parekh
J. Schubert
P. de Royer
K. R. Upili
D. C. Shroff
Y. H. Malegam
N. J. Jhaveri
Dr. O. Schmitt
K. Dadiseth
P. V. Nayak

Mumbai,
23 November 2006

Chairman
Managing Director
Executive Director

Directors

Cash flow statement for the year ended 30 September 2006 (Currency : Indian rupees thousands)

	2006	2005
Cash flow from operating activities		
Profit before tax	5,054,749	3,631,052
Profit before tax for the period 1 October 2004 to 30 September 2005 on account of amalgamation of erstwhile SVDO (Refer Schedule 3)	66,331	-
	<u>5,121,080</u>	<u>3,631,052</u>
Adjustments for:		
Interest expense	13,710	271
Bad debts	3,602	1,866
Provision for doubtful debts/advances, net	92,546	35,607
Depreciation and amortisation	465,309	291,550
Profit on sale of fixed assets, net	(34,293)	(119,690)
Unrealised exchange loss/(gain), net	(482,346)	164,904
Interest and dividend accrued	(1,432,503)	(1,067,580)
	<u>3,747,105</u>	<u>2,937,980</u>
Operating profit before working capital changes		
(Increase)/ decrease in working capital		
Inventories	(1,426,425)	(1,363,753)
Sundry creditors and other current liabilities	11,479,343	3,578,188
Sundry debtors and other receivables	(4,941,061)	(2,087,201)
Provisions	567,311	408,253
	<u>5,679,168</u>	<u>535,487</u>
Cash generated from operations	9,426,273	3,473,467
Direct taxes paid, net	(1,719,927)	(1,341,764)
	<u>7,706,346</u>	<u>2,131,703</u>
Net cash provided by operating activities		
<i>of which discontinuing operations (Refer Schedule 4)</i>	168,803	158,484
Cash flow from investing activities		
Purchase of fixed assets	(1,880,879)	(521,137)
Proceeds from sale of fixed assets	44,756	159,396
Purchase of shares in subsidiary companies and associate	(722,430)	(2,233,912)
Net investment in mutual funds	(614,614)	(233,450)
Acquisition of Switchgear Manufacturing Division	(250,000)	-
Dividend received on mutual fund investments	50,333	18,409
Dividend received from subsidiary companies	1,014,797	833,751
Interest received	357,855	217,248
Inter corporate deposits (given)/ refunded	(805,000)	305,000
	<u>(2,805,182)</u>	<u>(1,454,695)</u>
Net cash used in investing activities		
<i>of which discontinuing operations (Refer Schedule 4)</i>	(5,502)	(5,718)
Cash flow from financing activities		
Interest paid	(14,631)	(271)
Dividend paid (including tax thereon)	(377,094)	(356,492)
Decrease in long term borrowings	(7,751)	(3,215)
	<u>(399,476)</u>	<u>(359,978)</u>
Net cash used in financing activities		
<i>of which discontinuing operations (Refer Schedule 4)</i>	-	-
Net increase in cash and cash equivalents	4,501,688	317,030
Cash and cash equivalents at beginning of the year	4,855,139	4,309,852
Cash and cash equivalents acquired on amalgamation (Refer Schedule 3)	(4,321)	236,365
Cash and cash equivalents acquired on acquisition of SMD	4,603	-
Effect of exchange (loss)/gain on cash and cash equivalents	37,338	(8,108)
	<u>9,394,447</u>	<u>4,855,139</u>

Note: Cash and cash equivalents at the end of the period include current account balances with banks of Rs.7,409 (2005: Rs.6,642) which are restricted in use.

For BSR & Co.

Chartered Accountants

Ashok Jangid
Corporate Secretary

For Siemens Ltd.

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Chairman
Managing Director
Executive Director

Directors

Akeel Master

Partner
Membership No: 046768
Mumbai,
23 November 2006

Mumbai,
23 November 2006

Schedules to the financial statements for the year ended 30 September 2006 (Currency : Indian rupees thousands)

1 Significant accounting policies

1.1 Basis of preparation of financial statements

The financial statements are prepared and presented under the historical cost convention, except for revaluation of certain land and building pertaining to erstwhile Siemens VDO Automotive Limited ('SUDO'), on the accrual basis of accounting 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') and relevant provisions of Companies Act, 1956 to the extent applicable.

1.2 Use of Estimates

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

1.3 Fixed assets and depreciation

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

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

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

Asset	Rate
Freehold land	-
Factory buildings	3.34%
Other buildings	2-2.5%
Leasehold land and buildings	Over the lease period
Plant and machinery	10-25%
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%

1.4 Fixed assets and depreciation (Continued)

Where depreciable assets are revalued, depreciation is provided on the revalued amount and the additional depreciation on accretion to assets on revaluation is transferred from revaluation reserve to profit and loss account.

Assets costing less than Rs.5,000 are fully charged to the profit and loss account in the year of acquisition.

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

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

1.5 Intangible assets

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

Schedules to the financial statements (*continued*) for the year ended 30 September 2006 (Currency : Indian rupees thousands)

Asset	Useful life
Goodwill	60 months
Customer contracts	18 months
Technical know-how	60 - 96 months

1.6 Impairment of assets

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

1.7 Investments

Long-term investments are carried at cost. Provision for diminution is made to recognize a decline, other than temporary in value of long term investments and is determined separately for each individual investment. Current investments are carried at lower of cost and fair value, computed separately in respect of each category of investment.

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

1.9 Revenue recognition

Revenue from sale of products is recognised on transfer of all significant risk and rewards of ownership of the products on to the customers, which is generally on despatch of goods. Sales are stated exclusive of sales tax and net of trade and quantity discount.

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

Income from fixed price construction contracts is recognised by reference to the estimated overall profitability of the contract under the percentage of completion method. Percentage of completion is determined as a proportion of the costs incurred to date to the total estimated contract costs. Provision for expected loss is recognized immediately when it is probable that the total estimated contract costs will exceed total contract revenue.

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 established.

Interest income is recognised on the time proportion basis.

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

1.10 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.

1.11 Leases (Continued)

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.

1.12 Retirement benefits

The Company's liabilities towards gratuity, leave wages, pension and medical benefits, which are defined benefits, are accrued based on an actuarial valuation at the balance sheet date carried out by an independent actuary.

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

1.13 Foreign currency transactions

Transactions denominated in foreign currency are recorded at the exchange rate prevailing on the date of transactions. Exchange differences arising on foreign exchange transactions settled during the year are recognized in the profit and loss account of the year, except that exchange difference related to acquisition of fixed assets from a country outside India are adjusted in the carrying amount of the related fixed assets.

Monetary assets and liabilities in foreign currency, which are outstanding as at the year-end and not covered by forward contracts, are translated at the year-end at the closing exchange rate and the resultant exchange differences are recognized in the profit and loss account except those related to acquisition of fixed assets from a country outside India are adjusted in the carrying amount of the related fixed assets.

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

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

1.14 Research and development

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

1.15 Taxation

Income-tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the income-tax law) and deferred tax charge or credit (reflecting the tax effect of timing differences between accounting income and taxable income for the period) computed in accordance with the relevant provisions of the Income tax Act, 1961. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the asset can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of the assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonable/virtually certain (as the case may be) to be realised.

1.16 Fringe benefit tax

Provision for fringe benefit tax (FBT) has been recognized on the basis of harmonious contextual interpretation of the provisions of Income Tax Act, 1961.

1.17 Earning per share

Basic and diluted earnings per share is computed by dividing the net profit attributable to equity shareholders for the year, by the weighted average number of equity shares outstanding during the year.

Schedules to the financial statements (*continued*) for the year ended 30 September 2006 (Currency : Indian rupees thousands)

1.18 Provisions for contingencies

Provisions comprise liabilities of uncertain timing or amount. Provisions are recognized when the Company recognizes that it has a present obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reasonably estimated.

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

Loss contingencies arising from claims, litigation, assessment, fines, penalties, etc. are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated.

Contingent assets are not recognized in the financial statements.

2 Sub-division of Equity Shares of the Company from one share of Rs.10 each fully paid-up to five shares of Rs.2 each fully paid-up.

Pursuant to the approval of the shareholders through postal ballot, each Equity share of the Company of face value Rs.10 each fully paid-up has been split into 5 Equity Shares of Rs.2 each fully paid-up with effect from 21 June 2006.

3 Amalgamation of Siemens VDO Automotive Ltd. ('SVDO') with the Company

In accordance with the Scheme of amalgamation ('the scheme') of the erstwhile Siemens VDO Automotive Limited ('SVDO') with the Company as sanctioned by the Honorable High Court of Bombay and Karnataka on 12 August 2005 and 5 December 2005 respectively, all the assets and liabilities of the erstwhile SVDO have been transferred to and vested in the Company effective 1 October 2004. Accordingly, the scheme has been given effect to in these financial statements.

The operations of SVDO include providing precision and control automotive information systems and services related to the same.

The amalgamation has been recorded for under the 'pooling of interests' method as prescribed by Accounting Standard - 14 on "Accounting for Amalgamations" issued by the Institute of Chartered Accountants of India. Accordingly, all assets, liabilities and reserves of the erstwhile SVDO at 1 October 2004 have been taken over at their respective book values.

The Net profit for erstwhile SVDO for the year ended 30 September 2005 comprised of:-

Particulars	(Rs in thousands)
	Amount
Sales and services (net)	1,169,661
Other income	9,778
Total revenue	<u>1,179,439</u>
Cost of sales and services	783,894
Personnel costs	140,862
Depreciation and amortisations	26,794
Interest expenses	14,301
Other costs	147,257
Profit before tax	<u>66,331</u>
Current tax	7,307
Fringe benefit tax	1,450
Deferred tax	-
Net profit after tax	<u>57,574</u>

Pursuant to the amalgamation of SVDO with the Company, 577,617 Equity Shares of Rs.10 each fully paid-up (represents 2,888,085 Equity Shares of Rs.2 each fully paid-up after sub-division) of the Company were issued and allotted to the shareholders of erstwhile SVDO on 14 March 2006.

The net surplus of Rs.55.6 million (net of interim dividend Rs.7.9 million) being the difference between the issued share capital of erstwhile SVDO and the value of shares issued by the Company to the shareholders of erstwhile SVDO has been transferred to the Amalgamation Reserve Account.

The method and rates of depreciation in respect of erstwhile SVDO assets were revised with effect from 1 October 2004 to align them with the method and rates followed by the Company. Therefore, there is a net additional charge of depreciation for Rs.61.2 million for the period prior to 1 October 2005.

3A Acquisition of Switchgear Manufacturing Division (SMD) of the Elpro International Limited

The Board of Directors of the Company at its meeting held on 27 January 2006 had approved the acquisition/purchase of assets and liabilities of SMD of Elpro International Limited, with effect from 3 May 2006, for a purchase consideration of Rs.250 million. Accordingly, the assets and liabilities of the SMD were transferred to the Company effective 3 May 2006 at fair values and have been recorded for under the 'Purchase method' as prescribed by Accounting Standard - 14 on "Accounting for Amalgamations" issued by the Institute of Chartered Accountants of India. The operations of SMD include manufacturing of Switchgears.

Goodwill arising on amalgamation amounting to Rs.130.9 million, represents excess of purchase consideration paid over the fair value of the assets and liabilities acquired.

4 Discontinuing operations

The Board of Directors of the Company at its meeting held on 23 November 2006, approved a detailed formal plan for discontinuance of its business activities pertaining to enterprise networks and services ('EN') which form part of the 'Information and Communication' division of the Company. The business activity of EN is expected to be disposed off during the financial year 2007.

Assets, liabilities as at 30 September 2006 and revenue and expenses for the year ended 30 September 2006 contains following amounts relating to discontinuing operations:-

	2006	2005
Revenue	1,381,448	1,068,817
Expenditure	(1,229,805)	(959,749)
Profit before tax	146,375	109,068
Profit after tax	97,105	72,356
Total assets	314,292	221,052
Total liabilities	(275,346)	(165,252)

Profit after tax attributable to discontinuing operations of the Company has been calculated using the statutory tax rate of the Company.

Schedules to the financial statements (continued)
as at 30 September 2006
(Currency : Indian rupees thousands)

	2006	2005
5 Share capital		
Authorised		
250,000,000 Equity Shares of Rs.2 each (2005: 50,000,000 Equity shares of Rs.10 each)	500,000	500,000
150,000,000 (2005: 150,000,000) 10.5% Cumulative Redeemable Preference shares of Rs.10 each	1,500,000	1,500,000
	<u>2,000,000</u>	<u>2,000,000</u>
Issued, Subscribed and paid-up		
168,580,100 Equity Shares of Rs.2 each fully paid-up (2005: 33,138,403 Equity Shares of Rs.10 each fully paid-up)	337,160	331,384
	<u>337,160</u>	<u>331,384</u>
Of the above:		
93,020,550 Equity Shares of Rs.2 each fully paid-up (2005: 18,103,087 Equity Shares of Rs.10 each fully paid-up) are held by the Holding company, Siemens AG, Germany;		
55,500,000 Equity Shares of Rs.2 each fully paid-up (2005: 11,100,000 Equity Shares of Rs.10 each fully paid-up) were allotted as fully paid-up bonus shares by capitalisation of the General reserve;		
750,000 Equity Shares of Rs.2 each (2005: 150,000 Equity Shares of Rs.10 each) were allotted as fully paid-up for consideration received other than in cash; and,		
During the current year, pursuant to amalgamation 577,617 Equity Shares of Rs.10 each fully paid-up (represents 2,888,085 Equity Shares of Rs.2 each fully paid-up after sub-division) were issued as fully paid-up to the shareholders of the erstwhile Siemens VDO Automotive Ltd. for consideration other than cash.(Refer Schedule 3)		
6 Reserves and surplus		
Capital reserve		
- Balance brought forward	688	688
Amalgamation reserve		
- Addition on amalgamation of erstwhile SVDO, (Refer Schedule 3)	55,635	-
Securities premium account		
- Balance brought forward	1,827,331	1,827,331
- Addition on amalgamation of erstwhile SVDO (Refer Schedule 3)	30,324	-
	<u>1,857,655</u>	<u>1,827,331</u>
Revaluation reserve		
- Addition on amalgamation of erstwhile SVDO (Refer Schedule 3)	11,210	-
- Movement during the year 1 October 2004 to 30 September 2005	(373)	-
- Additional depreciation on building due to revaluation transferred from profit and loss account	4,891	-
	<u>15,728</u>	<u>-</u>
General reserve		
- Balance brought forward	5,648,222	3,902,155
- Addition on amalgamation of erstwhile SVDO (Refer Schedule 3)	30,000	-
- Transfer from profit and loss account	2,925,767	1,746,067
	<u>8,603,989</u>	<u>5,648,222</u>
	<u>10,533,695</u>	<u>7,476,241</u>
7 Unsecured loans		
Interest free loans under		
- Sales tax deferral scheme	20,032	25,657
	<u>20,032</u>	<u>25,657</u>
The loan under the sales tax deferral scheme is payable upto 2011		
- Amounts payable within one year	4,709	5,625

8 Fixed assets

	Intangible assets			Tangible assets						Total	Previous year
	Goodwill	Technical Knowhow	Customer Contracts	Land	Buildings	Plant and Machinery	Furniture, Fittings & Office Equipment	Vehicles	Equipment given on lease		
Gross block											
At 1 October 2005	106,103	48,520	72,080	112,817	1,538,700	2,373,404	932,974	38,326	3,000	5,225,924	5,461,354
Additions on amalgamation of erstwhile SVDO (Refer Schedule 3)	-	-	-	9,839	58,129	203,829	69,264	5,646	-	346,707	261,162
Additions on purchase of SMD (Refer note 3A)	-	2,324	-	92,990	6,128	1,550	660	260	-	103,912	-
Additions	133,455	99,731	-	72,030	15,989	389,109	130,345	2,300	-	842,959	277,492
Deductions/ adjustments	-	-	-	-	(6,502)	(28,587)	(7,135)	(4,343)	-	(46,567)	(774,084)
At 30 September 2006	239,558	150,575	72,080	287,676	1,612,444	2,939,305	1,126,108	42,189	3,000	6,472,935	5,225,924
Accumulated depreciation											
At 1 October 2005	37,136	16,982	72,080	30,101	380,752	1,866,189	830,259	20,571	1,714	3,255,784	3,594,641
Additions on amalgamation of erstwhile SVDO (Refer Schedule 3)	-	-	-	-	36,243	67,527	47,190	3,779	-	154,739	103,971
Additions on purchase of SMD (Refer note 3A)	-	329	-	-	2,795	3,484	4,759	284	-	11,651	-
Charge for the year	32,127	26,284	-	2,650	30,211	282,800	78,034	12,290	1,286	465,682	291,550
Deductions/ adjustments	-	-	-	-	(2,403)	(24,820)	(6,001)	(2,881)	-	(36,105)	(734,378)
At 30 September 2006	69,263	43,595	72,080	32,751	447,598	2,195,180	954,241	34,043	3,000	3,851,751	3,255,784
Net block											
At 30 September 2006	170,295	106,980	-	254,925	1,164,846	744,125	171,867	8,146	-	2,621,184	1,970,140
At 30 September 2005	68,967	31,538	-	82,716	1,157,948	507,215	102,715	17,755	1,286	1,970,140	

Notes:-

Included in the gross block of land at 30 September 2006 is freehold land of Rs.16,447 (2005: Rs.6,608) and buildings includes Rs 174,907 (2005: Rs.179,781) representing 806 shares of Rs.50 each and 15 shares of Rs.100 each (2005: 806 shares of Rs.50 each and 15 shares of Rs.100 each) in various co-operative housing societies.

Buildings with a value of Rs.19,136 (2005: Rs.22,461) and plant & machinery with a value of Rs.4,120 (2005: Nil) are held for sale at 30 September 2006.

Future lease payments receivable under operating leases not later than one year aggregate Nil (2005 : 1,800).

Effects of foreign exchange rate differences has been included in the carrying value of fixed assets and Capital work in progress (CWIP) amounting to Rs.6,500 (2005: Nil).

Pursuant to amalgamation of erstwhile SVDO with the Company assets taken over included Land and Building that had been revalued as at 31 March 1986 at replacement / market value determined by an independent valuer which resulted in a net increase of Rs.39,113. (Refer Schedule. 3)

Additions and deductions/ adjustments to Gross block includes Rs.55,518 on account of purchase of assets, Rs.6,321 on account of retirement of assets and Rs.3,277 on account of accumulated depreciation on retirals pertaining to erstwhile SVDO for the period 1 October 2004 to 30 September 2005. (Refer Schedule 3)

Depreciation provided has been disclosed as under:

	2006	2005
Charge for the year	465,682	291,550
Depreciation for the period 1 October 2004 to 30 September 2005 on assets taken over from erstwhile SVDO (Refer Schedule 3)	(26,794)	-
Depreciation on leased assets (Refer Schedule 18)	(1,286)	(714)
Transfer to Revaluation reserve	4,518	-
As per profit and loss account	442,120	290,836

Schedules to the financial statements (continued)
as at 30 September 2006
(Currency : Indian rupees thousands)

	2006	2005
9 Investments		
Non-Trade, long term (unquoted)		
In government securities		
National Savings Certificates	5	5
7,000 Rural Electrification Corporation Limited 54EC Bonds (2005: 7000) Rs.10,000 each	70,000	70,000
Investment in subsidiary companies		
6,815,000 (2005: 6,815,000) Equity Shares of Rs.10 each fully paid-up in Siemens Information Systems Ltd (100% holding; 2005: 100% holding)	851,000	851,000
12,425,000 (2005: 12,425,000) Equity Shares of Rs.100 each fully paid-up in Siemens Public Communication Networks Pvt Ltd (100% holding; 2005: 100% holding)	1,639,522	1,639,522
2,123,800 (2005: 2,123,800) Equity Shares of Rs.10 each fully paid-up in Siemens Information Processing Services Pvt Ltd (formerly Siemens BPO Services Pvt Ltd) (51% holding; 2005: 51% holding)	111,000	111,000
67,340 (2005: 46,410) Equity Shares of Rs.100 each fully paid-up in Siemens Industrial Turbomachinery Services Private Ltd (74% holding; 2005: 51% holding)	148,240	103,390
	2,749,762	2,704,912
Investment in other companies		
(Quoted)		
10,485 (2005: 10,485) Equity Shares of Rs.1 each (previous year: Rs.10) fully paid up in PRICOL Limited. (see note below)	8	-
10,000 (2005:10,000) Equity Shares of Rs.10 each fully paid up in Scooters India Limited. (see note below)	100	-
	108	-
(Unquoted)		
1 equity share of Rs.10 each fully paid up in International Shock Absorbers Limited. (see note below)	0.01	-
2,160,000 (2005: Nil) Equity Shares of Rs.10 each fully paid-up in Flender Ltd. (50% holding; 2005: Nil)	677,580	-
	677,688	-
Current Investments, at lower of cost or fair value		
In Mutual Funds (unquoted)		
28,645,182 (2005: 13,551,723) units of HSBC Cash Fund-Institutional Plus -Daily Dividend	286,612	135,593
26,780,533 (2005: Nil) units of HDFC Cash Management Fund-Daily Dividend	284,848	-
28,676,959 (2005: 12,294,026) units of Prudential Liquid Super IP - Daily Dividend	286,770	145,703
284,016 (2005: 10,069,315) units of Standard Chartered Liquidity Manager - Plus - Daily Dividend	284,044	100,693
Nil (2005: 14,538,770) units of Deutsche Insta Cash Plus Fund - Institutional - Daily Dividend	-	145,671
	1,142,274	527,660
	4,639,729	3,302,577
- Aggregate book value of unquoted investment	4,639,621	3,302,577
- Aggregate book value of quoted investments	108	-
- Aggregate market value of quoted investments	656	-

Note: Pursuant to the amalgamation of erstwhile SVDO, the Company acquired investments.

9 Investments (Continued)

The following investments were acquired and sold during the year:-

(A) Name of the mutual fund	Purchased during the year *		Sold during the year	
	Quantity	Value	Quantity	Value
HSBC Cash Fund-Institutional Plus -Daily Dividend	15,093,459	151,019	-	-
HDFC Cash Management Fund-Daily Dividend	26,780,533	284,848	-	-
Prudential Liquid Super IP - Daily Dividend	40,437,712	426,152	24,054,779	285,085
Standard Chartered Liquidity Manager - Plus - Daily Dividend	9,053,146	371,736	18,838,445	188,385
DSP Merrill Lynch Liquidity Fund - IP - Daily Dividend	282,510	282,548	282,510	282,548
Deutsche Insta Cash Plus Fund - Institutional - Daily Dividend	14,680,320	147,108	29,219,090	292,779
	106,327,680	1,663,411	72,394,824	1,048,797

*Purchases include dividend reinvested

(B) Name of company	Purchased during the year		Sold during the year	
	Quantity	Value	Quantity	Value
Equity Shares of Rs.100 each fully paid-up in Siemens Industrial Turbomachinery Services Private Ltd	20,930	44,850	-	-
Equity Shares of Rs.10 each fully paid-up in Flender Ltd.	2,160,000	677,580	-	-
	2,180,930	722,430	-	-

	2006	2005
10 Deferred tax asset		
Arising on account of timing differences in :		
Provision for doubtful debts and advances	235,026	197,312
Preliminary expenses	-	996
Other provisions (amounts allowable on a payment basis under the Income Tax Act, 1961)	221,506	140,844
	456,532	339,152
Deferred tax liability		
Arising on account of timing differences in :		
- Depreciation	179,913	188,819
Deferred tax asset (net)	276,619	150,333
11 Inventories		
Raw materials	966,723	491,249
Work-in-progress		
- factory related	394,332	202,757
- project related	2,445,513	1,543,513
Finished goods	1,035,678	1,046,471
	4,842,246	3,283,990

Schedules to the financial statements (continued)
as at 30 September 2006
(Currency : Indian rupees thousands)

	2006	2005
12 Sundry debtors		
Debts outstanding		
- over six months	3,758,726	1,478,740
- other debts	7,904,401	6,292,902
	<u>11,663,127</u>	<u>7,771,642</u>
Of which		
- considered good	11,097,716	7,319,804
- considered doubtful	565,411	451,838
	<u>11,663,127</u>	<u>7,771,642</u>
Provision for doubtful debts	(565,411)	(451,838)
	<u>11,097,716</u>	<u>7,319,804</u>
Sundry debtors are unsecured and include:		
- Retentions on project related work-in-progress	3,091,520	1,219,090
Included in debtors are debts due from companies under the same management :		
- Siemens Public Communication Networks Pvt. Ltd.	7,313	605
- Siemenes Information Systems Ltd.	90,608	35,892
- Siemens Information Processing Services Pvt Ltd.	8,967	12,853
- Siemens Power Engineering Pvt. Ltd.	3,916	7,892
- Powerplant Performance Improvement Ltd.	14,746	20,217
- Siemens Industrial Turbomachinery Services Pvt.Ltd.	84	-
- Siemens Hearing Instruments Pvt. Ltd.	1,612	475
- Winergy Drive Systems India (P) Ltd.	227	-
- Siemens Corporate Finance Pvt Ltd.	11,094	-
- Bangalore International Airport Ltd.	127,469	169,713
- VAI Automation Ltd.	4	-
13 Cash and bank balances		
Cash in hand	37,008	36,095
Cheques in hand	343,844	751,741
Balances with scheduled banks		
- on current account	1,533,831	1,407,591
- on deposit account	6,502,200	2,610,691
Balances with other banks	977,564	49,021
	<u>9,394,447</u>	<u>4,855,139</u>
Bank balances with other banks in current account includes :		
- Citibank, Colombo	2,105	1,729
- Citibank, Dhaka	2,372	5,457
- Standard Chartered Bank, Colombo	-	74
- Standard Chartered Bank, Dhaka	1,382	1,875
- Standard Chartered Bank, Nepal	28	262
- Standard Chartered Bank, Doha	550,098	32,615
- The Hongkong & Shanghai Banking Corporation Ltd.,Colombo	688	2,895
- The Hongkong & Shanghai Banking Corporation Ltd.,Dhaka	17,112	4,114
- The HongKong and Shanghai Banking Corporation, Doha	403,779	-
	<u>977,564</u>	<u>49,021</u>

13 Cash and bank balances (Continued)

	2006	2005
Maximum amount outstanding at any time during the year :		
- Citibank, Colombo	2,299	81,441
- Citibank, Dhaka	16,454	18,180
- Myanmar Economic Bank, Myanmar	-	56
- Standard Chartered Bank, Colombo	81	1,516
- Standard Chartered Bank, Dhaka	4,244	3,148
- Standard Chartered Bank, Nepal	298	283
- Standard Chartered Bank, Doha	7,139,597	721,522
- The Hongkong & Shanghai Banking Corporation Ltd., Colombo	11,875	11,801
- The Hongkong & Shanghai Banking Corporation Ltd., Dhaka	47,424	17,079
- The HongKong and Shanghai Banking Corporation, Doha	739,333	-

14 Loans and advances**(Unsecured, considered good unless stated)**

Advances recoverable in cash or in kind or for value to be received

- considered good	2,735,719	1,129,343
- considered doubtful	132,825	134,352
	<u>2,868,544</u>	<u>1,263,695</u>
Provision for doubtful advances	(132,825)	(134,352)
	<u>2,735,719</u>	<u>1,129,343</u>
Advance payments of income tax (net of provision for tax Rs.5,547,554 (2005: Rs.5,005,913))	259,149	116,407
Balances with customs, port trusts etc.	166,380	135,647
Inter corporate deposits	990,000	425,000
Interest accrued on inter corporate deposits	12,834	2,999
	<u>4,164,082</u>	<u>1,809,396</u>

Loans and advances includes :

(a) Amounts due from directors of the Company (Maximum amount outstanding during the year Rs.314; 2005: Rs.305)	211	297
(b) Amounts due from an officer of the Company (Maximum amount outstanding during the year Nil ; 2005: Rs.128)	-	-
(c) Inter-corporate deposits given to companies under the same management :		
- Osram India Pvt Ltd	275,000	290,000
- Siemens VDO Automotive Ltd	-	135,000
- Siemens Public Communication Network Limited (Subsidiary Company)	575,000	-
- Winergy Drive Systems India Pvt. Ltd.	140,000	-
	<u>990,000</u>	<u>425,000</u>

Maximum amount outstanding at any time during the year :

- Demag Delaval Industrial Turbomachinery Pvt. Ltd.	-	135,000
- Osram India Pvt Ltd	280,000	490,000
- Siemens Public Communication Network Limited (Subsidiary Company)	1,800,000	-
- Siemens VDO Automotive Ltd	-	245,000
- Winergy Drive Systems India Pvt. Ltd.	140,000	-

Schedules to the financial statements (continued)
as at 30 September 2006
(Currency : Indian rupees thousands)

	2006	2005
15 Current liabilities		
Sundry creditors		
- payable to small scale industrial undertakings	46,189	295,063
- payable to subsidiaries	27,467	9,610
- other sundry creditors	16,850,464	9,134,889
Advances from customers	7,342,802	3,312,017
Investor Education and Protection Fund *	8,130	7,439
	24,275,052	12,759,018

*Investor Education and Protection Fund:-

(Appropriate amounts shall be credited to Investor Education and Protection fund)

- Unclaimed dividend	7,409	6,642
- Unclaimed matured deposits	721	797

Advances from customers include progress payment and advances received for project related work

6,405,903 1,484,796

The names of the small scale industrial undertakings to whom the Company is indebted for a period of more than 30 days as at 30 September 2006 :

Aggarwal Engineering Works	Mehru Electricals & Mechanical Engineers (P) Ltd.
Ajay Engineering Co.	Metal Craft Engrs & Spring Indus
Ajay Industries	Metcon Coatings & Chemicals (India) Pvt. Ltd.
Astra Metal Systems Pvt. Ltd.	Oriental Plants & Equipments (Pvt) Ltd.
Aztech Tele-System	Paramount Seals & Packings
B.E.C.Industries	Perfect Auto Products
Bartech Data Systems	Polycom Associates
Bengal Technocrats Pvt. Ltd.	Pragati Electricals Pvt. Ltd.
Boost Electronics	Ragwanand Engineering
Bry-Air (Asia) Pvt. Ltd.	Rama Industries
Bunts Tools Co.	Ramkrishna Electricals Pvt. Ltd.
Cabcon India Pvt. Ltd.	Reliable Moulders
Calcutta Electro Engineering Works	Rohini Industrial Electricals Ltd.
Deepanjan Telecables Pvt. Ltd.	Rohit Springforms Pvt. Ltd.
Deora Wires N Machines Pvt. Ltd.	Satyam Metals
Dol Electric Co. Pvt. Ltd.	SCR Elektroniks
Electrical Controls & Systems	Seema Services
Elektro Anlagen Pvt. Ltd.	Shalaka Enterprises
Evergreen Technologies Pvt. Ltd.	Shikovi Heatgen Technologies Pvt. Ltd.
F.M.Instrumentation	Shree Modi Materials Handling Co.
Fine Core Cables Pvt. Ltd.	Steel Fab Engineers
Hipro Tools (P) Ltd.	Swastik Metcast (P) Ltd. Unit II
I C Engineers And Erectors	Switron Devices
Intra Vidyut Ltd.	Trac Fujico Air Systems Ltd.
J K Tube Co.	UL Automation & Systems Pvt. Ltd.
Kakamari Enterprises	Unitech Transformers Pvt. Ltd.
Kay Sons Electricals Pvt. Ltd.	V Max Engineers
Kimo Electronic Pvt. Ltd.	Varsha Cables Pvt. Ltd.
Mansfield Cable Co.	Vikas Engineering Associate
Mascasts	Yashika Industries
MCML Systems Pvt. Ltd.	Zeal Services

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

	2006	2005
16 Provisions		
Pension	154,881	170,000
Leave wages	30,820	33,865
Medical benefits	44,721	40,861
Personnel related	473,455	381,556
Gratuity	-	5,849
Warranty	588,512	497,246
Loss order	20,428	22,470
Liquidated damages	906,798	522,443
Contingencies	410,604	372,130
Proposed dividend	640,604	331,384
Tax on proposed dividend	89,845	46,477
Others	54,642	44,420
	<u>3,415,310</u>	<u>2,468,701</u>
17 Interest income, net		
Interest income (includes tax deducted at source Rs 95,499 ; 2005 : Rs.38,987)	367,373	215,421
Interest expense	(723)	(271)
	<u>366,650</u>	<u>215,150</u>
18 Other operating income, net		
Lease rentals	1,800	1,800
Depreciation (Refer Schedule 8)	(1,286)	(714)
Lease income, net	514	1,086
Export incentives	53,683	87,389
Profit on sale of fixed assets, net	36,995	119,690
Recoveries from subsidiary companies, associates and third parties	202,288	149,326
Sales tax set off	-	123,744
	<u>293,480</u>	<u>481,235</u>
19 Other income		
Dividend from subsidiary companies	1,014,797	833,751
Dividend on mutual fund investments	50,333	18,409
Miscellaneous income	24,045	28,389
	<u>1,089,175</u>	<u>880,549</u>
20 Cost of sales and services		
Raw materials consumed	9,543,307	5,288,750
Traded goods consumed	11,027,567	9,527,109
Spares and stores consumed	227,828	97,790
Project bought outs	13,924,439	5,812,952
Change in inventories	(1,024,079)	(1,270,813)
Other costs	940,054	649,005
	<u>34,639,116</u>	<u>20,104,793</u>
Included in other costs, excise duty on finished goods	136,801	142,417

Schedules to the financial statements (continued)
for the year ended 30 September 2006
(Currency : Indian rupees thousands)

	2006	2005
21 Personnel costs, net		
Salaries, wages and bonus, net	2,271,707	1,855,686
Contribution to provident and other funds	236,980	148,600
Workmen and staff welfare	320,096	201,390
	<u>2,828,783</u>	<u>2,205,676</u>
22 Other costs, net		
Travel and conveyance	729,199	553,039
External software services and data processing	436,232	243,114
Communications	270,322	251,120
Power and fuel	207,435	167,267
Rates and taxes	189,597	239,550
Repairs to		
- building	86,892	98,784
- machinery	39,247	30,190
- others	98,932	51,215
Rent	178,375	94,639
Research and development expenditure	175,975	72,878
Advertising and publicity	166,078	98,115
Packing and forwarding	176,294	106,740
Legal and professional	136,713	81,066
Exchange (gains)/ losses, net	(141,180)	286,497
Office supplies, printing and stationery	56,442	46,832
Lease rentals	58,849	47,120
Insurance	122,051	44,116
Bank guarantee commission/ bank charges	52,692	39,222
Donation	6,077	5,770
Commission to directors	11,285	7,160
Directors' fees	960	390
Bad debts	3,602	1,866
Provision for doubtful debts and advances, net	92,546	35,607
Miscellaneous expenses*	733,394	227,079
	<u>3,888,009</u>	<u>2,829,376</u>
*Includes prior period expenses of Rs. 68,871 (2005: Nil)		
23 Commitments and contingent liabilities		
a Commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	334,625	544,934
Future lease commitments in respect of operating leases		
- within one year	6,624	-
- later than one year and not later than five years	11,275	-
Export commitments	2,169,547	617,929
b Contingent liabilities		
Bills discounted	121,387	200,307
Taxation matters (excluding interest)		
- In respect of certain completed assessments where matters are under appeal by the Company	321,738	315,676
- In respect of appeals decided in favour of the Company, but disputed further by income tax authorities	106,166	106,166
Excise/sales tax liabilities (net of tax), under dispute	141,593	183,328
Customs liabilities (net of tax), under dispute	190,312	171,199
Corporate and other guarantees	12,495	36,822

	2006	2005
24 Supplementary statutory information		
<i>(i) Managerial remuneration</i>		
Personnel and other costs include managerial remuneration for Directors as set out below:		
Salaries	8,379	8,633
Perquisites	9,595	13,231
Commission	11,285	7,160
Performance linked incentive	11,250	15,000
Entitlement to stock linked compensation plan	12,222	2,752
Ex-gratia	-	9,000
Contribution to provident fund	410	540
Contribution to superannuation fund	512	675
	53,653	56,991

Certain whole time Directors are covered under the Company's gratuity scheme along with the other employees of the Company. The gratuity liability is determined for all employees by a independent actuarial valuation. The specific amount of gratuity for such whole time Directors cannot be ascertained separately and accordingly the same has not been included above.

Computation of commission to the Managing Director and other Directors:

Profit as per the Profit and Loss Account	3,658,645	2,547,506
Add:		
Managing and other director's remuneration and commission	53,653	56,991
Depreciation charged in the accounts (Refer Schedule 8)	465,682	291,550
Profit on sale of fixed assets, net (as per Section 349 of the Act)	1,950	78,164
Provision for doubtful debts and advances, net	92,546	35,607
Provision for current, fringe benefit and deferred tax	1,453,678	1,083,546
Provision for wealth tax	(1,470)	(9,430)
Less:		
Profit on sale of fixed assets, net as per Profit and Loss Account	(36,995)	(119,690)
Depreciation as computed under Section 350 of the Act (see note below)	(465,682)	(291,550)
Net profit as per Section 349 of the Act	5,222,007	3,672,694
Commission to managing and whole-time Directors subject to ceiling of 10% of the net profits as calculated above, provided at	8,005	4,000
Commission to other Directors subject to ceiling of 1% of the net profits as calculated above, provided at	3,280	3,160
	11,285	7,160

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 Act. Thus, the depreciation charged in the books is higher than that prescribed as the minimum by the Act. Hence, this higher value has been considered as a deduction for the computation of managerial remuneration above.

Schedules to the financial statements (continued)
for the year ended 30 September 2006
(Currency : Indian rupees thousands)

	2006	2005
24 Supplementary statutory information (Continued)		
<i>(ii) Auditors' remuneration</i>		
- Audit fee	6,700	5,700
- Tax audit fee	3,000	2,300
- Other services	2,744	555
- Reimbursement of expenses	550	480
	12,994	9,035
<i>(iii) Earnings and expenditure in foreign exchange (on accrual basis)</i>		
<i>(a) Earnings in foreign currency</i>		
- Exports of goods		
Direct on FOB basis	2,114,919	559,407
Under IDA/IBRD/ADB credits	172,534	395,879
- Project Business	6,692,344	2,055,686
- Commission	399,015	387,243
- Service charges and others	1,173,731	789,179
<i>(b) Expenditure in foreign currency (on accrual basis)</i>		
- Travelling	107,010	67,888
- Installation charges	846	-
- Expenditure on contracts at foreign sites	3,099,040	355,462
- Commission	302,980	31,208
- Service charges	545,261	189,964
- Others	140,714	100,924
<i>(c) Value of imports calculated on CIF basis</i>		
- Raw material	2,614,040	1,571,194
- Components, spare parts and traded goods	11,144,065	7,221,116
- Capital goods	681,528	92,052
<i>(iv) Net dividend remitted in foreign exchange</i>		
Final :		
Period to which the dividend relates	1.10.2004 to 30.09.2005	1.10.2003 to 30.09.2004
Number of non-resident shareholders	One	One
Number of Equity Shares held on which dividend was due	18,103,087	18,103,087
Amount remitted	181,031	90,515
Interim :		
Period to which the dividend relates	1.10.2004 to 30.09.2005	1.10.2004 to 30.09.2005
Number of non-resident shareholders	One	One
Number of Equity Shares held on which dividend was due	-	18,103,087
Amount remitted	-	81,464

25 Disclosure as per Clause 32 of the listing Agreement

Loans and advances in the nature of loans

	Amount at 30 September 2006	Maximum amount outstanding at any time during the year
<i>Subsidiary company</i>		
- Siemens Public Communication Network Limited	575,000	1,800,000
<i>Others</i>		
- Winergy Drive Systems India Private Ltd.	140,000	140,000
- Osram India Private Ltd.	275,000	280,000

26 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

Class of goods	2006		2005	
	Quantity	Value	Quantity	Value
Refer Schedules (a) and (d) below				
Switchgear items		6,045,066		4,306,849
Electric motors/ generators	70,171	2,581,880	57,248	2,041,843
Switchboards, control boards and miscellaneous accessories		3,323,405		2,094,157
X-ray equipment		303,642		318,221
Railway signalling equipment		2,482,836		1,817,154
Variable speed AC/DC drive systems, motor control, modules and programmable control systems		2,914,670		2,213,934
Protection systems		521,997		385,390
Data acquisition, logging and control systems		272,470		109,783
EPABX / EPAX / Intercom and key telephone systems		1,282,882		989,259
Medical electronic diagnostic equipment		3,790,022		2,815,547
Other engineering project goods		14,965,398		6,923,054
Maintenance, repairs and other services		942,174		1,015,705
Integrated building management systems		684,990		433,018
Industrial turbines		2,922,140		1,192,189
Rental Income		421,259		441,353
Automotive- Manufactured goods		1,197,537		-
Automotive - Traded goods		42,748		-
		<u>44,695,116</u>		<u>27,097,456</u>
Commission income		408,356		387,343
		<u>45,103,472</u>		<u>27,484,799</u>

Schedules to the financial statements (*continued*) for the year ended 30 September 2006 (Currency : Indian rupees thousands)

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

(ii) *Raw materials, bought out components consumed during the year*

Refer Schedule (e) below

	Unit	2006		2005	
		Quantity	Value	Quantity	Value
Copper flats, strips and profiles	MT	394	137,924	950	111,894
Enamelled copper wire	MT	656	238,557	582	140,841
Brass sheets and strips	MT	1,635	21,174	1,602	12,496
Aluminium ingots, profiles and castings	MT	774	30,996	3,016	21,064
Iron and steel castings and shafts	MT	4,021	237,233	6,260	181,022
Dynamo steel sheets, strips and laminations	MT	4,123	323,958	3,834	259,542
Hot rolled and cold rolled steel sheets, strips, housings etc.	MT	3,243	29,946	7,599	25,406
Cables and wires	Kms	26,659	61,813	17,408	49,839
Silver components	Kgs	11,823	264,317	4,655	79,658
Ball and roller bearings	Nos	853,179	250,520	583,005	76,435
Thyristors, diodes and transistors	Nos	130,137	92,438	173,219	38,608
X-ray tubes	Nos	337	10,899	608	19,691
Amphenol terminals	Nos	372,546	12,576	272,924	9,122
Vacuum tubes	Nos	24,697	319,457	19,125	225,605
Integrated circuits	Nos	42,562	1,516	47,172	3,830
Capacitors and condensers	Nos	106,071	27,904	125,849	31,851
Printed circuit boards	Nos	5,722	1,470	14,179	16,400
Aluminium components			205,202		150,080
Steel components			570,373		437,675
Copper and copper alloy components			270,154		109,243
Insulation materials			208,053		155,673
Packing material			28,974		18,372
Turbine components	Pcs	214,805	202,123	25,832	44,769
Others			5,995,730		3,069,634
			<u>9,543,307</u>		<u>5,288,750</u>

(iii) *Imported and indigenous raw materials and components consumed*

	2006		2005	
	Value	% of total consumption	Value	% of total consumption
Imported	2,557,222	27	1,381,954	26
Indigenous	6,986,085	73	3,906,796	74
	<u>9,543,307</u>	<u>100</u>	<u>5,288,750</u>	<u>100</u>

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

(iv) Inventories

Finished goods

Refer Schedule (a) below

Class of goods	2006		2005	
	Quantity	Value	Quantity	Value
Switchgear items		247,768		252,393
Electric motors/ generators	1,638 Nos.	61,548	2,639 Nos.	109,483
Switchboards, control boards, etc.		-		2,000
X-ray equipment		300		3,828
CT and other diagnostic equipment		115,284		197,260
Railway signalling equipment		106,581		151,465
Variable speed AC/DC drive systems, motor control modules and programmable control systems		233,271		202,552
Protection systems/ uninterrupted power Supply systems		-		2,400
Data acquisition, logging and control systems supply systems		2,202		-
		33,255		-
Integrated Building Management System		43,404		-
Automotive components		41,890		-
Others		150,175		125,090
		<u>1,035,678</u>		<u>1,046,471</u>
Work-in-progress				
- factory related		394,332		202,757
- project related		2,445,513		1,543,513
		<u>3,875,523</u>		<u>2,792,741</u>

(v) Purchases

Refer Schedule (a) below

Class of goods	2006 Value	2005 Value
EPABX/EPAX/ intercom and KTS	853,783	666,948
Medical electronic diagnostic equipment	2,998,904	2,532,113
Others	7,174,880	6,328,048
Towards projects execution (CIF value of imports Rs.5,438,921,351; 2005: Rs.4,913,669,870)	13,924,439	5,812,952
	<u>24,952,006</u>	<u>15,340,061</u>

Schedules to the financial statements (*continued*) for the year ended 30 September 2006 (Currency : Indian rupees thousands)

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

(vi) Capacities and Production

Refer Schedule (b) below

Class of goods manufactured	Unit	2006		2005	
		Annual installed capacity (refer note (c) below)	Actual production	Annual installed capacity (refer note (c) below)	Actual production
Switchgear items	Nos	10,980,850	10,656,981	4,739,700	7,564,914
Electric motors/generators	Nos	15,860	14,646	15,860	10,211
Switch boards, control boards and miscellaneous accessories	Nos	8,000	1,804	8,000	1,449
X-ray equipment	Nos	1,283	1,115	1,283	2,777
Electromedical equipment	Nos	209	23	209	29
Rectifier cubicles and miscellaneous equipment	MW	65.0	-	64.5	0.2
Variable speed AC/DC drive systems, motor control modules and programmable control system	Nos	6,248	1,606	6,248	876
Data acquisition, logging and control systems	Nos	50	2	50	18
Electronic measurand converter	Nos	1,277	153	1,277	228
Static Converter for railways	Nos	610	220	610	222
Audio frequency track circuit	Nos	900	125	900	505
Interlocking relays	Nos	250,000	175,175	250,000	122,771
Auxillary inverter for AR locomotive	Nos	50	52	50	52
Traction converter for diesel locomotive	Nos	72	49	72	45
Electrical control cabinet	Nos	288	55	288	42
Circuit breakers above 1000 volts	Nos	1,000	629	1,000	1,535
Single stage/ multi stage turbines	MW	48	42	200	34.72

Licensed Capacity is not applicable in terms of the Government of India's notification No. S.O. 477(E) dated 25th July, 1991.

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

27 Disclosure relating to Provisions

Provision for warranty

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

Provision for liquidated damages

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

Provision for loss orders

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

Personnel related provisions

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

Contingencies

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

The movements in the above provisions are summarised below:

	Warranties	Liquidated damages	Loss orders	Personnel related	Contingencies
Balance as at 1 October 2005	497,246	522,443	22,470	381,556	372,130
Additions on amalgamation of erstwhile SVDO (refer Schedule 3)	7,792	-	-	13,701	-
Additions on purchase of SMD (Refer Schedule 3A)	-	488	-	-	-
Provisions made during the year	307,237	565,344	17,721	450,536	97,490
Provisions utilised during the year	(75,632)	(12,355)	(19,763)	(341,835)	(15,194)
Provisions reversed during the year	<u>(148,131)</u>	<u>(169,122)</u>	<u>-</u>	<u>(30,503)</u>	<u>(43,822)</u>
Balance as at 30 September 2006	<u><u>588,512</u></u>	<u><u>906,798</u></u>	<u><u>20,428</u></u>	<u><u>473,455</u></u>	<u><u>410,604</u></u>

Provisions made during the year includes Rs.5,883 on account of warranties and Rs.3,612 on account of personnel related provisions pertaining to erstwhile SVDO for the period 1 October 2004 to 30 September 2005. (Refer Schedule 3)

Schedules to the financial statements (*continued*) for the year ended 30 September 2006 (Currency : Indian rupees thousands)

28 Related party transactions

28.1 Parties where control exists

Siemens AG	Holding company (holds 55.18% of the Equity Share capital as at 30 September 2006)
Siemens Information Systems Ltd ("SISL")	Subsidiary company (100% of whose Equity Share capital is held by Siemens Ltd as at 30 September 2006)
Siemens Public Communication Networks Pvt Ltd ("SPCNL")	Subsidiary company (100% of whose Equity Share capital is held by Siemens Ltd as at 30 September 2006)
Siemens Information Processing Services Pvt Ltd ("SIPS") (formerly 'Siemens BPO Services Pvt. Ltd.')	Subsidiary company (51% of whose Equity Share capital is held by Siemens Ltd as at 30 September 2006 and the balance 49% is held by SISL)
Siemens Industrial Turbomachinery Services Pvt. Ltd.	Subsidiary company (74% of whose Equity Share capital is held by Siemens Ltd as at 30 September 2006)
Siemens Nixdorf Information Systems Pvt Ltd ("SNISL")	Step-down subsidiary company (100% of whose Equity Share capital is held by SISL as at 30 September 2006)

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

Fellow Subsidiaries		
Siemens Programm- und Systementwicklung GmbH & Co. KG		Germany
Siemens Building Technologies GmbH & Co. OHG		Germany
Flender Industriegetriebe GmbH & Co KG		Germany
Siemens Building Technologies Fire & Security Products GmbH & Co. OHG		Germany
SYKATEC Systeme, Komponenten, Anwendungstechnologie GmbH & Co. KG		Germany
Siemens VDO Trading GmbH		Germany
Turbocare, Inc.		USA
Lincas Export Services GmbH		Germany
Siemens Industrial Turbomachinery Ltd.		United Kingdom
Acuson Corporation		India
Siemens Industrial Turbomachinery s.r.o.		Czech Republic
Siemens AG Rd Com K Rw (WG.Marabu)		Germany
Siemens Industrial Turbomachinery AB		Sweden
MWW Metallbearbeitungs-GmbH & Co KG		Austria
Siemens VDO S.A. DE C.V.		Mexico
Siemens Power Generation, Inc.		USA
Siemens Building Technologies, Inc.		USA
Siemens Demag Delaval Turbomachinery, Inc.		USA
Siemens Shared Services LLC		USA
Siemens Milltronics Process		Canada
Siemens Electronic Design and Manufacturing Services GmbH & Co. KG		Germany
Siemens VDO Automotive AG		Germany
Weiss Spindeltechnologie GmbH		Germany
Siemens Industrial Turbomachinery B.V.		Netherlands
Siemens Medium Voltage Switching Technologies (Wuxi) Ltd.		China
Siemens Hearing Instruments Pvt. Ltd.		India
Siemens Power Engineering Pvt. Ltd.		India
Siemens Building Technologies Pte. Ltd.		Singapore
Beijing Siemens Cerberus Electronics Ltd.		China
Siemens Industrial Services Ltd.		Thailand
Siemens Protection Devices Limited Protection Products		Great Britain
Siemens Westinghouse Technical Services Pte. Ltd.		China
Siemens TOO		Kazakhstan
Siemens Energy Management and Information Systems Pte. Ltd.		Singapore
VA Tech Elin Transformatoren		Austria
Siemens Automobilova System s.r.o.		Czech Republic

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

Siemens Corporate Finance Pvt. Ltd.	India
Siemens Busbar Trunking Systems GmbH & Co. KG	Germany
Winergy Drive Systems India Pvt. Ltd.	India
VA Tech Transmission & Distribution SA	France
Siemens Ltd.	Vietnam
Siemens Financial Services GmbH, SFS Holding	Germany
Trench Germany GmbH	Germany
Siemens Financial Services GmbH Project And Export Finance	Germany
VVK Versicherungsvermittlungs- und Verkehrskontor GmbH	Germany
Mechanik Center Erlangen GmbH	Germany
Siemens Beteiligungsverwaltung GmbH & Co. OHG	Germany
Siemens S.A./N.V.	Belgium
mdexx Magnetronic Devices GmbH & Co. KG	Germany
Siemens S.A.S.	France
Siemens A.E. Information and Communication Network	Greece
Eviop-Tempo A.E. Electrical Equipment Manufacturers	Greece
CTI Molecular Imaging, Inc.	USA
Siemens plc	United Kingdom
Siemens Magnet Technology Ltd.	United Kingdom
Siemens S.p.A.	Italy
Siemens Power Generation	United Kingdom
Siemens Nederland N.V.	Netherlands
Siemens Aktiengesellschaft Österreich	Austria
Siemens Transportation Systems GmbH & Co KG	Austria
Siemens d.o.o.	Slovenia
Siemens-Elema AB	Sweden
Koncar Power Transformers Ltd.	Croatia
Siemens Schweiz AG	Switzerland
Siemens S.A.	Spain
Siemens Sanayi ve Ticaret A.S.	Turkey
P.E.T.Net Pharmaceuticals,	USA
Siemens Busbar Trunking Systems S.L.	Spain
Siemens Medical Instruments	Singapore
Siemens Inc.	Philippines
Siemens Business Services Pte. Ltd.	Singapore
Siemens Communications	United Kingdom
Siemens Communications Ltd.	Great Britain
Siemens VDO Automotive Pty Ltd.	Australia
Siemens Algérie S.A.R.L.	Algeria
Siemens Ltd.	Egypt
Siemens (Pty) Ltd. - Addis Abeba	Ethiopia
Siemens VDO Automotive SA	Spain
Siemens Company Secretariat Ltd.	United Kingdom
Siemens Ltd.	Kenya
Siemens Ltd.	South Africa
FLender-Graffenstaden SAS	France
Siemens Business Services GmbH & Co. OHG	Germany
Siemens S.A.	Argentina
Siemens Circuit Protection Systems Ltd.	China
Siemens Ltd.	Brazil
Siemens Electrical Apparatus Ltd.	China
Siemens Business Communication Systems Ltd.	China

Schedules to the financial statements (*continued*) for the year ended 30 September 2006 (Currency : Indian rupees thousands)

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

Siemens Ltd.	Thailand
Siemens Canada Ltd.	Canada
Siemens Ltd.	China
Siemens VDO Automotive s.r.o.	Czech Republic
Siemens S.A.	Columbia
Siemens Electrical Drives Ltd.	China
Siemens S.A. de C.V.	Mexico
Siemens VDO Automotive N.V	Belgium
Siemens Electro Electronica S.A.	Brazil
Siemens VDO Halla Ltd.	Korea
Siemens Energy & Automation, Inc.	USA
Siemens VDO Instruments MY SDN BHD	Malaysia
Siemens Medical Solutions USA, Inc.	USA
SMS Inc. - Customer Solutions Group	USA
Siemens Communication, Inc.	USA
Siemens Bangladesh Ltd.	Bangladesh
Siemens Ltd.	Hongkong
OSRAM India Pvt. Ltd.	India
P.T. Siemens Indonesia	Indonesia
Siemens Factory Automation Engineering Ltd.	China
Siemens Sherkate Sahami	Iran
Siemens Shanghai Medical Equipment Ltd.	China
Siemens Automotive Systems Corporation	Korea
Siemens KK Dept. SD	Japan
Siemens Asahi Medical	Japan
Siemens Pakistan Engineering Co. Ltd.	Pakistan
Siemens Ltd.	Korea
Siemens Ltd.	Taiwan
OSRAM Opto Semiconductors	Malaysia
Siemens Malaysia Sdn. Bhd.	Malaysia
Siemens Ltd.	Australia
Siemens VDO Automotive AG Standort Neuhausen AM Rheinfall	Switzerland
Siemens Pte. Ltd.	Singapore
Siemens VDO Automotive WuHu Co Ltd	China
Siemens Busbar Trunking Systems Ltd.	United Kingdom
SBS Region Deutschland München	Germany
Lincas Electro Vertriebsgesellschaft GmbH	Germany
Siemens Read Estate GmbH & CO GmbH	Germany
A. Friedr. Flender AG	Germany
Siemens Business Services Ltd.	Great Britain
Siemens (NZ) Ltd.	New Zealand
Siemens Elektromotory s.r.o.	Czech Republic
Siemens Signalling Co., Ltd.	China
Siemens s.r.o.	Czech Republic

28.3 Directors of the Company

Whole-time Directors	J. Schubert
	H. Gelis (upto 28 February 2006)
	P. de Royer (appointed w.e.f. 1 February 2006)
	Harminder Singh
	K.R.Upili (appointed w.e.f. 27 January 2006)

Details of remuneration to Directors are disclosed at Schedule 24(i) to the financial statements.
Details of housing loan to Director is disclosed at Schedule 14(a) to the financial statements.

	2006	2005
28.4 <i>Sales to and other recoveries from related parties</i>		
Holding Company	1,191,363	1,534,478
Subsidiaries		
Siemens Information Sytems Ltd	333,869	340
Other Subsidiaries	121,273	85,787
Fellow Subsidiaries		
Siemens Energy & Automation, Inc.	492,326	-
Other Fellow Subsidiaries	581,875	336,747
28.5 <i>Purchases/ other services from related parties</i>		
Holding Company	9,660,366	6,087,963
Subsidiaries	282,335	35,895
Fellow Subsidiaries	3,315,711	2,168,966
28.6 <i>Interest income from related parties</i>		
Subsidiaries		
Siemens Public Communication Networks Pvt. Ltd.	44,228	-
Fellow Subsidiaries		
Osram India Pvt. Ltd.	19,012	23,987
Other Fellow Subsidiaries	12,219	16,906
28.7 <i>Purchase of investments from related parties</i>		
Holding Company	-	1,639,522
Fellow Subsidiaries		
Demag Devalal Industrial TurboMachinery NV, Netherlands	-	380,000
Other Fellow Subsidiaries	-	111,000
28.8 <i>Other income from related parties</i>		
Fellow Subsidiaries		
Siemens Power Engineering Pvt. Ltd.	-	12,000
28.9 <i>Dividend paid to related parties</i>		
Holding Company	181,031	171,979
Fellow Subsidiaries	6,931	-
28.10 <i>Dividend received from related parties</i>		
Subsidiaries		
Siemens Public Communication Networks Pvt. Ltd.	124,250	-
Siemens Information Sytems Ltd	858,690	831,430
Other Subsidiaries	31,857	2,321
28.11 <i>Purchase of Fixed assets/Capital Work-In-Progress from related parties</i>		
Holding Company	77,691	-
Fellow Subsidiaries	11,203	-
28.12 <i>Sale of Fixed assets/Capital Work-In-Progress to related parties</i>		
Subsidiaries		
Siemens Information Sytems Ltd	-	111,449
28.13 <i>Outstanding balances</i>		
Debtors		
Holding Company	268,099	311,164
Subsidiaries		
Siemens Information Ssystems Ltd	100,119	44,056

Schedules to the financial statements (continued)
for the year ended 30 September 2006
(Currency : Indian rupees thousands)

	2006	2005
Other Subsidiaries	17,305	14,435
Fellow Subsidiaries	41,025	21,779
Creditors		
Holding Company	5,674,997	2,287,111
Subsidiaries	27,467	9,610
Fellow Subsidiaries	51,913	267,677
Inter Corporate Deposits		
Subsidiaries		
Siemens Public Communication Networks Pvt. Ltd.	575,000	-
Fellow Subsidiaries		
Osram India Pvt. Ltd.	275,000	290,000
Winergy Drive Systems India Pvt. Ltd.	140,000	-
Advance given		
Fellow Subsidiaries	-	37,697
29 Disclosure pursuant to Accounting Standard - 7 'Construction Contract' (Revised) :		
29.1 Contract Revenue recognised for the year ended 30 September 2006	19,124,917	9,193,443
29.2 Aggregate amount of contract costs incurred for all contracts in progress as at 30 September 2006	37,009,309	19,279,465
29.3 Recognised profits (less recognised losses) upto 30 September 2006 for all contracts in progress as at 30 September 2006	4,037,996	2,707,945
30 (i) Information about business segments		

	Revenue						Results	
	External sales		Inter segmental sales		Total		2006	2005
	2006	2005	2006	2005	2006	2005		
Information and communications	1,381,448	1,068,817	36,965	10,046	1,418,413	1,078,863	146,375	109,068
Automation and drives	10,663,033	7,796,692	1,546,673	1,041,815	12,209,706	8,838,507	1,052,173	593,794
Industrial solutions and services	5,130,975	2,764,737	189,784	104,224	5,320,759	2,868,961	584,579	310,807
Power	18,903,972	9,460,900	878,089	212,856	19,782,061	9,673,756	1,227,870	772,782
Transport	2,482,834	1,817,154	-	-	2,482,834	1,817,154	206,094	225,618
Healthcare and other services	4,137,662	3,682,082	-	-	4,137,662	3,682,082	99,710	152,810
Building technologies	742,004	453,064	14,074	4,753	756,078	457,817	40,790	29,174
Real estate	421,259	441,353	-	-	421,259	441,353	247,911	369,689
Automotive	1,240,285	-	-	-	1,240,285	-	17,467	-
Eliminations	-	-	(2,665,585)	(1,373,694)	(2,665,585)	(1,373,694)	-	-
Total	45,103,472	27,484,799	-	-	45,103,472	27,484,799	3,622,969	2,563,742
Interest expenses							(723)	(271)
Interest income							367,373	215,421
Unallocable corporate items							1,065,130	852,160
Profit before tax							5,054,749	3,631,052
Income tax							(1,493,988)	(1,034,008)
Fringe benefit tax							(85,975)	(31,262)
Deferred tax							126,285	(18,276)
Profit after tax and before profit after tax of erstwhile SVDO							3,601,071	2,547,506
Profit after tax for the period 1 October 2004 to 30 September 2005 on account of amalgamation of erstwhile SVDO (Refer Schedule 3)							57,574	-
Consolidated total	45,103,472	27,484,799	-	-	45,103,472	27,484,799	3,658,645	2,547,506

	Assets		Liabilities		Capital Expenditure		Non cash expenditure	
							Depreciation	
	2006	2005	2006	2005	2006	2005	2006	2005
Information and communications	343,657	251,758	277,412	165,159	5,808	7,582	5,099	4,569
Automation and drives	4,243,711	3,411,024	2,656,263	2,095,629	279,712	302,221	93,016	74,806
Industrial solutions and services	1,682,161	950,095	3,193,444	1,706,355	3,254	7,445	5,141	4,267
Power	11,999,063	6,244,733	10,643,041	5,057,123	1,507,764	117,947	74,834	52,640
Transport	980,608	684,037	2,228,464	834,049	720	11,147	5,366	4,838
Healthcare and other services	1,290,318	1,251,981	1,118,341	1,044,778	11,304	12,794	36,859	45,561
Building technologies	337,966	257,688	216,914	192,629	489	1,206	513	700
Real estate	1,027,412	1,025,341	119,751	160,664	104,354	94,474	81,775	88,915
Automotive	412,971	-	179,183	-	93,713	-	137,829	-
Total	22,317,867	14,076,657	20,632,813	11,256,386	2,007,118	554,816	440,432	276,296
Unallocable corporate items	16,263,382	8,984,345	7,077,581	3,996,990	9,645	28,634	25,250	15,254
Consolidated total	38,581,249	23,061,002	27,710,394	15,253,376	2,016,763	583,450	465,682	291,550

(ii) Secondary segment information

	Revenue based on location of customers		Carrying amount of segment assets by location		Cost incurred to acquire segment assets during the year	
	2006	2005	2006	2005	2006	2005
Domestic	36,106,515	23,351,382	32,104,895	20,830,146	2,016,763	583,450
Exports	8,996,957	4,133,417	6,476,354	2,230,856	-	-
Total	45,103,472	27,484,799	38,581,249	23,061,002	2,016,763	583,450

(iii) Other disclosures :

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

(iv) Segment information :

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

Business Segments: The business of the Company is divided into nine 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 customer relation management. 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.

Schedules to the financial statements (*continued*) for the year ended 30 September 2006 (Currency : Indian rupees thousands)

- **Industrial & solutions services** :- Undertakes turnkey projects in the industrial and infrastructure sectors over the entire life cycle including concept, engineering, procurement, supplies, installation, commissioning and after sales services.
- **Power** :- Provides automation solutions for a wide range of applications in power plants, focusing on a complete range of medium and high voltage switchgears, medium voltage switchboards, protection and control systems for sub-stations, power system control and energy management systems, meters and industrial turbines.
- **Transport** :- Provides solutions for rail automation, railway electrification, light and heavy rail, locomotives, trains, turnkey projects and integrated services.
- **Healthcare & other services** :- Provides diagnostic, therapeutic and life-saving products in computer tomography (CT), magnetic resonance imaging (MRI), ultrasonography, nuclear medicine, digital angiography, patient monitoring systems, ventilators, digital radiography systems, radiology networking systems, lithotripsy and linear accelerators.
- **Building Technologies** :- Executes projects for providing Integrated Building Management Systems including Building Automation Systems, Fire Alarm/Access Control/Security Systems.
- **Automotive** :- Manufacturing and trading of dashboard instruments, tachographs and other allied equipments for the automobile industry.
- **Real estate** :- Provides comprehensive real estate management.

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

- 31 The company uses forward contracts to hedge its risks associated with foreign currency fluctuations having underlying transaction and relating to firm commitments or highly probable forecast transactions. The Company does not enter into any forward contract which is intended for trading or speculative purposes.

The details of forward contracts outstanding at the year end is as follows:-

Currency	Number of contracts	Buy		Number of contracts	Sell	
		Amount	Indian rupees equivalent		Amount	Indian rupees equivalent
US Dollar	200	163,882	7,509,073	108	66,018	3,024,940
Euro	177	221,991	12,877,258	41	25,008	1,450,668
Qatari Riyal	10	31,348	394,570	72	936,954	14,618,631
Japanese Yen	5	516,976	196,046	-	-	-
Pound Sterling	9	1,446	123,771	-	-	-
Kuwaiti Dinar	-	-	-	1	39	6,173

There are no foreign currency exposures having underlying transactions that are not hedged by a derivative instrument or otherwise as at 30 September 2006. The forward contracts have been converted in Indian rupees, at the spot rates, as at 30 September 2006 to facilitate reading purposes only.

32 Earnings per share:

	2006	2005
Profit after tax	3,601,071	2,547,506
Add : Profit after tax of erstwhile SVDO for the period 1.10.2004 to 30.09.2005	-	57,574
Profit after tax (Net profit attributable to Equity shareholders)	3,601,071	2,605,080

Shares :-

Weighted average number of Equity shares outstanding during the period	168,580,100	165,692,015
Earnings per share	21.36	15.72

Pursuant to sub-division of Equity shares during the year, the number of shares outstanding during the periods ended 30 September 2005 and 30 September 2006 have been adjusted to reflect the change as prescribed by Accounting standard 20 - "Earnings per share" issued by Institute of Chartered Accountants of India ('ICAI'). (Refer Schedule 2)

2,888,085 Equity Shares of face value Rs.2 each issued during the year as consideration to the shareholders of erstwhile SVDO in an amalgamation in the nature of merger are included in the calculation of weighted average number of equity shares from the beginning of the year. (Refer Schedule 3)

33 Prior years comparatives

Pursuant to the amalgamation of erstwhile SVDO effective 1 October 2004 (Refer Schedule 3) and purchase of SMD with the Company, the figures of the current year are not strictly comparable to those of the previous year. Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's classification.

Schedules to the financial statements (*continued*) for the year ended 30 September 2006 (Currency : Indian rupees thousands)

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No.	10839	State Code	11
Balance Sheet Date	30 09 2006		
	Date Month Year		

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

Public Issue	Nil	Rights Issue	Nil
Bonus Issue	Nil	Private Placement	Nil

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

Total Liabilities	38,581,249	Total Assets	38,581,249
Sources of Funds			
Paid-up Capital	337,160	Reserves & Surplus	10,533,695
Secured Loans	NIL	Unsecured Loans	20,032
Application of Funds			
Net Fixed Assets	4,162,813	Investments	4,639,729
Net Current Assets	1,811,726	Miscellaneous Expenditure	Nil
Accumulated Loss	Nil	Deferred tax asset	276,619

Balance Sheet Abstract and Company's General Business Profile (Contd.)**IV. Performance of the Company (Amount in Rs. thousands)**

Turnover (including other income)	46,852,777	Total Expenditure	41,798,028
+/- Profit/Loss before Tax	+ 5,054,749	+/- Profit/Loss after Tax	+ 3,658,645

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

Earning per share in Rs.	21.36	Dividend Rate %	190%
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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 Jangid
Corporate Secretary

For Siemens Ltd.

Deepak S. Parekh
J. Schubert
P. de Royer
K. R. Upli
D. C. Shroff
Y. H. Malegam
N. J. Jhaveri
Dr. O. Schmitt
K. Dadiseth
P. V. Nayak

Chairman
Managing Director
Executive Director

Directors

Mumbai,
23 November 2006

Schedules to the financial statements (*continued*) for the year ended 30 September 2006 (Currency : Indian rupees thousands)

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

Name of the Subsidiary	The net Aggregate of profits (losses) of the subsidiary company for it's financial year so far as they concern the members of Siemens Ltd.		The net Aggregate of profits (losses) of the subsidiary company for it's previous financial year so far as they concern the members of Siemens Ltd.	
	a) Dealt with in the account of Siemens Limited for the year ended 30.09.2006	b) Not dealt within the account of Siemens Limited for the year ended 30.09.2006	a) Dealt with in the account of Siemens Limited for the year ended 30.09.2005	b) Not dealt within the account of Siemens Limited for the year ended 30.09.2005
Siemens Information Systems Ltd. [6,815,000 (2005: 6,815,000) equity shares of Rs.10 each fully paid-up, i.e. 100% (2005:100%) of the paid up equity capital]	858,690	497,241	831,430	419,231
Siemens Public Communication Networks Pvt. Ltd. [12,425,000 (2005: 12,425,000) equity shares of Rs.100 each fully paid-up, i.e. 100% (2005 : 100%) of the paid up equity capital]	124,250	82,681	-	262,523
Siemens Information Processing Services Pvt. Ltd. [2,123,800 (2005: 2,123,800) equity shares of Rs.10 each fully paid-up, i.e. 51% (2005 : 51%) of the paid up equity capital]	31,857	19,822	-	11,391
Siemens Industrial Turbomachinery Services Pvt. Ltd. [67,340 (2005: 46,410) equity shares of Rs.100 each fully paid-up, i.e. 74% (2005 : 51%) of the paid up equity capital] (Additional acquisition of 23% on 29th September 2006)	-	5,577	-	8,985

Siemens Group
Consolidated Financial Statements
for the year ended 30 September 2006
together with Auditors' Report

Disclosure pursuant to Central Government approval no. 47/303/2006-CL-III dated 22nd September, 2006 under Section 212 (8) of The Companies Act, 1956 :

For the financial year ended on 30th September, 2006

Particulars	Siemens Information Systems Ltd.		Siemens Nixdorf Information Systems Pvt. Ltd.		Siemens Public Communication Network Pvt. Ltd.		Siemens Industrial Turbomachinery Services Pvt. Ltd.		Siemens Information Processing Services Pvt. Ltd.	
						Acquired on 24 May 2005		Acquired on 1 April 2005		Acquired on 26 May 2005
	(SISL)		(SNISL)		(SPCNL)		(SITS)		(SIPS)	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Capital	68,150	68,150	161,210	161,210	124,250	124,250	9,100	9,100	41,643	41,643
Reserves	2,014,390	1,637,580	328,536	328,536	882,298	958,720	141,691	137,993	131,526	101,419
Loans	-	-	-	-	594,484	933,448	-	-	543	1,552
Total Assets	2,082,540	1,705,730	489,746	489,746	1,601,033	2,016,418	150,791	147,093	173,712	144,613
Total Liabilities	2,082,540	1,705,730	489,746	489,746	1,601,033	2,016,418	150,791	147,093	173,712	144,613
Details of investments: - 2,040,514 equity shares of Rs.10 each fully paid-up in Siemens Information Processing Services Pvt. Ltd. (formerly 'Siemens BPO Services Pvt Ltd')	29,996	29,996	-	-	-	-	-	-	-	-
- Investment in mutual fund	251,290	249,470	-	-	-	-	-	-	-	-
Turnover	8,605,270	6,441,051	-	-	6,190,034	2,454,531	136,946	140,778	832,873	207,808
Profit before Tax	1,687,215	1,458,997	96	(135)	368,324	387,230	13,168	28,097	104,382	22,909
Provision for Tax	330,226	(250,000)	-	-	190,000	(56,000)	4,200	(13,511)	2,880	(73)
Deferred Tax	(25,242)	57,363	-	-	(46,000)	(56,000)	967	3,428	(4,415)	352
Fringe Benefit Tax	26,300	(15,699)	-	-	17,393	(12,707)	464	(397)	4,585	(852)
Profit after Tax	1,355,931	1,250,661	96	(135)	206,931	262,523	7,537	17,617	101,332	22,335
Interim Dividend	858,690	831,430	-	-	124,250	-	-	-	62,465	-
Dividend Distribution Tax	120,431	114,197	-	-	17,426	-	-	-	8,761	-

Auditors' Report to the Board of Directors of Siemens Limited

We have audited the attached consolidated balance sheet of Siemens Limited ('the Company') and its subsidiaries, Siemens Information Systems Limited, Siemens Nixdorf Information Systems Private Limited, Siemens Information Processing Services Private Limited (formerly Siemens BPO Services Private Limited), Siemens Industrial Turbomachinery Services Private Limited (formerly Pimac Engineering and Services Private Limited) and Siemens Public Communications Networks Private Limited collectively referred to as the Siemens Group, as at 30 September 2006, and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Siemens Group management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report that the consolidated financial statements have been prepared by the Siemens Group management in accordance with the requirements of Accounting Standards

(AS) 21, Consolidated Financial Statements and Accounting Standard (AS) 23, Accounting for Investments in Associates in Consolidated Financial Statements issued by the Institute of Chartered Accountants of India.

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

- (a) in the case of the consolidated balance sheet, of the state of affairs of the Siemens Group as at 30 September 2006;
- (b) in the case of the consolidated profit and loss account, of the profit for the year ended on that date; and
- (c) in the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

For BSR & Co.
Chartered Accountants

Akeel Master
Partner
Membership No: 046768

Mumbai
23 November 2006

Consolidated Balance Sheet as at 30 September 2006 (Currency : Indian rupees thousands)

	<i>Schedule</i>	2006	2005
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	6	337,160	331,384
Reserves and surplus	7	12,055,880	8,847,123
		<u>12,393,040</u>	<u>9,178,507</u>
Minority interest			
Equity	8	2,366	4,459
Non-equity	9	37,838	67,617
		<u>40,204</u>	<u>72,076</u>
Loan funds			
Secured loans	10	20,027	35,000
Unsecured loans	11	20,032	925,657
		<u>40,059</u>	<u>960,657</u>
		<u>12,473,303</u>	<u>10,211,240</u>
APPLICATION OF FUNDS			
Fixed assets			
Gross Block	12	11,275,913	9,378,756
Accumulated depreciation		(6,341,638)	(5,248,301)
Net Block		<u>4,934,275</u>	<u>4,130,455</u>
Capital work-in-progress		1,742,948	612,710
		<u>6,677,223</u>	<u>4,743,165</u>
Investments			
Deferred tax asset, net	13	2,137,696	847,135
Current assets, loans and advances	14	629,134	428,159
Interest accrued on investments		3,597	1,798
Inventories	15	5,429,238	3,699,771
Sundry debtors	16	15,097,814	10,700,012
Cash and bank balances	17	11,617,718	6,746,094
Loans and advances	18	4,628,776	2,893,892
		<u>36,777,143</u>	<u>24,041,567</u>
Current liabilities and provisions			
Current liabilities	19	(29,412,472)	(16,361,552)
Provisions	20	(4,335,421)	(3,487,234)
		<u>(33,747,893)</u>	<u>(19,848,786)</u>
Net current assets		<u>3,029,250</u>	<u>4,192,781</u>
		<u>12,473,303</u>	<u>10,211,240</u>

Significant accounting policies

Schedules to the consolidated financial statements

1
27 - 36

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

As per our report attached

For BSR & Co.

Chartered Accountants

Ashok Jangid
Corporate Secretary

For Siemens Group

Deepak S. Parekh
J. Schubert
P. de Royer
K. R. Upili
D. C. Shroff
Y. H. Malegam
N. J. Jhaveri
Dr. O. Schmitt
K. Dadiseth
P. V. Nayak

Chairman
Managing Director
Executive Director

Directors

Akeel Master

Partner
Membership No: 046768
Mumbai,
23 November 2006

Mumbai,
23 November 2006

Consolidated Profit and Loss Account for the year ended 30 September 2006 (Currency: Indian rupees thousands)

	Schedule	2006	2005
INCOME			
Sales and services (gross)		62,681,934	37,539,879
Excise duty		(2,865,745)	(1,601,390)
Sales and services (net)		59,816,189	35,938,489
Commission income		506,417	440,337
		60,322,606	36,378,826
Interest income, net	21	388,961	265,217
Other operating income, net	22	263,866	401,830
Other income	23	196,813	196,283
		61,172,246	37,242,156
EXPENDITURE			
Cost of sales and services	24	40,684,202	23,169,298
Personnel costs, net	25	7,499,656	4,833,844
Depreciation/ amortisation (other than on leased assets)	12	1,259,758	684,311
Other costs, net	26	5,985,566	4,059,628
		55,429,182	32,747,081
Share of profit in associate company		40,418	21,644
Profit before tax before extraordinary income		5,783,482	4,516,719
Extraordinary income:			
- Credit on prepayment of sales tax deferral loan	28	92,137	11,203
Profit before tax after extraordinary income		5,875,619	4,527,922
<i>Of which discontinuing operations</i>	4	562,160	503,585
Current tax		(2,021,294)	(1,333,591)
Fringe benefit tax		(134,717)	(60,917)
Deferred tax benefit/(expense)		200,975	(33,133)
Net profit after tax and before profit after tax of erstwhile Siemens VDO Automotive Ltd. (SVDO)		3,920,583	3,100,281
Profit after tax for the period 1 October 2004 to 30 September 2005 on account of amalgamation of erstwhile SVDO	3	57,574	-
Profit after tax		3,978,157	3,100,281
Minority interest		(3,693)	(8,632)
Net profit after tax		3,974,464	3,091,649
<i>Of which discontinuing operations</i>	4	304,036	334,879
Profit and loss account balance as at 1 October 2004 on account of amalgamation of erstwhile SVDO (Refer Schedule 3) (2005: Demag Delaval Industrial Turbomachinery Pvt Ltd)		(2,429)	(3,541)
Amount available for appropriation		3,972,035	3,088,108
Appropriations:			
Interim dividend paid		-	149,123
Proposed dividend		640,604	331,384
Tax on Proposed dividend (includes tax on interim dividend)		254,361	181,588
Net deficit on account of amalgamation of Demag Delaval Industrial Turbomachinery Ltd.		-	250,000
Transfer to general reserve		2,925,767	1,871,133
Balance carried forward		151,303	304,880
		3,972,035	3,088,108
Earnings per share ('EPS')			
(Equity share of face value Rs.2 each)	35		
- Basic and diluted		23.23	19.01
Significant accounting policies			
Schedules to the consolidated financial statements	1		
The schedules referred to above form an integral part of the profit & loss account.	27 - 36		
As per our report attached.			

For BSR & Co.

Chartered Accountants

Akeel Master

Partner

Membership No: 046768

Mumbai,
23 November 2006

Ashok Jangid

Corporate Secretary

For Siemens Group

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P. V. Nayak

Mumbai,

23 November 2006

Chairman

Managing Director

Executive Director

Directors

Consolidated Cash Flow Statement for the year ended 30 September 2006 (Currency: Indian rupees thousands)

	Schedule	2006	2005
Cash flow from operating activities			
Profit before tax		5,875,619	4,527,922
Profit before tax for the period 1 October 2004 to 30 September 2005 on account of amalgamation of erstwhile SVDO	3	66,331	-
		<u>5,941,950</u>	<u>4,527,922</u>
Adjustments for:			
Interest expense		55,742	18,957
Depreciation and goodwill amortisation		1,238,968	685,025
Bad debts		32,077	26,828
Provision for doubtful debts/ advances, net		149,769	37,958
Profit on sale of fixed assets, net		(34,740)	(102,917)
Profit on sale of debentures		-	(15,000)
Unrealised exchange (gain/loss, net)		(431,754)	183,350
Interest and dividend accrued		(494,216)	(311,990)
Share of profit in associate companies		(40,418)	(21,643)
Operating profit before working capital changes		<u>6,417,378</u>	<u>5,028,490</u>
(Increase)/ decrease in working capital			
Inventories		(1,597,636)	(1,171,454)
Trade payables		12,952,895	4,687,196
Trade and other receivables		(5,571,076)	(4,204,077)
Provisions		815,287	313,035
Net change in working capital		<u>6,599,470</u>	<u>(375,300)</u>
Cash generated from operations		<u>13,016,848</u>	<u>4,653,190</u>
Direct taxes paid, net		(2,649,835)	(1,361,802)
Net cash inflow from operating activities		<u>10,367,013</u>	<u>3,291,388</u>
<i>of which discontinuing operations</i>	4	<u>662,936</u>	<u>211,693</u>
Cash flow from investing activities			
Purchase of fixed assets		(2,791,806)	(1,074,315)
Proceeds from sale of fixed assets		82,544	111,868
Purchase of investments, net of cash acquired		(677,580)	(1,817,449)
Net investment in mutual fund		(616,434)	(482,920)
Proceeds from sale of debentures		-	15,000
Interest and Dividend received		486,585	313,433
Inter corporate deposits received/(given)		(230,000)	305,000
Acquisition of Switchgear Manufacturing Division ('SMD')		(250,000)	-
Net cash used in investing activities		<u>(3,996,691)</u>	<u>(2,629,383)</u>
<i>of which discontinuing operations</i>	4	<u>(128,018)</u>	<u>(64,671)</u>
Cash flow from financing activities			
Interest paid		(56,663)	(18,957)
Decrease in short term borrowings		(14,973)	(8,098)
Dividend paid (including tax thereon)		(541,858)	(392,312)
Decrease in long term borrowings		(907,751)	135,285
Net cash used in financing activities		<u>(1,521,245)</u>	<u>(284,082)</u>
<i>of which discontinuing operations</i>	4	<u>(850,729)</u>	<u>134,925</u>
Net increase in cash and cash equivalents		<u>4,849,077</u>	<u>377,923</u>
Cash and cash equivalents at beginning of the year		<u>6,746,094</u>	<u>5,994,627</u>
Cash and cash equivalents on amalgamation	3	<u>(4,321)</u>	<u>236,365</u>
Cash and cash equivalents on acquisition of subsidiaries		-	179,978
Cash and cash equivalents on acquisition of SMD		4,603	-
Effect of exchange gain on cash and cash equivalents		22,265	(42,799)
Cash and cash equivalents at the end of the year	17	<u>11,617,718</u>	<u>6,746,094</u>

For BSR & Co.

Chartered Accountants

Akeel Master

Partner

Membership No: 046768

Mumbai,
23 November 2006

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Mumbai,
23 November 2006

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Managing Director

Executive Director

Directors

Schedules to Consolidated Financial Statements for the year ended 30 September 2006 (Currency: Indian rupees thousands)

1 Significant accounting policies

1.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared and presented under the historical cost convention except for revaluation of certain land and building pertaining to erstwhile Siemens VDO Automotive Limited ('SVDO'), on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ('Indian GAAP') and comply with the Accounting Standards ('AS') issued by the Institute of Chartered Accountants of India ('ICAI') and relevant provisions of the Companies Act, 1956 to the extent applicable.

1.2 Principles of consolidation

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

The consolidated financial statements have been prepared on the basis of AS 21 – Consolidated Financial Statements, AS 23 – Accounting for Investments in Associates in Consolidated Financials Statements, issued by the ICAI.

Subsidiaries

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

The financial statements of the parent company and its subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances/transactions and resulting Unrealised profits in full. Unrealised losses resulting from Intra-group transactions are also eliminated except to the extent that recoverable value of related assets is lower than their cost to the group. The amounts shown in respect of reserves comprise the amount of the relevant reserves as per the balance sheet of the parent company and its share in the post-acquisition increase in the relevant reserves of the subsidiaries. Goodwill arising on consolidation is amortised over its estimated useful life i.e. 5 years.

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

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

Investment in Associates

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

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

1.3 Use of Estimates

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

1.4 Fixed assets and depreciation

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

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

Schedules to Consolidated Financial Statements (*Continued*) for the year ended 30 September 2006 (Currency: Indian rupees thousands)

envisaged in the aforesaid schedule, depreciation is provided at a higher rate based on the management's estimate of useful life/remaining life.

The key fixed asset blocks and related annual depreciation rates, which in management 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	10-33 1/3%
Furniture and fittings	20%
Office equipment	33 1/3%
Assets at project sites	Over the life of the project
Special machine tools	10%
Vehicles	20-25%

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.

Assets costing less than Rs.5,000 are fully charged to the profit and loss account in the year of acquisition.

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

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

Intangible assets

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

Intangible asset	Useful life
Goodwill	60 months
Customer contracts	18 months
Software	36 months
Technical know-how	60 - 96 months

1.5 Impairment of assets

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

1.6 Investments

Long-term investments are carried at cost. Provision for diminution is made to recognise a decline, other than temporary in value of long term investments and is determined separately for each individual investment. Current investments are carried at lower of cost and fair value, computed separately in respect of each category of investment.

1.7 Inventories

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

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

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

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

Stores and spares are charged to the profit and loss account over their estimated useful lives which range between 1-3 years.

1.8 Revenue recognition

Revenue from sale of products is recognised on transfer of all significant risk and rewards of ownership of the products on to the customers, which is generally on despatch of goods. Sales are stated exclusive of sales tax and net of trade and quantity discount.

Sales representing amounts due on takeover certificates and validation in respect of the various switching orders executed by Siemens Public Communication Networks Pvt. Ltd. ('SPCNL') for two of its customers are recognised in the period it is reasonably certain that ultimate collection of the same can be made from the respective customers. Sales to certain customers are recognised, based on the capacity added which is in accordance with the contract.

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

Income from fixed price construction contracts is recognised by reference to the estimated overall profitability of the contract under the percentage of completion method. Percentage of completion is determined as a proportion of the costs incurred to date to the total estimated contract costs. Provision for expected loss is recognised immediately when it is probable that the total estimated contract costs will exceed total contract revenue.

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

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

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

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

Commission income is recognised when proof of shipment is received from the supplier and as per contracts/receipt of credit notes. In case of transactions with group companies, commission income is recognised on receipt of intimation from group companies regarding due completion of services. Commission from sale of software license is recognised when the right to use the license is conferred.

Dividend income is recognised when the right to receive the dividend is established.

Interest income is recognised on the time proportion basis.

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

1.9 Leases

In respect of assets given on lease prior to 1 April 2001, lease rentals comprising the principal recovery of the net investment in the fixed asset and interest are credited to the profit and loss account with a corresponding depreciation charge for the related asset. The difference between the principal recovery and the depreciation charge is

Schedules to Consolidated Financial Statements (*Continued*) for the year ended 30 September 2006 (Currency: Indian rupees thousands)

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.

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

1.10 Retirement benefits

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

Contributions in respect of provident fund and superannuation schemes, which are defined contribution schemes, are charged to the profit and loss account monthly.

1.11 Foreign currency transactions

Transactions denominated in foreign currency are recorded at the exchange rate prevailing on the date of transactions. Exchange differences arising on foreign exchange transactions settled during the year are recognised in the profit and loss account of the year, except that exchange difference related to acquisition of fixed assets from a country outside India are adjusted in the carrying amount of the related fixed assets.

Monetary assets and liabilities in foreign currency, which are outstanding as at the year-end and not covered by forward contracts, are translated at the year-end at the closing exchange rate and the resultant exchange differences are recognised in the profit and loss account except those related to acquisition of fixed assets from a country outside India are adjusted in the carrying amount of the related fixed assets.

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

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

1.12 Research and development

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

1.13 Taxation

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

The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax in respect of timing differences which originate during the tax holiday period but reversed after the tax holiday period is recognised in the year in which the timing differences originate. For this purpose the timing differences, which originate first are considered to reverse first.

Deferred tax assets are recognised only to the extent there is reasonable certainty that the asset can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realization of the assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonable/virtually certain (as the case may be) to be realised.

1.14 Fringe benefit tax

Provision for fringe benefit tax (FBT) has been recognised on the basis of harmonious contextual interpretation of the provisions of Income Tax Act, 1961.

1.15 Earning per share

Basic and diluted earnings per share is computed by dividing the net profit attributable to equity shareholders for the year, by the weighted average number of Equity Shares outstanding during the year.

1.16 Provisions for contingencies

Provisions comprise liabilities of uncertain timing or amount. Provisions are recognised when the Company recognises it has a present obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reasonably estimated.

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

Loss contingencies arising from claims, litigation, assessment, fines, penalties, etc. are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated.

Contingent assets are not recognised in the financial statements.

1.17 Description of the Group

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

Entity	Country of incorporation	% holding 2006	% holding 2005
Subsidiaries			
Siemens Information Systems Ltd ('SISL')	India	100%	100%
Siemens Public Communication Networks Pvt. Ltd. ('SPCNL') (acquired on 24 May 2005)	India	100%	100%
Siemens Information Processing Systems Pvt. Ltd. ('SIPS') (formerly Siemens Business Process Outsourcing Pvt. Ltd) (51% of the equity was acquired on 26 May 2005) (the balance 49% is held by SISL)	India	51%	51%
Siemens Industrial Turbomachinery Services Pvt. Ltd. ('SITS') (51% of the equity was acquired on 1 April 2005 and additional 23% equity acquired on 29 September 2006)	India	74%	51%
Step-down subsidiaries			
Siemens Nixdorf Information Systems Pvt Ltd ('SNISL') (100% equity is held by SISL)	India	100%	100%
Associate			
Flender Ltd. (acquired on 3 May 2006)	India	50%	-

2 Sub-division of Equity Shares of the Company from one share of Rs.10 each fully paid-up to five Shares of Rs.2 each fully paid-up.

Pursuant to the approval of the shareholders through postal ballot, each Equity share of the Company of face value Rs.10 each fully paid-up has been split into 5 Equity Shares of Rs.2 each fully paid-up with effect from 21 June 2006.

3 Amalgamation of Siemens VDO Automotive Ltd. ('SVDO') with the Company

In accordance with the Scheme of amalgamation ('the scheme') of the erstwhile Siemens VDO Automotive Limited ('SVDO') with the Company as sanctioned by the Honorable High Court of Bombay and Karnataka on 12 August 2005 and 5 December 2005 respectively, all the assets and liabilities of the erstwhile SVDO have been transferred to and vested in the Company effective 1 October 2004. Accordingly, the scheme has been given effect to in these financial statements.

The operations of SVDO include providing precision and control automotive information systems and services related to the same.

Schedules to Consolidated Financial Statements (*Continued*) for the year ended 30 September 2006 (Currency: Indian rupees thousands)

The amalgamation has been recorded for under the 'pooling of interests' method as prescribed by Accounting Standard - 14 on "Accounting for Amalgamations" issued by the Institute of Chartered Accountants of India. Accordingly, all assets, liabilities and reserves of the erstwhile SVDO at 1 October 2004 have been taken over at their respective book values.

The Net profit for erstwhile SVDO for the year ended 30 September 2005 consists of the following:-

Particulars	2005
Sales and services (net)	1,169,661
Other income	9,778
Total revenue	1,179,439
Cost of sales and services	783,894
Personnel costs	140,862
Depreciation and amortizations	26,794
Interest expenses	14,301
Other costs	147,257
Profit before tax	66,331
Current tax	7,307
Fringe benefit tax	1,450
Deferred tax	-
Net profit after tax	57,574

Pursuant to the amalgamation of SVDO with the Company, 577,617 Equity Shares of Rs.10 each fully paid-up (represents 2,888,085 Equity Shares of Rs.2 each fully paid-up after sub-division) of the Company were issued and allotted to the shareholders of erstwhile SVDO on 14 March 2006.

The net surplus of Rs.55.6 million (net of interim dividend Rs.7.9 million) being the difference between the issued share capital of erstwhile SVDO and the value of Shares issued by the Company to the shareholders of erstwhile SVDO has been transferred to the Amalgamation Reserve Account.

4 Discontinuing operations

The Board of Directors of the Company at its meeting held on 23 November 2006, approved a detailed formal plan for discontinuance of its business activities pertaining to enterprise networks and services ('EN') which form part of the 'Information and Communication' division of the Group. The business activity of EN is expected to be disposed off into a separate legal entity during the financial year 2007.

The Board of Directors of the Company also approved the sale of its shareholding in Siemens Public Communication Network Pvt. Ltd.

Assets, liabilities as at 30 September 2006 and revenue and expenses for the year ended 30 September 2006 contains following amounts relating to discontinuing operations:-

	2006	2005
Revenue (including exceptional items)	7,866,643	3,719,080
Expenditure	(7,299,215)	(3,215,495)
Profit before tax	562,160	503,585
Profit after tax	304,036	334,879
Total assets	4,590,041	4,167,198
Total liabilities	(2,965,461)	(3,028,428)

Profit after tax attributable to discontinuing operations of the Group has been calculated using the statutory tax rate of the Group.

5 Acquisition during the year

The effect of the acquisition of subsidiaries on the financial position of the Group at 30 September 2006 and the results for the year then ended are set out below:

	SITS
Purchase consideration	44,850
Goodwill arising on consolidation	9,285
Impact on consolidation (excluding inter-company eliminations)	
Total assets	150,791
Total liabilities	150,791
Turnover	141,783
Net profit after tax	7,537

	2006	2005
6 Share capital		
Authorised		
250,000,000 Equity Shares of Rs.2 each (2005: 50,000,000 Equity Shares of Rs.10 each)	500,000	500,000
150,000,000 (2005: 150,000,000) 10.5% Cumulative Redeemable Preference Shares of Rs.10 each	1,500,000	1,500,000
	<u>2,000,000</u>	<u>2,000,000</u>
Issued, Subscribed and paid-up		
168,580,100 Equity Shares of Rs.2 each fully paid-up (2005: 33,138,403 Equity Shares of Rs.10 each fully paid-up)	337,160	331,384
	<u>337,160</u>	<u>331,384</u>
Of the above:		
93,020,550 Equity Shares of Rs.2 each fully paid-up (2005: 18,103,087 Equity Shares of Rs.10 each fully paid-up) are held by the Holding company, Siemens AG, Germany;		
55,500,000 Equity Shares of Rs.2 each fully paid-up (2005: 11,100,000 Equity Shares of Rs.10 each fully paid-up) were allotted as fully paid-up bonus Shares by capitalisation of the General reserve;		
750,000 Equity Shares of Rs.2 each (2005: 150,000 Equity Shares of Rs.10 each) were allotted as fully paid-up for consideration received other than in cash; and,		
During the current year, pursuant to amalgamation 577,617 Equity Shares of Rs.10 each fully paid-up (represents 2,888,085 Equity Shares of Rs.2 each fully paid-up after sub-division) were issued as fully paid-up to the shareholders of the erstwhile Siemens VDO Automotive Ltd. for consideration other than cash.(Refer Schedule 3)		
7 Reserves and surplus		
Capital reserve	688	688
Capital redemption reserve	9	9
Amalgamation reserve		
- Addition on amalgamation of erstwhile SVDO (Refer Schedule 3)	55,635	-
Securities premium account		
- Balance brought forward	1,827,331	1,827,331
- Addition on amalgamation of erstwhile SVDO (Refer Schedule 3)	30,324	-
	<u>1,857,655</u>	<u>1,827,331</u>
Revaluation reserve		
- Addition on amalgamation of erstwhile SVDO (Refer Schedule 3)	11,210	-
- Movement during the year 1 October 2004 to 30 September 2005	(373)	-
- Additional depreciation on building due to revaluation transferred from profit and loss account	4,891	-
	<u>15,728</u>	<u>-</u>
General reserve		
- Balance brought forward	5,972,181	4,101,048
- Addition on amalgamation of erstwhile SVDO (Refer Schedule 3)	30,000	-
- Transfer from profit and loss account	2,925,767	1,871,133
	<u>8,927,948</u>	<u>5,972,181</u>
Profit and loss account		
- Balance brought forward	1,046,914	742,034
- Transfer from profit and loss appropriation account	151,303	304,880
	<u>1,198,217</u>	<u>1,046,914</u>
	<u>12,055,880</u>	<u>8,847,123</u>

Schedules to Consolidated Financial Statements (*Continued*) as at 30 September 2006 (Currency: Indian rupees thousands)

	2006	2005
8 Minority interest in equity		
Siemens Industrial Turbomachinery Services Private Ltd		
23,660 (2005: 44,590) Equity Shares held by minority interest (26% holding; 2005: 49% holding)	2,366	4,459
	<u>2,366</u>	<u>4,459</u>
9 Minority interest in Non-equity		
Siemens Industrial Turbomachinery Services Private Ltd		
Balance brought forward	67,617	-
At acquisition date	-	58,985
Adjustment on purchase of additional stake	(33,472)	-
Share of profit for the year	3,693	8,632
	<u>37,838</u>	<u>67,617</u>
10 Secured loans		
Finance lease obligation	19,484	33,448
Other loans	543	1,552
	<u>20,027</u>	<u>35,000</u>
The subsidiaries have 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 of those subsidiaries, both present and future.		
11 Unsecured loans		
Interest free loans under		
- sales tax deferral scheme	20,032	25,657
- working capital demand loan from banks	-	900,000
	<u>20,032</u>	<u>925,657</u>
The loan under the sales tax deferral scheme is payable till 2011		
- Amounts payable within one year	4,709	5,625
Working capital loans are payable on demand		

12 Fixed assets

	Intangible assets				Tangible assets							Total	Previous year
	Goodwill	Technical knowhow	Customer Contract	Software	Land	Buildings	Plant and Machinery	Furniture Fittings & Office Equipment	Vehicles	Vehicles taken on lease	Equipment given on lease		
Gross block													
At 1 October 2005	1,538,835	48,520	72,080	54,968	134,395	1,774,955	4,178,019	1,371,883	138,432	63,669	3,000	9,378,756	6,976,155
Additions on amalgamation of erstwhile SVDO (Refer Schedule 3)	-	-	-	-	9,839	58,129	203,829	69,265	5,646	-	-	346,708	261,162
Additions on purchase of SMD	-	2,324	-	-	92,990	6,128	1,550	660	260	-	-	103,912	-
Additions on acquisition	9,285	-	-	-	-	-	-	-	-	-	-	9,285	2,205,853
Additions	133,455	99,731	-	2,576	72,030	150,095	524,465	790,247	24,853	-	-	1,797,452	625,411
Deductions/ adjustments	-	-	-	-	-	(11,100)	(96,420)	(217,436)	(14,466)	(20,778)	-	(360,200)	(689,825)
At 30 September 2006	1,681,575	150,575	72,080	57,544	309,254	1,978,207	4,811,443	2,014,619	154,725	42,891	3,000	11,275,913	9,378,756
Accumulated depreciation													
At 1 October 2005	348,110	16,982	72,080	45,153	31,881	446,325	3,066,746	1,102,076	82,109	35,125	1,714	5,248,301	4,397,577
Additions on amalgamation of erstwhile SVDO (Refer Schedule 3)	-	-	-	-	-	36,243	67,527	47,190	3,780	-	-	154,740	103,971
Additions on purchase of SMD	-	329	-	-	-	2,795	3,484	4,759	284	-	-	11,651	-
Additions on acquisition	-	-	-	-	-	-	-	-	-	-	-	-	748,774
Charge for the year	311,541	26,284	-	5,027	2,860	45,983	412,675	388,901	32,809	11,975	1,286	1,239,341	678,854
Deductions/ adjustments	-	-	-	-	-	(4,200)	(72,905)	(206,504)	(10,702)	(18,084)	-	(312,395)	(680,875)
At 30 September 2006	659,651	43,595	72,080	50,180	34,741	527,146	3,477,527	1,336,422	108,280	29,016	3,000	6,341,638	5,248,301
Net block													
At 30 September 2006	1,021,924	106,980	-	7,364	274,513	1,451,061	1,333,916	678,197	46,445	13,875	-	4,934,275	4,130,455
At 30 September 2005	1,190,725	31,538	-	9,815	102,514	1,328,630	1,111,273	269,807	56,323	28,544	1,286	4,130,455	

Notes:-

Included in the gross block of land at 30 September 2006 is freehold land of Rs.20,889 (2005: Rs.11,050) and buildings includes Rs.174,907 (2005: Rs.179,781) representing 806 Shares of Rs.50 each and 15 Shares of Rs.100 each (2005: 806 Shares of Rs.50 each and 15 Shares of Rs.100 each) in various co-operative housing societies.

Buildings with a value of Rs.19,136 (2005: Rs.22,461) and plant & machinery with a value of Rs.4,120 (2005: Nil) are held for sale at 30 September 2006.

Future lease payments receivable under operating leases not later than one year aggregate Nil (2005 : Rs.1,800).

Effects of foreign exchange rate differences has been included in the carrying value of fixed assets and Capital work in progress (CWIP) amounting to Rs.6,500 (2005: Nil).

Pursuant to amalgamation of erstwhile SVDO with the Company assets taken over included Land and Building that had been revalued as at 31 March 1986 at replacement / market value determined by an independent valuer which resulted in a net increase of Rs.39,113. (Refer Schedule 3)

Additions and deductions/ adjustments to Gross block includes Rs.55,518 on account of purchase of assets, Rs.6,321 on account of retirement of assets and Rs.3,277 on account of accumulated depreciation on retirals pertaining to erstwhile SVDO for the period 1 October 2004 to 30 September 2005. (Refer Schedule 3)

Depreciation provided has been disclosed as under:

	2006	2005
Charge for the year	1,239,341	678,854
Depreciation for the period 1 October 2004 to 30 September 2005 on assets taken over from erstwhile SVDO (Refer Schedule 3)	(26,794)	-
Depreciation on leased assets	(1,286)	(714)
Goodwill amortised	43,979	6,171
Transfer from Revaluation reserve	4,518	-
As per profit and loss account	1,259,758	684,311

Schedules to Consolidated Financial Statements (Continued) as at 30 September 2006 (Currency: Indian rupees thousands)

	2006	2005
13 Investments		
Non-Trade, long term (unquoted)		
In government securities		
National Savings Certificates	5	5
7,000 Rural Electrification Corporation Limited 54EC Bonds (2005: 7000) Rs.10,000 each	70,000	70,000
Investments in other companies		
(Quoted)		
10,485 (2005: 10,485) Equity Shares of Rs.10 each (previous year: Rs.10) fully paid up in PRICOL Limited. (See note below)	8	-
10,000 (2005:10,000) Equity Shares of Rs.10 each fully paid up in Scooters India Limited. (See note below)	100	-
	108	-
(Unquoted)		
1 Equity Share of Rs.10 each fully paid up in International Shock Absorbers Limited. (See note below)	0.01	-
2,160,000 (2005: Nil) Equity Shares of Rs.10 each fully paid-up in Flender Ltd. (50% holding; 2005: Nil)	149,837	-
Unamortised goodwill	527,743	-
	677,580	-
Goodwill amortised	(43,979)	-
	633,601	-
Share of profit	40,418	-
	674,019	-
Nil (2005: Nil) Equity Shares of Rs.10 each fully paid-up in Siemens Information Processing Services Ltd ('SIPS') held by SISL (Nil holding; 2005: Nil holding)	-	19,676
Unamortised goodwill	-	10,320
	-	29,996
Goodwill amortised	-	(10,320)
	-	19,676
Share of profit	-	39,481
	-	59,157
Conversion to subsidiary pursuant to additional stake purchased by the Company	-	(59,157)
	674,127	-
Current Investments, at lower of cost or fair value		
In Mutual Funds (unquoted)		
33,768,071 (2005: 23,880,675) units of HSBC Cash Fund-Institutional Plus - Daily Dividend	337,870	238,940
36,183,712 (2005: Nil) units of HDFC Cash Management Fund-Daily Dividend	384,864	-
38,678,547 (2005: 12,294,026) units of Prudential Liquid Super IP - Daily Dividend	386,786	145,703
284,016 (2005: 10,069,315) units of Standard Chartered Liquidity Manager - Plus - Daily Dividend	284,044	100,693
Nil (2005: 19,867,619) units of Deutsche Insta Cash Plus Fund-Daily Dividend	-	199,064
Nil (2005: 9,263,738) units of DSP Merilly Lynch Liquidity Fund- Daily Dividend	-	92,730
	1,393,564	777,130
	2,137,696	847,135
- Aggregate book value of unquoted investment	2,137,588	847,135
- Aggregate book value of quoted investments	108	-
- Aggregate market value of quoted investments	656	-

Note : Pursuant to the amalgamation of erstwhile SVDO, the Company acquired investments.

13 Investments (continued)

The following investments were acquired and sold during the year:-

(A) Name of the mutual fund	Purchased during the year *		Sold during the year	
	Quantity	Value	Quantity	Value
HSBC Cash Fund-Institutional Plus -Daily Dividend	20,459,425	204,709	10,572,029	105,779
HDFC Cash Management Fund-Daily Dividend	36,183,713	384,864	-	-
Prudential Liquid Super IP - Daily Dividend	50,439,300	526,168	24,054,779	285,085
Standard Chartered Liquidity Manager - Plus - Daily Dividend	9,053,146	371,736	18,838,445	188,385
DSP Merrill Lynch Liquidity Fund - IP - Daily Div	609,380	387,244	9,873,118	479,974
Deutsche Insta Cash Plus Fund - Institutional - Daily Dividend	25,035,846	250,866	44,903,466	449,930
	<u>141,780,810</u>	<u>2,125,587</u>	<u>108,241,837</u>	<u>1,509,153</u>

*Purchases include dividend reinvested

(B) Name of company	Purchased during the year		Sold during the year	
	Quantity	Value	Quantity	Value
Equity Shares of Rs.10 each fully paid-up in Flender Ltd.	2,160,000	677,580	-	-
	<u>2,160,000</u>	<u>677,580</u>	-	-

2006 2005

14 Deferred tax asset

Arising on account of timing differences in :

-Provision for doubtful debts	306,177	211,665
Preliminary expenses	-	996
Other provisions (amounts allowable on a payment basis under the Income Tax Act, 1961)	538,496	411,558
	<u>844,673</u>	<u>624,219</u>

Deferred tax liability

Arising on account of timing differences in :

- Depreciation	215,539	196,060
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Deferred tax asset (net)

629,134 428,159

15 Inventories

Raw materials including spares	1,148,266	527,263
Work-in-progress		
- factory related	544,096	255,790
- project related	2,701,198	1,759,968
Finished goods	1,035,678	1,156,750
	<u>5,429,238</u>	<u>3,699,771</u>

16 Sundry debtors

Debts outstanding

- Over six months	4,322,146	2,884,593
- Other debts	11,501,447	8,374,710
	<u>15,823,593</u>	<u>11,259,303</u>

Of which

- Considered good	15,097,814	10,700,012
- Considered doubtful	725,780	559,291

	<u>15,823,594</u>	<u>11,259,303</u>
Provision for doubtful debts	(725,780)	(559,291)
	<u>15,097,814</u>	<u>10,700,012</u>

Sundry debtors are unsecured and include:

- Retentions on project related work-in-progress	3,091,520	1,219,090
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Schedules to Consolidated Financial Statements (Continued)
as at 30 September 2006
(Currency: Indian rupees thousands)

	2006	2005
17 Cash and bank balances		
Cash in hand	69,334	36,386
Cheques in hand	416,056	928,030
Balances with scheduled banks		
- on current account	2,289,743	1,702,362
- on deposit account	7,865,021	4,030,267
Balances with other banks	977,564	49,049
	<u>11,617,718</u>	<u>6,746,094</u>
18 Loans and advances (Unsecured, considered good unless stated)		
Advances recoverable in cash or in kind or for value to be received		
- considered good	3,644,955	2,221,020
- considered doubtful	168,093	176,453
	<u>3,813,048</u>	<u>2,397,473</u>
Provision for doubtful advances	(168,093)	(176,453)
	<u>3,644,955</u>	<u>2,221,020</u>
Unbilled receivable	158,258	105,176
Advance payments of income tax (net of provision for tax Rs.7,556,675)	218,315	-
Balances with customs, port trusts etc. on current account	181,234	139,313
Inter corporate deposits	415,000	425,000
Interest accrued on inter corporate deposits	11,014	3,383
	<u>4,628,776</u>	<u>2,893,892</u>
19 Current liabilities		
Sundry creditors	21,841,123	13,001,212
Advances from customers	7,563,219	3,352,902
Investor Education and Protection Fund *	8,130	7,438
	<u>29,412,472</u>	<u>16,361,552</u>
*Investor Education and Protection Fund:- (Appropriate amounts shall be credited to Investor education and Protection fund)		
- Unclaimed dividend	7,409	6,642
- Unclaimed matured deposits	721	797
20 Provisions		
Pension	442,453	450,415
Leave wages	118,626	89,522
Medical benefits	44,721	40,861
Personnel related	499,125	449,341
Gratuity	89,802	16,935
Warranty	624,742	525,053
Loss order	133,347	51,767
Liquidated damages	1,020,281	675,192
Other risk	494,296	405,252
Proposed dividend	640,604	331,384
Tax on proposed dividend	171,782	46,477
Tax on interim dividend	-	81,243
Taxation	-	278,482
Others	55,642	45,310
	<u>4,335,421</u>	<u>3,487,234</u>
21 Interest income, net		
Interest income	431,716	284,174
Interest expense	(42,755)	(18,957)
	<u>388,961</u>	<u>265,217</u>

	2006	2005
22 Other operating income, net		
Lease rentals	3,000	2,400
Depreciation (Refer Schedule 8)	(1,286)	(714)
Lease income, net	1,714	1,686
Export incentives	53,683	87,389
Profit on sale of fixed assets, net	37,442	102,917
Recoveries from associates and third parties	171,027	86,094
Sales tax set off	-	123,744
	<u>263,866</u>	<u>401,830</u>
23 Other income		
Write back of liquidated damages and other risk provisions	-	120,969
Dividend on mutual fund investment	62,500	27,817
Miscellaneous income	134,313	47,497
	<u>196,813</u>	<u>196,283</u>
24 Cost of sales and services		
Raw materials consumed	9,764,235	5,405,580
Traded goods consumed	11,079,130	9,649,249
Spares and stores consumed	311,094	97,790
Project bought outs	17,375,679	6,965,720
Change in inventories	(1,160,544)	(1,266,696)
Service Cost	2,243,559	1,502,531
Other costs	1,071,049	815,124
	<u>40,684,202</u>	<u>23,169,298</u>
25 Personnel costs, net		
Salaries, wages and bonus, net	6,485,225	4,201,636
Contribution to provident and other funds	514,174	277,726
Workmen and staff welfare	500,257	354,482
	<u>7,499,656</u>	<u>4,833,844</u>
26 Other costs, net		
Travel and conveyance	1,165,899	808,103
External software services and data processing	388,251	341,821
Communications	554,740	400,759
Power and fuel	351,488	244,593
Rates and taxes	222,209	259,003
Repairs to		
- building	214,969	225,361
- machinery	62,944	46,696
- others	144,479	77,562
Rent	452,964	164,862
Research and development expenditure	175,975	72,878
Advertising and publicity	193,398	132,471
Packing and forwarding	176,294	106,740
Legal and professional	372,108	229,562
Exchange (gains)/losses, net	(62,816)	327,132
Office supplies, printing and stationery	110,119	56,898
Lease rentals	58,849	47,120
Insurance	165,151	56,737
Bank guarantee commission/ bank charges	53,173	40,171
Donation	6,077	12,600
Commission to directors	11,285	7,160
Directors' fees	960	390
Bad debts	32,077	26,828
Provision for doubtful debts and advances, net	149,769	37,958
Miscellaneous expenses*	985,204	336,223
	<u>5,985,566</u>	<u>4,059,628</u>

*Includes prior period expenses of Rs. 68,871 (2005: Nil)

Schedules to Consolidated Financial Statements (*Continued*) for the year ended 30 September 2006 (Currency: Indian rupees thousands)

27 Sales and services recognised by a subsidiary include an amount of Rs.5,302 (2005: Rs.117,816) that has become due during the current year, on commissioning of certain customers orders executed by a subsidiary in the previous years, which had been postponed then due to uncertainty in ultimate collectability. The related sales revenue has been recognised by a subsidiary during the current year and significant amount has also been collected.

28 A subsidiary has availed sales tax deferment scheme from the Government of West Bengal under Central Sales Tax Act, 1956 read with Bengal Finance (Sales Tax) Act, 1941. In accordance with the scheme, the deferred sales tax was converted into secured loan and was payable after a period of 12 years.

Government of West Bengal notification allowed assessee to pay such secured loan amount before expiry of original term at a lesser amount. A subsidiary has availed such option and has paid the loan outstanding till 30 September 2006 amounting to Rs.39,639 against original loan liability of Rs.131,419. The difference of Rs.91,780 has been disclosed as an exceptional item in the profit and loss account.

	2006	2005
29 Commitments and contingent liabilities		
a Commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	566,802	637,962
Future lease commitments in respect of operating leases		
- within one year	91,369	16,316
- later than one year and not later than five years	217,488	22,972
Future lease commitments in respect of Finance leases		
- Within one year		
Minimum lease payments	10,781	16,981
Present value of Minimum lease payments	9,128	13,809
Future finance charges	1,653	3,171
- Later than one year and not later than five years		
Minimum lease payments	12,007	24,122
Present value of Minimum lease payments	10,899	21,191
Future finance charges	1,107	2,933
Export commitments	2,169,547	617,929
	<u> </u>	<u> </u>
b Contingent liabilities		
Bills discounted	121,387	200,307
Taxation matters (excluding interest)		
- In respect of certain completed assessments where matters are under appeal by the Company	321,738	315,676
- In respect of appeals decided in favour of the Company, but disputed further by income tax authorities	106,167	106,167
- In a subsidiary, Income tax demands relating to assessment year 1999-2000 and 2000-2001 on account of dispute on the treatment of subvention payment received (capital or revenue)	99,766	99,766
Excise/sales tax liabilities (net of tax), under dispute	155,476	225,272
Corporate and other guarantees	16,336	102,247
Custom duty demands under dispute	249,045	219,579
Sales tax demand under West Bengal Sales tax and Central Sales tax	-	28,096
	<u> </u>	<u> </u>

A subsidiary has a contingent liability with respect to provident fund on leave encashment on all claims between 1 October 1994 and 30 April 2005, pending decision by the Central Board of Trustees of Employee Provident Fund Organisation, the amount of which is not ascertainable.

	2006	2005
30 Supplementary statutory information		
(i) <i>Managerial remuneration</i>		
Personnel and other costs include managerial remuneration for Directors as set out below:		
Salaries	42,394	19,592
Perquisites	37,059	15,583
Commission	11,285	7,160
Performance linked incentive	11,250	15,000
Entitlement of stock based compensation	12,222	2,752
Ex-gratia	-	9,000
Contribution to provident fund	2,040	1,780
Contribution to superannuation fund	512	675
	116,762	71,542
	116,762	71,542
<p>Certain whole time Directors are covered under the Company's gratuity scheme along with the other employees of the Company. The gratuity liability is determined for all employees by an independent actuarial valuation. The specific amount of gratuity for such whole time Directors cannot be ascertained separately and accordingly the same has not been included above.</p>		
(ii) <i>Auditors' remuneration</i>		
- Audit fee	9,700	8,321
- Tax audit fee	5,322	4,636
- Other services	3,378	1,210
- Reimbursement of expenses	843	785
	19,243	14,952
	19,243	14,952

31 Related party transactions

31.1 Parties where control exists

Siemens AG Holding company (holds 55.18% of the Equity Share capital as at 30 September 2006)

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

Fellow Subsidiaries		
Siemens Algérie S.A.R.L.		Algeria
Siemens S.A.		Argentina
Siemens VDO Automotive Pty Ltd.		Australia
Siemens Ltd.		Australia
MWW Metallbearbeitungs-GmbH & Co KG		Austria
Siemens Aktiengesellschaft		Austria
Siemens Business Services GmbH & Co.		Austria
Siemens Transportation Systems GmbH & Co KG		Austria
VA Tech Elin Transformatoren		Austria
Siemens Bangladesh Ltd.		Bangladesh
Siemens Atea N.V.		Belgium
COMPEX - IT Plant Solutions N.V.		Belgium
Siemens Business Services S.A.		Belgium
Siemens S.A./N.V.		Belgium
Siemens VDO Automotive N.V.		Belgium
Siemens Electro Electronica S.A.		Brazil
Siemens Ltd.		Brazil
Siemens Business Services Canada, Inc		Canada
Siemens Canada Ltd.		Canada
Siemens Milltronics Process		Canada
Siemens Communication Networks Ltd.		China
Beijing Siemens Cerberus Electronics Ltd.		China
Siemens Business Communication Systems Ltd.		China
Siemens Circuit Protection Systems Ltd.		China
Siemens Electrical Apparatus Ltd.		China

Schedules to Consolidated Financial Statements (Continued) for the year ended 30 September 2006 (Currency: Indian rupees thousands)

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

Fellow Subsidiaries

Siemens Electrical Drives Ltd.	China
Siemens Factory Automation Engineering Ltd.	China
Siemens Ltd.	China
Siemens Medium Voltage Switching Technologies (Wuxi) Ltd.	China
Siemens Shanghai Medical Equipment Ltd.	China
Siemens Signalling Co., Ltd.	China
Siemens VDO Automotive WuHu Co Ltd.	China
Siemens Westinghouse Technical Services Pte. Ltd.	USA
Siemens S.A.	Columbia
Siemens Elektromotory s.r.o.	Czech Republic
Siemens s.r.o.	Czech Republic
Siemens Automobilova System s.r.o.	Czech Republic
Siemens Industrial Turbomachinery s.r.o.	Czech Republic
Siemens VDO Automotive s.r.o.	Czech Republic
Siemens A/S	Denmark
Siemens Business Services A/S	Denmark
Siemens Ltd.	Egypt
Siemens (Pty) LTD.	Ethiopia
Siemens Osakeyhtiö	Finland
Flender-Graffenstaden S.A.S.	France
Siemens S.A.S.	France
Siemens VDO Automotive S.A.S.	France
VA Tech Transmission & Distribution S.A.	France
Siemens Home & Office Communication Devices GmbH & Co.	Germany
A. Friedr. Flender AG	Germany
Flender Industriegetriebe GmbH & Co KG	Germany
Lincas Electro Vertriebsgesellschaft GmbH	Germany
Lincas Export services GmbH	Germany
Mdexx Magnetronic Devices GmbH & Co. KG	Germany
Mechanik Center Erlangen GmbH	Germany
SBS Region Deutschland	Germany
Siemens AG Rd Com K Rw (WG.Marabu)	Germany
Siemens Beteiligungsverwaltung GmbH & Co. OHG	Germany
Siemens Building Technologies Fire & Security Products GmbH & Co. OHG	Germany
Siemens Building Technologies Production GmbH	Germany
Siemens Busbar Trunking Systems GmbH & Co. KG	Germany
Siemens Business Services GmbH & Co. OHG	Germany
Siemens Electronic Design and Manufacturing Services GmbH & Co. KG	Germany
Siemens Financial Services GmbH Project And Export Finance	Germany
Siemens Financial Services GmbH, SFS Holding	Germany
Siemens Home and Office Communication Devices GmbH & Co. KG,Germany	Germany
Siemens Programm- und Systementwicklung GmbH & Co. KG	Germany
Siemens Read Estate GMBH & CO OHG	Germany
Siemens VDO Automotive AG	Germany
Siemens VDO Trading GmbH	Germany
SYKATEC Systeme, Komponenten, Anwendungstechnologie GmbH & Co. KG	Germany
Trench Germany GmbH	Germany
VVK Versicherungsvermittlungs- und Verkehrskontor GmbH	Germany
Weiss Spindeltechnologie GmbH	Germany
Siemens Business Services Ltd.	Great Britain
Siemens Protection Devices Limited Protection Products	Great Britain
Siemens Industrial Turbomachinery Ltd.	Great Britain

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

Fellow Subsidiaries

Eviop-Tempo A.E. Electrical Equipment Manufacturers	Greece
Siemens A.E. Information and Communication Network	Greece
Fujitsu Computers	Hamburg
Siemens Financial Services	Hongkong
Siemens Ltd.	Hongkong
Siemens Ltd.	Indonesia
P.T. Siemens	Indonesia
Siemens Business Services Ltd.	Ireland
Seabridge Ltd.	Israel
Siemens Informatica S.p.A.	Italy
Siemens S.p.A.	Italy
Acuson Corporation	India
OSRAM India Pvt. Ltd.	India
Siemens Corporate Finance Pvt. Ltd.	India
Siemens Hearing Instruments Pvt. Ltd.	India
Siemens Power Engineering Pvt. Ltd.	India
Winergy Drive Systems India Pvt. Ltd.	India
Demag Delaval Desoil Services PJSC	Iran
Siemens Sherkate Sahami	Iran
Siemens TOO	Kazakhstan
Koncar Power Transformers Ltd.	Croatia
Siemens Business Services, Munich	Munich
Siemens Nederland N.V.	Netherlands
Siemens (NZ) Ltd.	New Zealand
Siemens Pakistan Engineering Co. Ltd.	Pakistan
Siemens, Inc.	Philippines
Siemens d.o.o.	Slovenia
Siemens Asahi Medical	Japan
Siemens KK	Japan
Siemens Ltd.	Kenya
Dasan Networks Inc.	Korea
Siemens Automotive Systems Corporation	Korea
Siemens Ltd.	Korea
Siemens VDO Halla Ltd.	Korea
Siemens Electrical & Electronic Services K.S.C.	Kuwait
Siemens Ltd.	Malaysia
Siemens Multimedia	Malaysia
OSRAM Opto Semiconductors	Malaysia
Siemens VDO Instruments MY SDN BHD	Malaysia
Siemens Malaysia Sdn. Bhd.	Malaysia
Siemens S.A. de C.V.	Mexico
Siemens VDO S.A. DE C.V.	Mexico
Siemens Mobile Communication	Italy
Siemens Business Services	Germany
Siemens Industrial Turbomachinery B.V.	Netherlands
Siemens VDO Trading B.V.	Netherlands
Siemens Norge	Norway
Siemens Business Services AS	Norway
Siemens Ltd.	South Africa
Siemens Ltd.	South Korea
Siemens Busbar Trunking Systems S.L.	Spain
Siemens S.A.	Spain
Siemens VDO Automotive SA	Spain
Siemens AB	Sweden
Siemens Business Services AB	Sweden
Siemens Industrial Turbomachinery AB	Sweden
Siemens-Elema AB	Sweden
Siemens Schweiz AG	Switzerland

Schedules to Consolidated Financial Statements (*Continued*) for the year ended 30 September 2006 (Currency: Indian rupees thousands)

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

Fellow Subsidiaries		
	Siemens VDO Automotive AG	Switzerland
	Siemens Telecommunication Systems Ltd.	Taiwan
	Siemens Ltd.	Taiwan
	Siemens Ltd.	Thailand
	Siemens Industrial Services Ltd.	Thailand
	Siemens Sanayi ve Ticaret A.S.	Turkey
	Siemens LLC	UAE
	Mirada Solutions Ltd.	United Kingdom
	Siemens Busbar Trunking Systems Ltd.	United Kingdom
	Siemens Business Services Ltd.	United Kingdom
	Siemens Business Services Media Ltd.	United Kingdom
	Siemens Communications	United Kingdom
	Siemens Company Secretariat Ltd.	United Kingdom
	Siemens Industrial Turbomachinery Ltd.	United Kingdom
	Siemens Magnet Technology Ltd.	United Kingdom
	Siemens plc	United Kingdom
	Siemens Power Generation	United Kingdom
	Siemens VDO Trading Ltd.	United Kingdom
	CTI Molecular Imaging, Inc.	USA
	P.E.T.Net Pharmaceuticals	USA
	Siemens Building Technologies, Inc.	USA
	Siemens Business Services, Inc.	USA
	Siemens Communication, Inc.	USA
	Siemens Corporate Research, Inc.	USA
	Siemens Demag Delaval Turbomachinery, Inc.	USA
	Siemens Energy & Automation, Inc.	USA
	Siemens Health Services	USA
	Siemens Medical Solutions Health Services Corp.	USA
	Siemens Power Generation, Inc.	USA
	Siemens Power Transmission & Distribution, Inc.	USA
	Siemens Shared Services LLC	USA
	Siemens Transportation Systems, Inc	USA
	Siemens VDO Automotive Corp.	USA
	SMS Inc. - Customer Solutions Group	USA
	Turbocare, Inc.	USA
	Siemens S.A.	Venezuela
	Siemens Ltd Division CIE	Vietnam

31.3 Directors of the Company

Key Management Personnel

Mr. J Schubert	Mr.H Gelis (upto 28 February 2006)
Mr. J. Meyer-Seipp (upto 30.06.2006)	Mr.P. de Royer (appointed w.e.f. 1 February 2006)
Mr. Manfred Grenzhauer (upto 30.04.2006)	T.T. Joseph
Mr. Michael Kuehner (appointed w.e.f. 01.11.2005)	Mr. Naveen Mohan
Mr. W. Schachermeier (upto 31.10.2005)	Dr. D.K. Ghosh
Ms. Gerlinde Sturm (appointed w.e.f. 01.07.2006)	Mr. Harminder Singh
Mr. J. Vinkenfluegel	Mr. K R Upili (appointed w.e.f. 27 January 2006)
Mr.A R Laud	

Details of remuneration to Directors is disclosed at schedule 30(i) to the financial statements.

	2006	2005
31.4 Sales to and other recoveries from related parties		
Holding Company	5,075,891	3,771,749
Fellow Subsidiaries		
Siemens Energy & Automation, Inc.	492,326	-
Other Fellow Subsidiaries	1,468,615	4,251,263
Associates	-	56,795
31.5 Purchases/ other services from related parties		
Holding Company	11,528,533	6,769,299
Fellow Subsidiaries	3,975,303	3,215,618
31.6 Interest income from related parties		
Fellow Subsidiaries		
Osram India Pvt. Ltd.	19,012	23,987
Other Fellow Subsidiaries	12,219	16,906
31.7 Purchase of investments from related parties		
Holding Company	-	1,639,522
Fellow Subsidiaries		
Demag Devalal Industrial TurboMachinery N.V., Netherlands	-	380,000
Other Fellow Subsidiaries	-	111,000
31.8 Other income from related parties		
Holding Company	2,624	-
Fellow Subsidiaries		
Other Fellow Subsidiaries	-	12,496
31.9 Dividend paid to related parties		
Holding Company	181,031	171,979
Fellow Subsidiaries	6,931	-
31.10 Purchase of Fixed assets/Capital Work-In-Progress from related parties :		
Holding Company	87,900	-
Fellow Subsidiaries	37,132	-
31.11 Sale of Fixed assets/Capital Work-In-Progress to related parties :		
Fellow Subsidiaries	-	18,770
31.13 Outstanding balances		
Debtors		
Holding Company	839,403	743,119
Fellow Subsidiaries	848,725	527,599
Creditors		
Holding Company	6,088,236	3,386,118
Fellow Subsidiaries	241,186	432,353
Inter Corporate Deposits		
Fellow Subsidiaries		
- Osram India Pvt. Ltd.	275,000	290,000
- Winergy Drive Systems India Pvt. Ltd.	140,000	135,000
Advance received :		
Fellow Subsidiaries	54,050	-
Advance given :		
Holding Company	82,362	101,907
Fellow Subsidiaries	1,694	42,171
Housing Loan given:		
Key Management personnel	211	-

Schedules to Consolidated Financial Statements (*Continued*) for the year ended 30 September 2006 (Currency: Indian rupees thousands)

	2006	2005
32 Disclosure pursuant to Accounting Standard - 7 'Construction Contract' (Revised) :		
32.1 Contract Revenue recognised for the year ended 30 September 2006	20,516,580	9,322,368
32.2 Aggregate amount of contract costs incurred for all contracts in progress as at 30 September 2006	38,385,094	19,360,539
32.3 Recognised profits (less recognised losses) upto 30 September 2006 for all contracts in progress as at 30 September 2006	4,023,523	2,755,796

33 Disclosure relating to Provisions

Provision for warranty

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

Provision for liquidated damages

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

Provision for loss orders

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

Personnel related provisions

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

Contingencies

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

The movements in the above provisions are summarised as under :

Particulars	Warranties	Liquidated damages	Loss orders	Personnel related	Contingencies
Balance as at 1 October 2005	525,053	675,192	51,767	449,341	405,252
Additions on amalgamation of erstwhile SVDO	7,792	-	-	13,701	-
Additions on purchase of SMD	-	84,551	-	-	-
Provisions made during the year	321,974	565,344	365,329	472,086	148,060
Provisions utilised during the year	(80,567)	(82,792)	(246,426)	(398,492)	(15,194)
Provisions reversed during the year	(149,510)	(222,014)	(37,323)	(37,511)	(43,822)
Balance as at 30 September 2006	624,742	1,020,281	133,347	499,125	494,296

Provisions made during the year includes Rs.5,883 on account of warranties and Rs.3,612 on account of personnel related provisions pertaining to erstwhile SVDO for the period 1 October 2004 to 30 September 2005. (Refer Schedule 3)

34 (i) Information about business segments

	Revenue						Results	
	External sales		Inter segmental sales		Total			
	2006	2005	2006	2,005	2006	2005	2006	2005
Building technology services	738,285	451,424	17,792	4,752	756,077	456,176	40,427	28,846
Information technology services	8,366,694	6,409,817	238,575	31,233	8,605,269	6,441,050	1,725,772	1,628,530
Information and communications	7,616,189	3,558,538	90,320	12,066	7,706,509	3,570,604	582,378	513,159
Automation and drives	10,654,588	7,794,647	1,555,119	1,041,815	12,209,707	8,836,462	1,056,130	591,037
Industrial solutions and services	5,130,955	2,763,621	189,804	104,224	5,320,759	2,867,845	587,741	309,769
Power	19,035,029	9,599,310	883,978	212,856	19,919,007	9,812,166	1,245,290	782,574
Transport	2,482,834	1,817,154	-	-	2,482,834	1,817,154	207,769	224,900
Healthcare and other services	4,136,877	3,681,859	785	-	4,137,662	3,681,859	102,627	149,978
Real estate	92,199	94,649	-	-	92,199	94,649	30,444	124,758
Business process outsourcing	828,671	207,807	4,202	-	832,873	207,807	122,397	35,401
Automotive	1,240,285	-	-	-	1,240,285	-	18,324	-
Eliminations	-	-	(2,980,575)	(1,406,946)	(2,980,575)	(1,406,946)	-	-
Total	60,322,606	36,378,826	-	-	60,322,606	36,378,826	5,719,299	4,388,952
Interest expenses							(42,755)	(18,957)
Interest income							431,716	284,174
Share of profit from associate companies							40,418	21,644
Unallocable corporate items							(273,059)	(147,891)
Profit before tax							5,875,619	4,527,922
Minority interest							(3,693)	(8,632)
Income tax							(2,021,294)	(1,333,591)
Fringe benefit tax							(134,717)	(60,917)
Deferred tax							200,975	(33,133)
Profit after tax for the period								
1 October 2004 to								
30 September 2005 on account								
of amalgamation of erstwhile SVDO								
(refer schedule 3)							57,574	-
Consolidated total	60,322,606	36,378,826	-	-	60,322,606	36,378,826	3,974,464	3,091,649

							Non cash expenditure	
	Assets		Liabilities		Capital	Expenditure	Depreciation	
	2006	2005	2006	2005			2006	2005
Building technology services	336,609	257,688	216,403	192,629	489	7	513	700
Information technology services	5,489,500	3,996,632	3,312,910	2,173,552	661,562	256,070	355,587	154,067
Information and communications	5,126,980	4,088,563	2,741,072	3,025,652	147,692	66,269	326,158	55,037
Automation and drives	4,223,587	3,410,924	2,648,717	2,095,630	279,712	157,118	93,015	74,806
Industrial solutions and services	1,670,872	950,095	3,189,210	1,706,354	3,254	5,110	5,141	4,267
Power	12,153,569	6,469,157	10,680,547	5,103,838	1,508,279	17,362	85,959	55,086
Transport	974,635	684,037	2,226,224	834,049	720	9,795	5,366	4,838
Healthcare and other services	1,279,357	1,251,981	1,114,229	1,044,778	11,304	12,507	36,859	45,561
Real estate	1,026,362	1,082,344	119,357	151,054	104,354	56,805	81,775	88,915
Business process outsourcing	471,306	327,635	262,815	176,215	106,966	33,192	85,888	20,197
Automotive	409,913	-	178,036	-	93,713	-	137,859	-
Total	33,162,690	22,519,056	26,689,520	16,503,751	2,918,045	614,235	1,214,120	503,474
Unallocable corporate items	13,058,506	7,540,970	7,098,432	4,305,692	9,645	11,176	25,221	15,254
Minority interest	-	-	40,204	72,076	-	-	-	-
Consolidated total	46,221,196	30,060,026	33,828,156	20,881,519	2,927,690	625,411	1,239,341	518,728

Schedules to Consolidated Financial Statements (*Continued*) for the year ended 30 September 2006 (Currency: Indian rupees thousands)

34 (ii) Secondary segment information

	Revenue based on location of customers		Carrying amount of segment assets by location		Cost incurred to acquire segment assets during the year	
	2006	2005	2006	2005	2006	2005
Domestic	43,400,228	25,713,959	38,092,821	27,525,331	2,927,690	625,411
Exports	16,922,378	10,664,867	8,128,375	2,534,695	—	—
	<u>60,322,606</u>	<u>36,378,826</u>	<u>46,221,196</u>	<u>30,060,026</u>	<u>2,927,690</u>	<u>625,411</u>

34 (iii) Other disclosures

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

(iv) Segment information :

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

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

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

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

35 Earnings per share:

	<u>2006</u>	<u>2005</u>
Profit after tax	3,916,890	3,091,649
Add : Profit after tax of erstwhile SVDO for the period 1 October 2004 to 30 September 2005 (Refer Schedule 3)	-	57,574
Profit after tax (Net profit attributable to Equity shareholders)	3,916,890	3,149,223
Shares :-		
Weighted average number of Equity Shares outstanding during the period	168,580,100	165,692,015
Earnings per share	23.23	19.01

Pursuant to sub-division of Equity Shares during the year the number of Shares outstanding during the periods ended 30 September 2005 and 30 September 2006 have been adjusted to reflect the change as prescribed by Accounting standard 20 - "Earnings per share" issued by Institute of Chartered Accountants of India ('ICAI'). (Refer Schedule 2)

2,888,085 Equity Shares of face value Rs.2 each issued during the year as consideration to the shareholders of erstwhile SVDO in an amalgamation in the nature of merger are included in the calculation of weighted average number of Equity Shares from the beginning of the year. (Refer Schedule 3)

36 Prior years comparatives

Pursuant to the amalgamation of erstwhile SVDO effective 1 October 2004 (Refer Schedule 3) and purchase of SMD with the Company, the figures of the current year are not strictly comparable to those of the previous year. Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's classification.

Ashok Jangid
Corporate Secretary

For Siemens Group

Deepak S. Parekh
J. Schubert
P. de Royer
K. R. Upili
D. C. Shroff
Y. H. Malegam
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Dr. O. Schmitt
K. Dadiseth
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Chairman
Managing Director
Executive Director

Directors

Mumbai,
23 November 2006

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