

**SIEMENS**

INDIA

annual report : 2001



## Highlights

### Siemens Ltd.

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

○ Rupees in Millions

\* Rupees

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## Chairman's Statement



Dear Shareholders,

It is a matter of no small gratification that despite the overall environment of recession, Siemens Ltd. has turned out another good year. Last year was, of course, unique insofar as the profits of Siemens jumped over the previous year by as much as 139 percent; this year naturally nobody would have expected a repetition of the same performance in quantitative terms (though in qualitative terms, there has been a sharp improvement, but of this, more anon). The significant point to note straight away is that our operational profits this year have improved by as much as 35 percent, though as we recently re-entered into the tax paying brackets, our profits after tax are naturally lower. Even so, our shareholders will be particularly happy that the ordinary dividend of 35 percent declared last year has been increased to 40 percent this year and it is to be hoped that this will meet with their approval at the forthcoming AGM.

We should then make this the occasion to pay a tribute to the entire management team at Siemens Ltd. led by Mr. Schubert, the Managing Director and aided by Mr. Gelis. Corporate strategies have a tendency to remain on paper, but our top management have shown a conspicuous ability to implement them – a skill woefully lacking at the current national economic level.

Let me also take this the opportunity to repeat our thanks to our biggest single stakeholder, viz. Siemens AG.

Shareholders have only to recall the very difficult time that we passed not long ago and at that stage, we received unstinted help, both managerial and monetary, from our parent company. We trust our own performance in recent times will assure them that all the help they have given us has proved worthwhile.

### **Towards a Strategy of "Creative Pessimism"**

Around three years ago, both the top management and the Board of Directors evolved a policy and a strategy based on "Creative Pessimism". This pattern of pessimism does not call for demoralisation; it calls for re-activation, re-engineering and re-structuring.

The central premise of "Creative Pessimism" we started with was that for the next three years, we shall receive very little help from the external environment. To the extent that we are so critically involved in the field of Infrastructure, Government expenditure in real terms would in fact shrink, major power projects will not come into existence, most infrastructure projects will be continuously delayed and so on. To the extent that we are in Industry, we then asserted that the over-capacity built up in our country will take at least 3 to 4 years to work itself out, and therefore while there will be mergers and acquisitions as part of the consolidation within Indian Industry, there will be very few greenfield or brown field projects that will be started. With our membership to the WTO, we then began to add to our own over-capacity, the over-capacity of the rest of the world.

Nothing would have given us greater pleasure than to have been proved wrong but sadly each of the major premises postulated three years ago, on which we built our structure of "Creative Pessimism", has come correct. Our strategy then was that we would have to turn inwards —

- \* inwards to bring our price cost structure down in such a manner as to make our Company competitive, both locally and globally;
- \* inwards in launching new products or new applications of existing products;
- \* inwards in endowing our employees with a continuous sense of improved technology and wherever possible, entrepreneurial skills;
- \* inwards in making profits and quality our obsession rather than increased sales revenue our key targets;
- \* and not least inwards, in accepting the sovereignty of our consumers. Our consumer is the source of our sales and of our profit; indeed he can also be made the source of improvement of both our

products and our management. Recent research has demonstrated that companies that treat their customers best are the very companies that invariably treat their employees best.

This strategy based on “Creative Pessimism” has thus paid us rich dividends. It is not that we have won the battle, for by definition, restructuring is a continuous exercise. But today in the field of engineering, we have now secured a place in the market, which must be the envy of our competitors and the pride of our shareholders.

**Towards a New Siemens : From a Low Voltage to a High Voltage Enterprise :**

In this process of continuous re-invigoration and restructuring, we can now say that Siemens Ltd. has been rapidly transforming itself. The Indian economy itself has been moving in the direction of the Services Sector and so is Siemens Ltd. This said, we do not believe that the recession in the Industry and the Infrastructure Sectors spells the end of India as an Industrial Power, as is so continuously implied in current economic journalism. It is said times out of number that India having missed the Agricultural and the Industrial Revolutions should now concentrate as its core competence on the Services Sector.

This is good advice as far as it goes but it must not be made to go too far. Taken literally, this strategy of bypassing the Industrial Revolution in India is an admission of a total defeat. It is true that China is now forging ahead with a consumption of 130 million tonnes of steel as against our 26 million; it is also true that China’s “consumption” of mobile phones currently runs at the rate of 50 million pieces as against our 7 million. But is it implied that India can afford to just bow out from Industry and rely on the rest of the world to supply them the basic industrial products ?

We, in Siemens, accept that the Services Sector should be an increasing component of our total sales revenue and indeed in each of our principal segments, but we must not contribute to the commonly fashionable thesis that it is all over with Indian Industry, and only the Services Sector can rescue the Indian economy.

We still want power stations, we want a highly developed road system, we want increased production of steel, aluminium, textiles and so on. Our per capita consumption of almost all industrial products continues to be at a woefully low level, and to write off the Industrial Revolution in India is virtually to say that India will not be able to meet the growing needs of its teeming masses. Our foreign exchange reserves (46 million currently against China’s 260 billion !) are not so great as to make this country (once glorying in

self sufficiency) to depend mercilessly almost entirely on the rest of the world. Wisdom would, therefore, mean that we must activate our Governments (both Central and State) to concentrate on the Infrastructure Sector; we must make our political and economic system such as will invite foreign private investments (India 2.6 billion \$ against China’s 46 billion \$).

We, in Siemens, therefore have not written off our contribution in Industry and in Infrastructure. We are eagerly awaiting the renaissance in these areas. Indeed an index of the transformation we are undergoing can be seen by the emergence of our Medical Equipment Sector as a lead sector in our product composition. To repeat what has already been said, we have received

“New orders in excess of 79 percent over the previous year – a record achievement indeed ! Turnover also registered an impressive rise of 50 percent over the previous year and the division has posted a satisfactory result. The successful introduction of a new range of hi-tech products such as MRI, CT and Digital Angiography saw the division scoring huge successes over competition. The Division also strengthened its service initiatives by teaming up with 16 new call centres”.

Likewise in several knowledge-based areas, we are now beginning to forge ahead, it being conspicuous that the Siemens Group now employs more knowledge-workers than factory workers. We are indeed literally, not just metaphorically, moving from being a Low Voltage to a High Voltage enterprise.

Here, it may be appropriate to refer our shareholders to some very interesting information about the emergence not only of the new Siemens but of the new Siemens Group. These remarks taken from a recent presentation by Mr. Schubert will indicate the direction in which Siemens Ltd. is now moving with a steady pace and transformation. Be it then repeated that we are in no way disconnecting ourselves from the opportunities that should emerge with a renaissance in Industry and Infrastructure.

**Waiting For Godot ?**

The critical question then is: When will the turning point in the Indian economy arrive?

Three different views present themselves. The one repeatedly asserted by the Finance Minister expects the Indian economy to take a turning for the better during the period March to June, 2002. The second view is that this could have taken place but for the events in the world economy, which already skidding into recession before the terrorist outbreak on 11th

September, 2001, is now moving into the virtual depression. Given the new sensitivity of the Indian economy to global events, particularly through the Informatic Sector, Exports and the Tourist Sector (all currently adversely impacted), the turning point will not occur till the next monsoon is over. The third view is that the political obstacles to economic reforms are just too strong for India to capitalise on the benefits of the globalisation, it being significant that foreign private capital is not only not coming in but is actively going out. Additionally, both the Centre and State Governments are facing a financial crisis which, amongst other things severely impairs their ability to implement existing projects, leave aside embarking on new projects.

So far as we in Siemens are concerned, it all adds up to saying that it will be atleast October / December, 2002 before any meaningful upturn takes place in the Indian economy. We have then to continue our efforts with our 4-Point Programme with as much dedication as possible, increasing our market share relentlessly, introducing newer products wherever possible, finding new applications for existing products, giving a greater thrust to the service components of our various industrial segments, intensifying satisfaction of our customers, and not least using Siemens Ltd. into both a base for increasing exports and adding value to imports. In short, improving the productivity of the asset base with less and less assets being used for more and more output.

For our Shareholders, there is therefore both short term hope and long term gains. Long term gains come from the thought that if inspite of the three-year long recession, we can produce profit of the magnitude we are producing, then we have a base for maximising our profits even more once the recession begins to lift, hopefully by the end of the next year.

I would be failing in my duty if I do not thank the employees of Siemens, the true soldiers on the front-line, who left no stone unturned to achieve the results that the Company did. They stood strongly united as a team, determined to fight the battle to victory – and victory did they bring.

Also, a very special thanks to Mr. S.K. Thackersey whose term as a Director is due to expire at the forthcoming Annual General Meeting in January 2002 on account of retirement by rotation. However, he has conveyed to the Company that due to his other commitments he does not wish to be re-appointed. Consequently,

Mr. Thackersey will cease to be a Director of the Company with effect from 17th January, 2002.

Mr. Thackersey was appointed as a Director of the Company in March, 1978. Thus, he has been associated with the Company for over 23 years. Mr. Thackersey was also the Chairman of the Board of Directors of the Company from 1984 to 1988. On behalf of the Company and the Board, I would like to take this opportunity to place on record our sincere gratitude and appreciation for the guidance and support given by Mr. Thackersey during his long association with the Company. We are going to miss him.

#### **Other Directors**

Mr. C. R. Sahu, Whole-time Director, resigned from the Directorship of the Company with effect from 1st January, 2001 due to personal reasons.

Dr. O. Schmitt was appointed as Alternate Director for Dr. K. Wucherer with effect from 15th December, 2000. Dr. Schmitt is working in the Corporate Finance Dept. of Siemens AG, Germany and has over 16 years of experience with Siemens.

Mr. J. Schubert completed his 5 year tenure as the Managing Director on 30th Sept., 2001. Considering his leadership qualities and excellent contribution towards improvement in the Company's performance during the last 5 years, he has been re-appointed for a further period of three years with effect from 1st October, 2001. He has played a very crucial role in the Company's performance during this period. We thank Siemens AG for allowing us to continue to avail of Mr. Schubert's services. We also thank Mr. Schubert for having agreed to our request to stay with us in India for another 3 years.

Mr. O. P. Narula's term as Whole-time Director ended on 30th Sept., 2001. Mr. Narula is working with the Company for nearly 39 years. He has played a key role in the Company's operations as a Director. Mr. Narula with his vast and rich experience can contribute significantly to the Company's future business goals. Therefore, it has been decided to re-appoint him for a further period of two years from 1st October, 2001.

The proposals for re-appointments of Mr. Schubert and Mr. Narula are included in the Notice of the forthcoming Annual General Meeting, for your kind consideration and approval.

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

### **Corporate Governance**

Your Company has fully complied with the mandatory requirements of Corporate Governance Code as detailed in the Clause 49 of the Listing Agreement signed with the Stock Exchanges. We are fully committed to the principles of disclosures and transparency to all our stakeholders. We are also aware of our role as a responsible Corporate Citizen.

In keeping with its commitment to Corporate Governance, your Company has adopted and implemented the seven Corporate Principles of its parent Company, Siemens AG. The same are stated in detail in the Corporate Governance Report attached to the Directors' Report.

### **To conclude :**

Our Top Management recognises that the year ahead will continue to be a tough one, and its policies of extracting and motivating the best from the existing capital assets, both human and capital, will continue unabated. We are happy that even with a three-year long recession, our Top Management has been able to produce remarkably good profits; let us now pray that as and when the recession does disappear, our profits will hopefully be sizeably better. Recession or not, Siemens is thus assured of its role as a star performer in the Indian engineering and electronic horizon.

Mumbai  
December 4, 2001

Dr. F. A. Mehta  
Chairman

### **A New Siemens – Indeed a New Siemens Group Emerges:**

J. Schubert , Managing Director, Siemens Ltd.

Our renewed 4-Point Program needs to be reiterated.

- \* Customer loyalty and satisfaction
- \* Flexible and optimized processes with quality thrust
- \* Enhancing company value through profitable growth
- \* Competent and motivated employees

This renewed 4-point program for growth describes our strategy for creating a New Siemens – a World Class organization.

Here, I would like to remind you about Siemens in India. Siemens is not just Siemens Ltd. but 13 other companies in the fold. The Siemens group with a consolidated turnover of Rs. 26.4 billion is unique! No other company, in India, and also in the World, has the kind of offering that we have under one roof.

In **Power** – from Power plants to meters

In **Industry** – from Airports to contactors

In **Medical** – from complete hospital solutions to in-the canal hearing aids

In **Communication** – from the large public networks to the mobile phones

In **Transportation** – from complete high speed trains to safety relays

In **Lighting** – from stadium lighting to light bulbs

Besides being strong in the above areas, we have the unique capability to “integrate” all the above segments into turnkey solutions - out of one hand. Our strength therefore lies in our combined capability to innovate, design, produce, consult, execute and maintain and take over responsibility for the complete life cycle of a project. Tell me, which other company can do all this?!

Therefore, we will further consolidate our position, as a “unique” partner for all our customers in India. This capability is our competitive advantage and our passport for growth and success in the future.

***Siemens Ltd.***  
***Forty-fourth Annual Report***  
***for the year ended 30 September 2001***



## **Board of Directors**

### **Chairman**

Dr. F. A. Mehta

### **Whole-time Directors**

J. Schubert  
Managing Director

H. Gelis  
Executive Director  
(from 01.01.2001)

A. B. Nadkarni

Harminder Singh

O. P. Narula

W. A. Kroll  
Executive Director  
(upto 31.12.2000)

C. R. Sahu  
(upto 31.12.2000)

### **Non-executive Directors**

S. K. Thackersey

D. C. Shroff

Y. H. Malegam

P. M. Thampi

Dr. K. Wucherer

N. J. Jhaveri

Dr. O. Schmitt  
Alternate Director for  
Dr. K. Wucherer  
(from 15.12.2000)

### **Corporate Secretary**

Ashok P. Jangid

### **Audit Committee**

Y. H. Malegam (Chairman)

Dr. F. A. Mehta

Dr. K. Wucherer / Dr. O. Schmitt

Ashok P. Jangid (Corporate Secretary)

### **Investors Grievance Committee**

D. C. Shroff (Chairman)

P. M. Thampi

J. Schubert

Ashok P. Jangid (Corporate Secretary)

### **Remuneration Committee**

N. J. Jhaveri (Chairman)

D. C. Shroff

S. K. Thackersey

Ashok P. Jangid (Corporate Secretary)

### **Bankers**

American Express Bank Ltd.

Standard Chartered Grindlays Bank Ltd.

Bank of America N. A.

Citibank N. A.

Deutsche Bank AG

HDFC Bank Ltd.

The Hongkong and Shanghai  
Banking Corporation Ltd.

Standard Chartered Bank

State Bank of India

Syndicate Bank

### **Auditors**

Bharat S Raut & Co.

### **Solicitors**

Crawford Bayley & Co.

Mulla & Mulla & Craigie, Blunt & Caroe

Negandhi Shah & Himayatullah

Little & Co.

### **Registered & Corporate Office**

130, Pandurang Budhkar Marg  
Worli, Mumbai 400 018

### **Head Office**

Plot 2, Sector 2, Kharghar Node  
Navi Mumbai 410 210

### **Works**

Maharashtra : Aurangabad - Waluj  
Nashik - Ambad  
Thane - Kalwa

West Bengal : Joka - 24 Parganas

Goa : Verna

### **Sales Offices**

Ahmedabad

Bangalore

Baroda

Kolkata

Chandigarh

Chennai

Coimbatore

Hyderabad

Mumbai

New Delhi

Pune

### **Registrar & Share Transfer Agent**

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

The above information is as on  
22<sup>nd</sup> November, 2001

## Directors' Report

The Directors have pleasure in presenting the Forty-fourth Annual Report of your Company and the Audited Accounts for the year ended on 30<sup>th</sup> September, 2001.

### Financial Performance

	<b>Rs. in Millions</b>	
	<b>2000-01</b>	1999-00
Gross Profit before Interest, Depreciation and Exceptional Items	<b>1389.30</b>	1155.20
Less: Interest	<b>17.12</b>	48.85
Depreciation	<b>294.58</b>	315.01
Exceptional Items	<b>113.37</b>	(154.86)
Profit before Tax adjustment	<b>964.23</b>	946.20
Less : Tax adjustment	<b>236.43</b>	106.16
Deferred Tax adjustment	<b>40.59</b>	-
Net Profit after Tax adjustment	<b>687.21</b>	840.04
Less : Accumulated Loss brought forward	-	372.53
Profit available for appropriation	<b>687.21</b>	467.51
Appropriations:		
General Reserve	<b>541.14</b>	194.52
Proposed Dividend	<b>132.55</b>	223.76
Tax on Dividend	<b>13.52</b>	49.23

### Dividend

In view of the better overall performance for the year and the financial position of the Company, the Board of Directors is happy to recommend a higher dividend of Rs.4 (40%) per Equity Share as compared to Rs.3.50 (35%) per Equity Share paid last year (exclusive of one time Special Dividend of Rs. 3 per Equity Share).

The proposed dividend, if approved at the forthcoming Annual General Meeting, will be paid to all those Shareholders whose names appear on the Register of Members as on 17<sup>th</sup> January, 2002 (the 'Record Date').

The proposed dividend as mentioned above is calculated @ 40% based on the Paid-up Equity Share Capital of Rs.331,384,030 as on 22<sup>nd</sup> November, 2001. However, the actual dividend will be paid on the amount of the Share Capital outstanding as on 17<sup>th</sup> January, 2002, after taking into account the Shares bought back, if any, between these dates.

### Operations

During the year, Orders booked amounted to Rs.10,836 million as compared to Rs.12,071 million last year. The major volume contributors for new orders were Power Transmission & Distribution, Industrial Solutions & Services and Medical Solutions Divisions. Turnover increased by 4% to Rs.11,572 million as compared to Rs.11,157 million last year. The improvement reflects the combined effect of successful market penetration, introduction of innovative offerings across business groups and vigorous cost management attained through continuous process optimisation and effective asset management measures practiced by the Company. The Company posted a steady performance with Profit before Tax increasing by 2% in a declining market situation from Rs.946 million to Rs.964 million. However, due to high tax incidence, the Profit after Tax stood at Rs.687 million as against Rs.840 million last year. The major growth drivers were Power Transmission & Distribution and Automation & Drives Divisions while the Medical Solutions Division posted the highest growth where the Company gained market share.

With effect from 1<sup>st</sup> April, 2001, the Components Division of the Company ceased to exist consequent upon the premature termination of the Agency and Distributorship Agreements entered into with the various partners.

### Buyback of Shares

At the Extra-ordinary General Meeting held on 15<sup>th</sup> June, 2001, the Shareholders had given their consent for buyback by the Company of its Equity Shares not exceeding 8,873,549 Equity Shares of Rs.10 each at a price not exceeding Rs.250 per Equity Share for an aggregate consideration not exceeding Rs.805,252,859.

The Company has till 30<sup>th</sup> September, 2001, bought back 1,867,576 Equity Shares of Rs.10 each for an aggregate consideration of Rs.368,988,270 at an average price of Rs.197.58 per Share under the Open Market through Stock Exchange method. Consequently, the Share Capital has reduced from Rs.354,941,970 as on 30<sup>th</sup> September, 2000 to Rs.336,266,210 as on 30<sup>th</sup> September, 2001.

Since 1<sup>st</sup> October, 2001, the Company has bought back further 488,218 Shares for an aggregate consideration of Rs.96,246,298.78 at an average price of Rs.197.14 per Share. As on date, the Paid-up Share Capital of the Company is Rs.331,384,030 comprising of 33,138,403 Equity Shares of Rs.10 each. Consequently, the shareholding of Siemens AG has gone up from 51% as on 25<sup>th</sup> June, 2001 (the date of commencement of buyback) to 54.63% as on date, for which necessary Government approval has been obtained.

### Foreign Exchange Earnings & Expenditure

Details concerning Foreign Exchange Earnings and Expenditure have been given under Note No. 26.2 (iv) of the Notes to the Accounts.

**Conservation of Energy & Technology Absorption**

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 in Annexure I to this Report.

**Management's Discussion and Analysis**

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

**Subsidiary and Associate Companies****1. Subsidiary Company****Siemens Information Systems Ltd. (SISL)**

Your Company's holding in SISL is 74.8% and the balance 25.2% is held by Siemens Nixdorf Informationssysteme AG, Germany. For the year ended on 30<sup>th</sup> September, 2001, SISL has shown a very good performance recording a total income of Rs.2,257 million (2000: Rs.1,792 million) and Net Profit of Rs.305 million (2000: Rs.228 million). SISL paid 1<sup>st</sup> interim dividend of Rs.14.50 per share in July, 2001 and 2<sup>nd</sup> interim dividend of Rs.8 per share in September, 2001. Keeping in view the financial position and future funds requirements, the Board of Directors of SISL has not recommended a final dividend. Thus, the total dividend received from SISL for the year 2000-01, is 225% as against 213% received for the year 1999-00.

**2. Associate Companies****a. Siemens Public Communication Networks Ltd. (SPCNL)**

During the year under review, your Company partially divested its stake in SPCNL, pursuant to the Buyback Offer from SPCNL. Consequently, our investment in SPCNL has reduced from 30% to 20%. The balance 80% is held by Siemens AG, Germany. For the year ended on 30<sup>th</sup> September, 2001, SPCNL showed excellent results. It registered a Turnover of Rs.7,753 million (2000: Rs.3,850 million) and a Net Profit of Rs.531 million before tax (2000: Rs.411 million).

**b. Siemens Metering Ltd. (SML) (formerly VXL Landis & Gyr Ltd.)**

SML, a 74:26 joint venture of Siemens AG, Germany and your Company is engaged in the manufacture of electric meters. The name of the company was changed from VXL Landis & Gyr Ltd. to Siemens Metering Ltd. with effect

from 31<sup>st</sup> August, 2001, in order to appropriately reflect that it is a 100% Siemens Group company as well as its business. SML has reported an encouraging performance for the year ended on 30<sup>th</sup> September, 2001 recording a Turnover of Rs.2,107 million (2000: Rs.1,398 million) and Net Profit before Tax of Rs.188 million (2000: Rs.116 million). The Board of Directors of SML has recommended dividend of 12.5% for the year ended on 30<sup>th</sup> September, 2001 (2000: 12.5%).

**Fixed Deposits**

A sum of Rs.2,131,500 relating to 235 deposits remained unclaimed as on 30<sup>th</sup> September, 2001. Since then, 5 claims have been received for refund of deposits amounting to Rs.41,000. The Company discontinued the Fixed Deposit Scheme in March, 1997. No interest is payable on such unclaimed deposits after the maturity date.

**Employees**

The Board of Directors wishes to express its sincere appreciation to all its employees for the joint efforts put in to achieve the Company's good results.

During the year under review, 86 employees opted for voluntary retirement. The total number of employees as on 30<sup>th</sup> September, 2001 was 4,167.

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, the Report and Accounts are being sent to all the Shareholders of the Company excluding the statement of particulars of employees under Section 217(2A) of the Companies Act, 1956. Any Shareholder interested in obtaining a copy of the said statement may write to the Corporate Secretary at the Registered Office of the Company, and the same will be sent by post.

**Corporate Governance**

Your Company has always striven to incorporate appropriate standards for good Corporate Governance. It has taken adequate steps to ensure that the provisions of Corporate Governance as prescribed under the Listing Agreements with the Stock Exchanges, are complied with.

A detailed report on Corporate Governance is appearing as Annexure III to this Report along with the Auditors' Certificate on its compliance by the Company.

General Shareholder Information is appearing as Annexure IV to this Report.

### **Directors' Responsibility Statement**

Pursuant to Section 217 (2AA) of the Companies Act, 1956, as amended, 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;
2. appropriate accounting policies have been selected and applied consistently, and such judgements and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 30<sup>th</sup> September, 2001 and of the profit of the Company for the year ended on 30<sup>th</sup> September, 2001;
3. proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
4. the annual accounts have been prepared on a going concern basis.

### **Directors**

Mr. W. Kroll, Executive Director, resigned from the Directorship of the Company with effect from 1<sup>st</sup> January, 2001, to take up another assignment with the parent company, Siemens AG. The Board places on record its appreciation for his services and contribution.

Mr. C. R. Sahu, Whole-time Director, resigned from the Directorship of the Company with effect from 1<sup>st</sup> January, 2001. The Board places on record its appreciation for his services to the Company.

The term of Mr. S. K. Thackersey as Director is due to expire at the forthcoming Annual General Meeting on account of retirement by rotation. However, he has conveyed to the Company that, due to his other commitments, he does not wish to be re-appointed as a Director. Consequently, Mr. Thackersey will cease to be a Director of the Company with effect from 17<sup>th</sup> January, 2002. The Board would like to take this opportunity to place on record its appreciation for the guidance and support given by Mr. Thackersey during his long association of over 23 years with the Company including nearly four years as Chairman of the Board.

Mr. H. Gelis took over as the Executive Director with effect from 1<sup>st</sup> January, 2001.

Dr. O. Schmitt was appointed as an Alternate Director for Dr. K. Wucherer with effect from 15<sup>th</sup> December, 2000.

Mr. J. Schubert was re-appointed as the Managing Director for a further period of three years with effect from 1<sup>st</sup> October, 2001 on completion of his first term of five years on 30<sup>th</sup> September, 2001.

Mr. O. P. Narula was re-appointed as a Whole-time Director for a further period of two years with effect from 1<sup>st</sup> October, 2001 on completion of his first term on 30<sup>th</sup> September, 2001.

The relevant Resolutions relating to the re-appointments of Mr. Schubert and Mr. Narula form part of the Notice of the Annual General Meeting and are recommended for your approval.

Mr. D. C. Shroff, Mr. Y. H. Malegam and Mr. A. B. Nadkarni retire by rotation and, being eligible, offer themselves for re-appointment. A brief profile of these Directors is appearing in Annexure IV to this Report.

### **Auditors**

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

### **Cost Auditors**

The Central Government's Cost Audit Order dated 17<sup>th</sup> March, 1993 requires audit of Cost Accounts of the Company for "Electric Motors", for every financial year. The Board of Directors, subject to the approval of the Central Government, has appointed M/s. R. Nanabhoy & Co, Cost Accountants, Mumbai to carry out this audit for the financial year 2001-02.

### **Acknowledgements**

The Board of Directors places on record its sincere appreciation for the continued support from Siemens AG - the parent company, shareholders, customers, suppliers, banks, financial institutions and other business associates.

On behalf of the Board of Directors

Dr. F. A. Mehta  
Chairman

Mumbai  
Tuesday, 4<sup>th</sup> December, 2001

Information in terms of Section 217(1)(e) of the Companies Act, 1956, dealing with Conservation of Energy and Technology Absorption.

**A) Conservation of Energy**

1. Measures undertaken (implemented):
  - Reduction in size and rating of electric oven as a part of process optimisation
  - Installation of super efficiency motor for air conditioning plant
  - Reconditioning of baking oven with retrofitting of thyristor power controller
  - Restructuring of shop floor layout for optimum utilisation of energy
2. Impact of measures undertaken:  
Substantial saving of electricity consumption

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

1. Specific area in which R&D carried out by the Company:
  - Development of 1 MW (2 speed) induction generator for windpower application to economise power generation
  - Development of special software-centric modules in the distribution control systems
  - Extensive study and experimentation carried out in the behaviour of products and materials in low voltage conditions
  - Development of point machine for high thrust application
  - Introduction of medium voltage panel 8BK80 36kV, 31.5kA with vacuum circuit breaker 3AH3
  - Enhancement of outdoor vacuum circuit breaker from 36kV, 25kA to 40.5kV, 31.5 kA
  - Introduction of outdoor vacuum circuit breaker for export market
2. Benefits derived as a result of the above R&D:
  - Substantial reduction in the consumption of energy
  - Broader product spectrum, user friendly product features, metal enclosed safer, environment friendly design
  - In house developed software eliminates dependence on third party softwares. Upgrades and improvements are, therefore, possible at minimum costs. Flexibility to modify the softwares provides an impetus to implement changes speedily as per requirements of the market.

- More value to customers through better performance even in unintended operating conditions leading to increased availability of power through reduced product failures.
3. Further plan of action:
    - Introduce new and more powerful software platforms towards maximising customer benefits
    - Start bulk production of 1 MW generators for domestic market
    - To provide cost effective products and services to customers
  4. Expenditure on R & D:
    - a) Capital - Rs.2,470,000
    - b) Recurring - Rs.11,061,000

**C) Environment protection**

Effluent treatment is done on a regular basis.

**D) Technology Absorption & Innovation**

1. Latest technology has been absorbed for development of software – centric modules which have been successfully integrated in the Teleperm ME plus Distribution Control System
2. Benefits derived from the above:
  - Flexible, powerful and competitive product range to meet the entire spectrum of customer's requirements
  - Cost effective products with state-of-the-art technology made available for the domestic market
3. Imported Technology:
  - a) Technology imported: 1) Hipath ProCenter – The complete call centre suite  
2) Inverters for rolling stock application
  - b) Year of import : 2000-01
  - c) Has the technology : 1) Yes  
been fully absorbed 2) Partly-process ongoing

On behalf of the Board of Directors

*F. A. Mehta*

Dr. F. A. Mehta  
Chairman

Mumbai  
Tuesday, 4<sup>th</sup> December, 2001

## ***Annexure II to Directors' Report Management's Discussion and Analysis***

### **General Performance Review**

The first recession of the new millennium has set in. Most indicators suggest that the Indian economy is running out of steam. The uncertainty of its revival has cast a shadow on the prospects of a 6.5% GDP growth rate for the current fiscal. Consequently, the Central Statistical Organization has scaled down GDP growth for 2001-02 to 5.2%. This makes it the third worst growth rate since 1991-92.

In the Infrastructure area, the Power Generation sector continued to experience a sluggish growth for the 6th consecutive year, with a meager 4,000 MW being added to the installed capacity last year. The issue of payment security as offered by the State Electricity Boards has put investors on high caution. As part of power sector reforms, the Government's focus on the Power Transmission and Distribution (T&D) sector, generated a higher demand in the High Voltage and Metering businesses. Reduced budgetary support to Railways put new projects on hold, with emphasis shifting to areas such as safety. Siemens too experienced similar trends, with Power Generation's order inflow contracting, although the Power Plant Automation and High Voltage businesses witnessed higher growth than other segments. Transportation Systems business volume too remained steady. Despite the difficult environment, these businesses have posted satisfactory results.

The Industrial segment continued to remain stagnant due to the lack of fresh investments. In the first four months of 2001-02 (April – July 2001), industrial production grew by only 2.3% as compared to 5.9% during the same period of the previous year. Overall, the market characteristics changed to smaller sized orders, while the industry continued to experience price cut-backs due to competitive forces. In order to combat the pressures, several key players in this segment were engaged in restructuring their businesses in order to optimize capacities and reduce costs. Besides, as a consequence of lower demand, new projects suffered. Yet, in this lackluster market, Siemens succeeded in gaining market shares in most areas, while improving its overall profitability position through the launch of innovative products, systems, solutions and services, as well as an improved cost structure. One area that remains of high concern is the Low Voltage Distribution Systems, which is saddled with excess capacity.

On the other hand, the telecommunications and healthcare segments were buoyant. With the increase in the number of line units and drop in tariffs for long distance calls, the telecom sector witnessed encouraging growth. This increased demand for more efficient, higher capacity private exchanges and other telecom solutions

that help boost competitiveness for enterprises. Siemens' Enterprise Networks and Mobile Phones businesses were upbeat.

The health care market grew by a healthy 15%. The entry of Corporate healthcare service providers in India had a catalytic influence in offering high quality diagnostic and therapeutic services which were accessible for wider public benefit. The surge in demand for medical equipment and solutions had a strong effect on the good performance posted by the Medical Solutions business.

Although the Information Technology sector faced the wrath of the US slowdown, Siemens Information Systems Ltd., Siemens' IT arm, was largely insulated from this calamity due to its dual approach of catering to both the export and domestic markets. With its specialization in the areas of high-end technology, it introduced several new solutions in diverse fields. The company posted good growth and achieved satisfactory results.

Siemens' overall market and customer focussed approach saw it launch numerous innovative products, systems, solutions and service. This enabled it to attain an increased market share. At the same time, improved productivity and effective asset management, gave the Company a better cost structure, which boosted its bottom-line. While the top-line has remained steady, the Company substantially improved the quality of its results, bringing it further to a healthier and more stable position.

Further reviews on each of Siemens businesses are as follows:

### **Energy**

#### **Power Generation**

In the last year, Power Generation in India continued to experience sluggish growth, which saw a meager 4,000 MW being added to the installed capacity. In the wake of the continued slow pace of reforms, no major projects took off the ground, considerably affecting the new order inflow position. Issues surrounding the payment security as offered by the State Electricity Boards (SEBs) have additionally acted as deterrents putting investors on high caution.

The Power Generation Division's business was therefore impacted due to the declining market conditions. While New Order intake and turnover overall declined by 23% and 28% respectively as compared to the previous year, the Division's export business volume witnessed a two-fold increase. The Division posted a healthy margin, with the Automation group being a major contributor to the profitability, which also gained substantial market share.

In the last year, the Division signed an agreement with Instrumentation Ltd., Kota, a public sector enterprise, to address the power plant automation needs of SEBs and Central Power Sector Utilities. In keeping with its policy to continually provide enhanced value, the Division launched new automation solutions that have met with considerable success. The introduction of new technologies and innovative customer-centric strategies supported its increased market penetration. In the area of service, the Division has launched new initiatives, which included a Call Center concept to ensure round-the-clock connectivity with customers. It also received its first comprehensive C&I maintenance contract worth Rs. 8 million from DVC Mejia.

Some of the other important orders received last year include those bagged by the Division's Automation Group for the Renovation & Modernisation of WBSEB Santaldih valued at Rs 45 million and captive power plant units of Hindalco, Renusagar (2x84 MW) valued at Rs. 71 million. In addition the Service Groups too, received significant orders from Paguthan (655 MW CCPP) and Reliance for a 25 MW Replacement Turbine at Patalganga.

**Outlook:** In the backdrop of the continued slow pace of reforms and the long gestation period for the benefits to be realized, this sector is expected to remain "stagnant" for the current year. The scaling down of the power capacity addition from 40,000 MW to 20,000 MW in the Ninth Five-Year Plan period (1997-2001) is a further dampener to the much-needed progress. While the Union Budget 2001 has not provided any major relief to the IPPs, it is expected that captive power generation and co-generation will see some growth.

The Power Generation Division's focus will continue to be the same as in the last year with added thrust on providing newer technologies to various areas, like steam generation for thermal power plants. It intends to step up providing comprehensive services by enhancing its all-India network and providing maximum benefits to its customers.

#### **Power Transmission and Distribution Division**

The Transmission and Distribution (T&D) sector emanated mixed signals last year. Identification of T&D as a priority sector, with the Government's plans to invest Rs 400 million over three years, is a positive sign. On the other hand, the poor financial state of the State Electricity Boards (SEBs), continues to hinder growth. Overall, the T&D market has a CAGR of 5%, with below average growth in the medium voltage and transformer segments, and above average growth in the high voltage and automation segments.

This trend was also reflected in the Power Transmission and Distribution (PTD) Division's performance during the last fiscal. Without taking into account the Rs. 1.7 billion High Voltage Direct Current (HVDC) order booked during the previous fiscal year from Powergrid Corporation of India, the order intake grew by 15%, with major growth coming from the High Voltage segment. Other segments showed a decline in order inflow with MV switchboards contracting by 15%. Margins suffered a major setback mainly on account of under-capacity utilization of the medium voltage factory.

During the last fiscal, the Division introduced new products such as the 36kV Air Insulated metal-clad Switchgear as well as the low-cost numerical relays targeted at the Industry and Utilities segment. It also ventured into a new business area, that of protection systems for high-capacity generators. In a significant development, the Division was awarded market development responsibilities in eight more Asian and African countries by Siemens AG. It also signed a Technical Collaboration agreement with a Switchboard manufacturer abroad to promote exports. Recognizing the quality of products, Siemens AG is sourcing Drive Units of the 145 KV breakers from India, thereby giving an additional boost to the Division's export earnings.

Some major orders bagged by the Division in the last year include those from Karnataka Power Transmission Corporation Ltd (KPTCL) and Haryana Vidyut Prasarak Nigam Ltd (HVPNL) for HV Switchgear worth Rs 392 million and Rs 287 million respectively. It also procured an order worth Rs 80 million from MSEB for Energy Management systems. The Division has successfully executed orders from KPTCL and Gridco notched in the previous fiscal.

**Outlook:** With T&D emerging as a priority sector, increase in demand for substations, transmission lines and metering equipment is expected to provide greater business opportunities in which the Division looks forward to being a key participant. While enhancing its dominance as a major T&D player in India, it has in the offing new initiatives in the area of Energy Management Systems. The Division will increase its presence in the overseas market through a higher thrust in export business. In order to stem losses and return to profitability, the Division will undertake restructuring measures entailing resource adjustments across all processes, particularly in the manufacturing area.

#### **Industry**

##### **Automation & Drives**

The Industry segment, as a whole, witnessed a downward trend during the last fiscal, mainly due to the

substantial drop in new investments. A major portion of the Standard Products Division's (A&D) business is triggered as a result of such investments, as well as from the maintenance sector, both of which have remained sluggish during the last fiscal. To remain afloat in the difficult competitive environment, several leading companies in this segment to which A&D caters, focused attention on restructuring, rather than enhancing business.

Despite the downward spiral in market trends, the A&D Division's new order inflow remained steady and Sales increased modestly by 6% over the previous year. Commendably, the Division's profitability has more than doubled over the previous year.

The aggressive sales strategy adopted by the Division to systematically penetrate the market, combined with its enhanced support to sales channels for product promotion, brought home major wins on market shares. The Division's persistent endeavor to improve its cost structure, through strategic procurement, as well as centralizing back-office and logistics functions to improve service levels at the restructured A&D factories in Kalwa, Nashik and Aurangabad, led to the outstanding result it posted.

During the last year, the Division had many successes to its credit. Notably, A&D established itself as the leader in the CNC market with the introduction of the Sinumerik 802D, a product in the area of automation control. The 3WN circuit breakers were a runaway success, and so were the windmill generators, purchased by Suzlon Energy Ltd. solely from Siemens on account of its superior performance. The Division also successfully commissioned India's first eight color printing machine for Vimalachal Print and Pack Ltd.

In the last year, the Division's R&D activities were directed towards meeting customer expectations while delivering high quality value added products and services. This led to several new product introductions and customized solutions for specialized applications which has met with a high degree of customer satisfaction. For the high quality standards adopted in its manufacturing process, the Division's facilities in Kalwa received an award from Siemens AG.

**Outlook:** The market in which A&D operates is expected to remain stagnant in the year ahead. In order to strengthen its position in this situation, the Division is working on strategies for increasing sales through an increased presence in unserved markets and will introduce new offerings in Motors, Generators and Drives. It is investing in improving service levels and will review processes so as to reduce cycle time and costs.

## **Industrial Solutions & Services Division**

Recessionary trends in the Indian economy dampened business sentiment in the investment dependent industrial sector. During the last fiscal, the capital goods sector of the industry continued its downward slide due to paucity of new investments and in the first four months of 2001-02 (Apr – July 2001), it shrunk by 6.1%, compared to a growth of 4.5% during the corresponding period of the previous year.

Given this overall market scenario, the Industrial Solutions & Services (I&S) Division's new order intake position declined by 25% and sales declined by 27% compared to the previous year. However, the I&S Division has posted a healthy margin and continues to be a significant contributor to the company's bottomline.

In its bid to reduce dependence on very large projects, the Division re-focused its attention to include mid-sized projects, thus serving a larger customer base. It also made a foray into a new business area - IT Plant Solutions - which has already met with initial success. The Division successfully installed and commissioned a Highway Traffic Management System on the Delhi-Jaipur National Highway (NH-8) as part of a Rs. 175 million order received in the previous fiscal from the National Highway Authority of India (NHAI). Work on the Rs 750 million order received from NLC for its Mine 1A, is in progress and a portion thereof has been commissioned during the year.

Some of the prestigious orders bagged during the year include the Rs. 81 million order from Jindal Steel for refurbishing its second-hand Universal Beam Mill at Raigarh and another for a conversion substation of Indal's smelter expansion plant at Hirakud in Orissa worth Rs 71 million. It also bagged a Rs 85 million order for the refurbishment of the Chattisgarh State Electricity Board's Korba East power plant. In its continued bid to address the private hospitals industry segment, the Division bagged an order from the Mandke Foundation to set up electrical systems for its hospital and research center in Mumbai.

**Outlook:** With the decline in new investments in the industrial sector and sections of industry shifting focus on restructuring operations, the market sentiments are expected to remain dampened. Under the circumstances, the Division foresees a challenging year ahead, specially since realizations from industrial projects usually have long gestation periods.

However, the Government's initiative to develop highways, envisaging an expenditure of Rs. 54,000 crores, spells good news for the Division, which is a keen player



in the field of Highway Traffic Management. To combat the otherwise difficult environment, in the steel industry, the Division plans to make inroads into electricals for cold rolling mills, as well as exports with the support of its Principals, Siemens AG. The positive outlook in the Healthcare segment is expected to yield more business opportunities for the Division in the area of hospital electrical systems.

### **Low Voltage Distribution Systems**

At present, the low voltage distribution industry in India suffers from excessive manufacturing capacity due to the presence of a large number of players and dwindling demand as a result of the depressed market conditions. In the recent past, this segment saw rapid increase in the number of smaller players, having very low manufacturing overheads, entering the market. In a bid to capture orders, such players have been dropping prices below sustainable levels.

As a consequence, the Low Voltage Distribution Systems (CDDM) Division continued to suffer a further setback. The order inflow declined by 14 percent over the previous year and the Division continued to post a loss.

To counter the drop in prices by competition, during the last fiscal, the CDDM Division successfully introduced a new economical version of LV switchboard that caters to the price sensitive market segment. Despite the difficult conditions, the Division was successful in obtaining some prestigious orders such as from Jindal Steel & Power worth Rs. 73 million and a Rs. 21 million order from the National Aluminium Corporation (NALCO). It also received an export order worth Rs 21 million, presently under commissioning, from PT Elegant of Indonesia.

The Division, in order to reduce the loss, has been making an earnest effort to restructure its manufacturing operations at Joka, Calcutta, so as to re-align all its resources, including manpower, in line with the present day market needs. While this unit has the manufacturing capacity to produce 8500 panels, last year it could reach a target of only 2500.

In its endeavor to make operations viable, the Division has proposed to introduce several measures. This includes an offer of alternative jobs to its workers at Siemens Metering, a plant in the neighborhood. This process of implementation has seen some delays resulting in the unit making even more production losses, thus affecting the overall result.

**Outlook** –The market conditions are expected to remain depressed, with the prices witnessing a further drop due

to competitive forces. Under the present circumstances, the Division's business outlook is not very encouraging and it will have to undertake some major actions to make the operations viable. Therefore, the Division's major objective during the new fiscal is to bring the business back into the black with a new approach.

### **Healthcare**

#### **Medical Solutions Division**

The Indian healthcare market grew at about 15% with cardiology, oncology and high-end diagnostics being the key growth areas in the metro centers and routine imaging and critical care equipment in the non-metros. The entry of private healthcare service providers had a catalytic influence in offering world-class medical diagnostic and treatment facilities. These positive trends fueled business opportunities for the Medical Solutions Division.

Having stabilized in the previous fiscal, the Division embarked upon a focussed growth strategy and clocked in a record growth in new orders in excess of 75% over the previous year and also registered an impressive 50% rise in turnover over the same period. The Division made a healthy improvement in its profitability, and its overall performance has been good.

The successful introduction of a new range of top-of-the-line products such as the "Magnetom Concerto" Magnetic Resonance Imaging (MRI), the ultra-fast multi-slice Computer Tomography (CT) scanner "Somatom Volume Zoom" and Digital Angiography saw the Division scoring huge successes over competition. To strengthen ties with customers, the Division tied up with 16 call centers around the country to launch a 24-hour online connectivity for service requests. The Division tripled the number of application support personnel and introduced an e-mail hotline for information backup on products and services.

Highlights of last year include orders for three Somatom Volume Zoom CT units, the fastest in India, valued at Rs 140 million from the Brihanmumbai Municipal Corporation (BMC). The Division also supplied two 1.5 Tesla MRI Units, valued at Rs 110.5 million, to the Government of Tamil Nadu for deployment in government hospitals and the top-of-the-line Sonata MRI unit to The All India Institute of Medical Sciences (AIIMS) in Delhi for Rs 60 million.

The Division's Goa plant has been identified as a Global Competence Center for manufacturing mobile X-Ray units for Siemens' worldwide requirements. The plant has been selected for a 'CE' certification for manufacture of the fast-selling MultiMobil 2.5 X-Ray unit.

**Outlook:** The outlook for the Healthcare sector in India looks highly positive. Sizable investments are expected to be made by private players for setting up corporate hospitals and diagnostic centers. Moreover, privatization of healthcare insurance is expected to see a quantum jump from 2 million to about 240 million, as projected by CMIE, in the foreseeable future, providing growth opportunities for the Medical Solutions Division.

The Division expects to maintain its current success levels by introducing new products, expanding its service network and establishing new processes to facilitate enhanced customer satisfaction. The Division also expects to participate in more projects involving integration of diagnostic and therapeutic products with the IT infrastructure in hospitals.

## **Transportation**

### **Transportation Systems Division**

In the face of the severe resource crunch over the last two years, the Indian Railways have put new investment programs on hold. Barring wagons, procurement of all rolling stock items such as EMUs, Metro Coaches, Diesel & Electric Locomotives have been curtailed and there are no fresh projects in the pipeline. The outlay for electrification work has been reduced by 25% and allocation for Mass Rapid Transit (MRT) projects in Mumbai, Chennai and Calcutta have been reduced by 4%.

Despite this tough environment, the Transportation Systems (TS) Division registered a satisfactory performance. While order book and sales turnover remained steady as compared to the previous fiscal, the Division's focus on quality and effective asset management, resulted in its posting a healthier profit.

In the current adverse market conditions, continuous technology upgradation has been a key factor in supporting the Division's performance. For example, the recently-developed naturally cooled inverters for AC coaches are currently undergoing satisfactory field trials. Also, in the last year, the Division has supplied prototype inverters for electrical locomotives for Chittaranjan Locomotive Works.

In order to supplement its income, the Division looked at alternative revenue streams, by venturing into new overseas markets, which it did successfully. Service was another thrust area for the division. Here, it made a breakthrough by signing a three-year service contract with the Central Railway for maintenance of Inverters used in air-conditioned passenger coaches. Last year, the Division also successfully completed the first order for the supply of three-phase equipment for diesel

locomotives and new orders for Audio Frequency Track Circuits.

With a view to optimizing its cost structure, the Division has re-aligned its manufacturing strategy by consolidated production of all products at Nashik. These include amongst others, inverters, converters, signalling relays, track vacancy detection system, etc. Here, frontier technologies are developed, adapted and rolled out within months of the same being introduced elsewhere globally.

**Outlook:** Indian Railways' emphasis on safety improvements will see higher investments in this segment in the future with a projected 11% growth in Signalling and 18% growth in miscellaneous electricals. To retain its leadership position, the Division will seek out opportunities that may so arise and will also venture into newer segments such as rolling stock upgradation, multiple units etc. Backed by its strength in localizing state-of-art German technology, the Division also plans to introduce new technologies that will further improve safety, passenger comfort and speed.

## **Information & Communication**

### **Enterprise Networks**

The Information & Communication – Enterprise Networks (ICN EN) Division, after a slow start during the first quarter, had a successful fiscal year registering a 15% growth in line units versus the previous fiscal year. It made a substantial recovery from the second half onwards with a strong sales momentum that resulted in a modest increase in revenues by 6% over the previous year. Although the new order inflow remained steady at the previous year's level, the Division has achieved a substantial increase in profitability thanks to persistent efforts in streamlining inventories and collections.

The market with respect to line units grew at the rate of 15 - 18% and the Division grew at a commensurate rate mainly due to the broad product portfolio and the technological edge of its offerings. Major growth was witnessed in the upto 300-line unit segment, as well as in the hospitality, corporate and government vertical segments. The Division's Hicom 150 Office series and Hicom 300H product line registered maximum demand. The Division's Hicom and Euroset Line series of EPABX/KTS and Hipath Procenter Call Center suite cover the entire spectrum and every vertical segment of the market.

In the last fiscal, ICN EN made its first-ever entry into the Nepal and Sri Lanka markets. The Division renewed its partnership with the Indian Telephone Industry (ITI) to better tap the tender-based PSU and defence segments, which already tasted initial success by winning a Rs. 7.3 million order from South Eastern Railway in Calcutta.

Apart from launching its new IP-ready PABX market, ICN-EN also entered into new tie-ups with Enterasys Networks and Avhan Technologies to enter the Voice over IP (VoIP) and call center segments respectively.

The Division made major breakthroughs in the hospitality and corporate segments with orders from the Hyatt and Oberoi groups and IBM and Mico Bosch respectively. The installation in MICO is the biggest DECT installation in South Asia comprising 288 cordless handsets providing mobility across its entire plant at Bangalore. The Division also had major wins in video conferencing by way of major network installations for Polaris Software and Banque Nationale de Paris.

**Outlook:** The Indian enterprise telecommunication market is poised to grow at 18 - 20% in the current year. The migration to Voice over IP (VoIP) technology, drop in tariffs for long distance calls, availability of leased lines at competitive rates, growth in the service industry with attendant boost in the call center market, are some key factors that are expected to drive growth in the data, voice and video usage.

ICN EN has strengthened its direct and indirect sales channels to take advantage of this expected growth, being uniquely positioned to address the entire spectrum of the market with its wide solution portfolio. The Division will continue its aggressive thrust on the call center business with its complete suite of innovative products and solutions.

### **Mobile Phones**

The Information and Communication – Mobile Phones Division (ICM MP), has achieved a commendable 147% growth in sales units during the last fiscal. Correspondingly, revenues surged by 89% as a result of the Division's aggressive sales and marketing efforts.

Demand for mobile phones in India is being increasingly fueled by preference for lifestyle-oriented brands, rather than technology and features. In keeping with this trend, in the last year, ICM launched two new models, the A35 at the lower end and the SL 45 at the higher end. SL45, a technological revolution with a built-in MP3 player and a 32-bit multimedia card, enables the user to listen to high-quality music. It is positioned as a lifestyle accessory for the status-conscious. The A35, being one of the smallest and lightest phones, is particularly attractive for the youth segment.

With the addition of these products to the pallet, ICM now offers the widest range of models addressing the spectrum of customer segments, namely the

Traditionalist, the Social centric, the Cool Dynamic, the Performer and the Ambitious. As per published survey conducted by a IT and Communication magazine, the Siemens C25 phone, was awarded the highest popularity rating in the entry level segment.

As the products are highly price sensitive, the last year saw all mobile phone players making a desperate pitch to notch up market shares through sustained advertising and brand promotion programs. As Siemens is a well established brand in the Indian market, the Division did not heavily rely on advertising, but looked at alternative means that were more direct and cost effective, such as the retailer visibility program. It also strengthened its customer care program by tying up with an all-India network for service.

The growth in this segment has been stunted for two main reasons. First, under the New Telecom Policy 1999, cellular operators are discouraged to package and subsidize mobile phones. Second, due to the high incidence of import duties and sales tax, the grey market is growing exponentially and the secondary market dealers are benefiting at the cost of the government's legitimate revenues, as well as squeezing players off their legitimate market shares. It is estimated that currently 80% of the mobile phones market is dominated by the so-called "grey" market. While the total cellular subscriber base last year increased by 2.5 million, volumes for mobile phone companies have not risen in tandem.

**Outlook:** In the current fiscal, the mobile phones market is expected to grow by nearly 70%. To meet the increased demand, ICM will increase retail visibility, strengthen distribution network and further intensify its dealer development program to increase sales at point-of-sale in major cities in India. It would also concentrate on continued brand building efforts through the "Siemens Inspired Dealers" program and Siemens "Shop-in-Shop" program.

### **Siemens Information Systems Limited**

The Indian software sector, which saw a phase of rapid growth in the last decade, has begun to experience the effects of the global economic slowdown. Globally and in India, the industry has witnessed a downward trend that began in the last quarter of FY 2000, and in 2001, experienced its full impact.

Given this scenario, during the last fiscal, Siemens Information Systems Limited (SISL) performed uniformly every month, retained its position in the domestic market and has grown in the export market. Having surpassed

planned and forecasted figures, SISL has achieved 24% growth in turnover, 33% increase in order value and 34% higher EBIT, as compared to the previous fiscal. The businesses that fared particularly better were the Healthcare Group, the major projects group, graphics products, telecom and SAP Implementation Groups. New business initiatives included media and entertainment, call center operations and e-governance.

During the fiscal, SISL successfully implemented projects for a number of verticals in the domestic sector, namely pharmaceuticals (Novartis), media (The Times of India Group, The Hindustan Times and Ananda Bazaar Patrika), automobiles (Ford Motor Co) and the electricity sector (Bombay Electric Supply and Transport). It received major orders from the Medical and Automotive Divisions of Siemens AG.

SISL scored a major breakthrough by securing an order from the Government's Employee Provident Fund Office (EPFO) to initially set up six pilot sites, where one can check the balance and make enquiries about his/her EPF account. These are to be scaled up to 260 such sites across EPFO's offices in India. The company also launched a service initiative, in partnership with Siemens Shared Services Ltd., Bangalore for call center and outsourcing projects.

SISL was also awarded the "Innovative HR Practices Award" for its HR initiatives in the World HR Congress earlier this year. For its quality initiatives, the company achieved CMM Level 5 and PCMM Level 3 certification for its HR Practices, the 5<sup>th</sup> company in the world to achieve this distinction.

**Outlook:** The current fiscal would continue to be tough for the software development sector. In spite of the projections for the year not being positive, SISL plans to continue penetrating the market with particular focus on the media and entertainment industry. The company also plans to maintain its thrust on exports by obtaining greater visibility within the house of Siemens and other export areas. In partnership with Siemens Business Systems, SISL expects to grow in the Europe & Asia-Pacific regions. The company also plans to improve its EVA through better payment collection.

#### **Outlook for Siemens Ltd.**

In the backdrop of continued economic slowdown, the infrastructure and industry sectors in India are expected to remain "stagnant". Even if there is a pick-up, its effects will be evident anywhere between six months to one year in time lag. While the scaling down of the power capacity addition from 40,000 MW to 20,000 MW in the 9<sup>th</sup> five year plan period (1997-2001) has retarded

growth in this sector, it is expected that captive power generation and co-generation will pickup, providing opportunities for Siemens.

Power Transmission & Distribution is emerging as a priority sector in India and if the issues surrounding payments and financing are resolved, this segment is expected to see an increased demand for substations, transmission lines and metering equipment. If this happens, Siemens expects to garner business opportunities as a key participant in the development of this sector.

The low voltage distribution industry in India is suffering from over capacity and so is the Siemens manufacturing unit at Joka, Calcutta. In order to make the operations of this unit viable, the Company plans to initiate further actions to streamline and optimize resources. To combat an otherwise difficult and stagnating business environment in the industrial sector, Siemens plans to increase volumes through new and enhanced offerings and optimize the cost structure through innovative practices. Besides, it plans to have a higher presence in emerging areas and make inroads into hitherto untapped domestic markets, as well as export markets.

The telecommunications sector, in particular for Enterprise Networks, is on the upswing. New business opportunities continue to emerge in this sector, with the hospitality and corporate sector showing stronger growth. Siemens plans to strengthen sales channels to take advantage of this growth potential. In doing so, it plans to introduce new products and variants that meet customer needs and help them become more efficient. In the fast growing mobile phones business, Siemens plans to focus on increased retail visibility through special programs, strengthen the distribution network and further intensify its channel sales to boost point-of-sale volumes in major Indian cities.

The entry of corporate healthcare service providers and opening up of the healthcare insurance sector to private players will make access to healthcare services easier and provide the much-needed fillip to this sector. Here, Siemens is strongly poised to leverage these emerging opportunities and plans to launch top-of-line products and services, as called for by the market.

The Indian Railways' emphasis on improving passenger safety will see higher Government investments in this segment in future. Based on its strength in adapting state-of-art technology for Indian requirements, Siemens plans to retain its leadership position in this sector and venture into newer segments, as opportunities arise. It is also geared to participate in large developmental projects, such as the Mass Rapid Transit Systems.

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

To consistently exceed customer needs and expectations, Siemens plans to implement a holistic program that aligns a motivated workforce with its resources. With the continued support and goodwill of its Customers and Shareholders, Siemens is well prepared to meet the challenges of the future.

**Note:**

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

On behalf of the Board of Directors



Dr. F. A. Mehta  
Chairman

Mumbai  
Tuesday, 4<sup>th</sup> December, 2001

## ***Annexure III to the Directors' Report Corporate Governance Report***

### **I. Company's philosophy**

The Company is committed to good Corporate Governance. The mandatory requirements of Clause 49 of the Listing Agreement with the Stock Exchanges have been fully implemented by your Company well before the deadline of 31<sup>st</sup> March, 2001. The principles of transparency, accountability, trusteeship and integrity are at the core of the Company's basic character. The Company firmly believes in the right of its stakeholders to information regarding the Company's business and financial performance.

### **II. Corporate Principles**

The Company, being a subsidiary of Siemens AG, Germany (SAG), has adopted the following Corporate Principles of SAG:

"We have ambitious goals. Our people play the decisive role in the success of our Company, with their know-how, capabilities and enthusiasm. The principles of conduct we have set out for ourselves guide both our thinking and our actions, and apply to each and every one of us.

Our organization and the way we work together – in particular our leadership philosophy – are based on these principles. Immediate feedback, both positive and negative, helps us put them into practice. Our principles unleash the qualities and strengths we need to be successful. We live by these ideas. Our Corporate Principles express values we share in common. The seven Corporate Principles are defined as follows:

a. Customers govern our actions

Our top priority is to provide outstanding value to our customers, since our success ultimately depends on their satisfaction. We offer solutions that enable our customers to achieve their objectives quickly, easily and efficiently.

b. Our innovations shape the future

We put new ideas to work, creating innovative products and services to benefit our customers. We encourage experimentation and imagination. Our creativity and willingness to take risks enable us to build an environment in which promising ideas can be quickly turned into successful solutions. We also promote and draw on one another's ideas.

c. Business success means : we win from profits

International competition is our benchmark. We work to achieve profits while striving for industry leadership and a steady increase in our economic value added. This gives us the entrepreneurial freedom we need and makes us a trusted partner. To ensure financial success, we optimize time, quality and cost in all our work.

d. Excellent leadership fosters top results

Our managers set clear, ambitious and inspiring goals. We always strive to surpass ourselves. If we don't, others will. By leading on the basis of trust, we empower our people to make their own decisions. We demonstrate courage and conviction when introducing necessary changes. Our managers serve as role models in everything they do.

e. Learning is the key to continuous improvement

We always measure ourselves against the world's best. Each of us strives to learn continuously. We welcome and offer open feedback and even learn from our mistakes. We are quicker than others at identifying new opportunities, and adapting our solutions, organization, and our behaviour accordingly. We are building an international network of knowledge in which everyone gives and takes.

f. Our co-operation has no limits

We are a global company and draw on our worldwide capabilities. This makes us the best team on the playing field. All our thoughts and actions stem from a sense of responsibility when it comes to achieving our common goal. Our co-operation is characterised by trust, personal integrity, mutual respect and open communication.

g. Corporate citizenship is our global commitment

Our knowledge and our solutions help create a better world. We are committed to protecting our environment. We are a respected corporate citizen in all countries in which we do business. We safeguard our people's

future through training and continuing education. Integrity guides our conduct toward our business partners, colleagues, shareholders and the general public. Cultural differences enrich our organisation.”

**III. Board of Directors (the Board)**

During the year 2000-01, 7 Board Meetings were held i.e. on:

- 9<sup>th</sup> November, 2000
- 15<sup>th</sup> December, 2000
- 22<sup>nd</sup> January, 2001
- 10<sup>th</sup> April, 2001
- 26<sup>th</sup> April, 2001
- 4<sup>th</sup> May, 2001 and
- 19<sup>th</sup> July, 2001

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

Sr. No.	Name of the Director	Category of Directorship@	No. of Board Meetings attended out of 7 held	Attendance at last AGM held on 15.12.00	No. of other Directorships as on date #	No. of other Committee Memberships as on date	
						Member	Chairman
1.	Dr. F. A. Mehta (Chairman)	NED (I)	7	Yes	17	3	5
2.	Mr. J. Schubert (Managing Director)	WTD	7	Yes	5	1	Nil
3.	Mr. H. Gelis (Executive Director) (w.e.f. 01.01.01)	WTD	5	Yes	3	2	Nil
4.	Mr. A. B. Nadkarni	WTD	7	Yes	Nil	Nil	Nil
5.	Mr. Harminder Singh	WTD	4	Yes	3	1	Nil
6.	Mr. O. P. Narula	WTD	7	Yes	Nil	Nil	Nil
7.	Mr. S. K. Thackersey	NED (I)	5	Yes	8	Nil	Nil
8.	Mr. D. C. Shroff	NED (I)	6	Yes	19	6	2
9.	Mr. Y. H. Malegam	NED (I)	7	Yes	15	5	4
10.	Mr. P. M. Thampi	NED (I)	7	Yes	5	3	1
11.	Dr. K. Wucherer *	NED	1	No	Nil	Nil	Nil
12.	Mr. N. J. Jhaveri (w.e.f. 09.11.00)	NED (I)	6	Yes	12	6	3
13.	Dr. O. Schmitt * (Alternate Director for Dr. K. Wucherer) (w.e.f. 15.12.00)	NED	1	No	Nil	Nil	Nil
14.	Mr. W. Kroll (Executive Director) (upto 31.12.00)	WTD	2##	Yes	Nil	Nil	Nil
15.	Mr. C. R. Sahu (upto 31.12.00)	WTD	Nil##	No	Nil	Nil	Nil

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

@ WTD – Whole-time Director

NED – Non-Executive Director

NED (I) - Non-Executive Director, Independent

# includes Alternate Directorships and Directorships in Private Companies

## out of 2 Board Meetings held during October – December, 2000

#### IV. Audit Committee of Directors (Audit Committee)

##### Composition:

With effect from 15<sup>th</sup> December, 2000, the Board of Directors has appointed an Audit Committee comprising of the following:

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

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

##### Terms of reference:

The powers and terms of reference of the Committee are as mentioned in Clause 49 of the Listing Agreement with the Stock Exchanges and Section 292A of the Companies Act, 1956.

The terms of reference are as follows:

- a. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- b. Recommend the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
- c. Reviewing with management the annual financial statements before submission to the Board, focusing primarily on:
  - Any changes in accounting policies and practices
  - Major accounting entries based on exercise of judgement by management
  - Qualifications in draft audit report
  - Significant adjustments arising out of audit
  - The going concern assumption
  - Compliance with accounting standards
  - Compliance with stock exchange and legal requirements concerning financial statements
  - Any related party transactions i.e. transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of Company at large.
- d. Review with management, external and internal auditors, the adequacy of internal control systems.
- e. Review the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- 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 into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- h. Discussion with external auditors before the audit commences, of the nature and scope of audit as well as have post-audit discussion to ascertain any area of concern.
- i. Reviewing the Company's financial and risk management policies.
- j. To look into the reasons for substantial defaults in the payment to the depositors, debentureholders, shareholders (in case of non payment of declared dividends) and creditors.

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



**Meetings and attendance during the year:**

Since the Audit Committee was constituted during the year on 15<sup>th</sup> December, 2000, only two Meetings of the Audit Committee were held during the financial year 2000-01 i.e. on 26<sup>th</sup> April, 2001 and 18<sup>th</sup> July, 2001. The details of the attendance of the Members at the Audit Committee Meetings are as follows:

Members	Attendance at Committee Meeting held on	
	26 <sup>th</sup> April, 2001	18 <sup>th</sup> July, 2001
Mr. Y. H. Malegam	Yes	Yes
Dr. F. A. Mehta	Yes	Yes
Dr. O. Schmitt	Yes	No

**V. Investors Grievance Committee of Directors (Investors Grievance Committee)**

**Composition:**

With effect from 15<sup>th</sup> December, 2000, the Board of Directors has appointed an Investors Grievance Committee to attend to and address the Shareholders' and Investors' grievances. The composition of the Committee is as follows:

Mr. D. C. Shroff	Chairman	Non-Executive and Independent Director
Mr. N. J. Jhaveri (upto 4-10-01)	Member	Non-Executive and Independent Director
Mr. J. Schubert	Member	Whole-time Director
Mr. P. M. Thampi (w.e.f. 22-11-01)	Member	Non-Executive and Independent Director
Mr. Ashok P. Jangid	Secretary & Compliance Officer	Corporate Secretary

**Terms of reference:**

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

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

**Meetings and attendance during the year:**

Members	Attendance at Committee Meeting held on	
	11 <sup>th</sup> September, 2001	25 <sup>th</sup> September, 2001
Mr. D. C. Shroff	Yes	Yes
Mr. N. J. Jhaveri	Yes	No
Mr. J. Schubert	Yes	Yes

The Corporate Secretariat Department of the Company, under the supervision of Mr. Ashok P. Jangid, Corporate Secretary, who is also nominated by the Company as the "Compliance Officer" as required by SEBI / Listing Agreement, and the Registrar and Share Transfer Agent, MCS Ltd., attend to all grievances of the Shareholders and Investors received directly or through SEBI, Stock Exchanges, Department of Company Affairs and Registrar of Companies. All complaints and grievances are normally redressed within a period of 15 days.

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

A comparative statement of the various complaints received and cleared by the Company during the last 2 years is given below:

Nature of Complaints	2000-01		1999-2000	
	Received	Cleared	Received	Cleared
Non receipt of Share Certificates duly transferred	50	48	85	82
Non receipt of dividend warrant	161	160	19	19
Letters from SEBI	4	4	24	24
Letters from Stock Exchanges	2	2	8	8
Letters from Department of Company Affairs	–	–	1	1

The number of share transfers pending as on 30<sup>th</sup> September, 2001, was 2 on account of court order / suit.

Your Company and MCS Ltd. are making further attempts to ensure that grievances are expeditiously addressed and redressed to the full satisfaction of the Shareholders / Investors.

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

Composition:

With effect from 15<sup>th</sup> December, 2000, the Board of Directors has appointed a Remuneration Committee to, inter alia, determine the Company's policy on the remuneration of the Whole-time Directors. The composition of the Committee is as follows:

Mr. N. J. Jhaveri	Chairman	Non-Executive and Independent Director
Mr. D. C. Shroff	Member	Non-Executive and Independent Director
Mr. S. K. Thackersey	Member	Non-Executive and Independent Director
Mr. Ashok P. Jangid	Secretary	Corporate Secretary

Terms of reference:

- Determine the Company's policy on specific remuneration packages for Whole-time Directors / Executive Directors including pension rights and any compensation payment.
- Decide the actual Salary, Salary Grades, Overseas Allowance, Perquisites, 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 each Whole-time Director.
- Periodically review and suggest revision of the total remuneration package of the Whole-time Directors keeping in view the performance of the Company, standards prevailing in the industry, statutory guidelines, etc.

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

Meetings and attendance during the year:

During the financial year under review, the Committee met once on 11<sup>th</sup> September, 2001 where all the Members were present.

**Remuneration Policy:**

**a. For Whole-time Directors:**

The Board of Directors / the Remuneration Committee is authorised to decide the remuneration of the Whole-time Directors, subject to the approval of the Shareholders and Central Government, if required. The remuneration structure comprises salary, perquisites, performance linked incentive, retinals and commission. Expatriate Directors are also paid Overseas Allowance and certain other perquisites as per the rules of the Company. Performance linked incentive and commission are the only components of remuneration that are not fixed. Commission is calculated on the basis of the net profits of the Company in a particular financial year, subject to the overall ceiling as stipulated in Sections 198 and 309 of the Companies Act, 1956. Performance linked incentive is based on the performance criteria laid down by the Committee with the consent of the Director(s) concerned and on the profits of the Company.

As the specific individual targets could not be fixed at the beginning of the year, no performance linked incentive was paid to any Director for the year 2000-01. The details of the remuneration paid to the Whole-time Directors for the year 2000 - 01 are as under:

Name	Salary (Rs.)	Perquisites* (Rs.)	Commission** (Rs.)	Total (Rs.)	Period of contract from – to
Mr. J. Schubert	1,500,000	1,108,950	1,800,000	4,408,950	5 years 01.10.96-30.09.01@
Mr. H. Gelis (w.e.f. 01.01.01)	900,000	659,450	1,320,000	2,879,450	5 years 01.01.01-31.12.05
Mr. A. B. Nadkarni	1,200,000	1,476,166	1,440,000	4,116,166	5 years 20.02.97-19.02.02
Mr. Harminder Singh	1,140,000	1,267,482	1,368,000	3,775,482	5 years 01.04.98-31.03.03
Mr. O. P. Narula	900,000	890,418	1,080,000	2,870,418	01.01.00-30.09.01@
Mr. W. Kroll (upto 31.12.00)	300,000	151,690	360,000	811,690	5 years 01.09.97-31.08.02
Mr. C. R. Sahu (upto 31.12.00)	225,000	216,162	Nil	441,162	5 years 01.01.00-31.12.04

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

\*\* Payable after approval of annual accounts by Shareholders at the forthcoming Annual General Meeting to be held on 17<sup>th</sup> January, 2002.

@ Mr. Schubert, Managing Director was appointed for a period of five years with effect from 1<sup>st</sup> October, 1996. On expiry of his term on 30<sup>th</sup> September, 2001, he was re-appointed as Managing Director for a period of three years with effect from 1<sup>st</sup> October, 2001.

Mr. O. P. Narula, Whole-time Director, was appointed for the period from 1<sup>st</sup> January, 2000 to 30<sup>th</sup> September, 2001. On expiry of his term on 30<sup>th</sup> September, 2001, he was re-appointed as Whole-time Director for a period of two years with effect from 1<sup>st</sup> October, 2001.

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

b. For Non-Executive Directors:

The Non-Executive Directors do not draw any remuneration from the Company other than sitting fees and such commission as may be determined by the Board of Directors, from time to time based on the profits and other fixed parameters. The details of the remuneration paid / payable to the Non-Executive Directors for the year 2000-01 are as under:

Name	Sitting Fees		Commission* (Rs.)	Total (Rs.)
	Board Meeting (Rs.)	Committee Meeting (Rs.)		
Dr. F. A. Mehta	35,000	15,000	400,000	450,000
Mr. Y. H. Malegam	35,000	10,000	300,000	345,000
Mr. D. C. Shroff	30,000	15,000	260,000	305,000
Mr. N. J. Jhaveri	30,000	10,000	250,000	290,000
Mr. S. K. Thackersey	25,000	5,000	200,000	230,000
Mr. P. M. Thampi	35,000	Nil	200,000	235,000
Dr. K. Wucherer	5,000	Nil	100,000	105,000
Dr. O. Schmitt	5,000	5,000	100,000	110,000

\* payable after approval of annual accounts by Shareholders at the forthcoming Annual General Meeting to be held on 17<sup>th</sup> January, 2002.

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.181,000 that was paid to them during the year is not considered material enough to impinge on the independence of Mr. D. C. Shroff.

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

## VII. Other Committees (Non-mandatory)

### a) Share Transfer Committee (STC)

This Committee comprising of Mr. J. Schubert - Managing Director, Mr. H. Gelis - Executive Director and Mr. Ashok P. Jangid - Corporate Secretary has been set up for approving the transfer / transmission / transposition of Shares and consolidation / splitting of folios, issue of share certificates in exchange for sub-divided, consolidated, defaced, etc. ensuring compliance with legal requirements of share transfers and co-ordination with Registrar and Share Transfer Agent, Depositories, etc. The STC Meetings are need based, usually fortnightly. 18 Meetings of the STC were held during the year 2000-01.

### b) Finance Committee (FC)

This Committee comprising of Mr. H. Gelis - Executive Director, Mr. J. Schubert - Managing Director, Mr. Ashok P. Jangid - Corporate Secretary and Mr. R. Rangarajan - Executive Vice President – Corporate Finance has been set up for authorising the opening / closing / operating of bank accounts, availing of credit facilities, authorising the giving of loans, intercorporate deposits, guarantees, etc. in accordance with the legal requirements. The FC Meetings are need based, usually monthly. 10 Meetings of the FC were held during the year 2000-01.

### c) Delegation of Powers Committee (DPC)

This Committee comprising of Mr. J. Schubert - Managing Director, Mr. H. Gelis - Executive Director, Mr. A. B. Nadkarni - Director-Personnel and Mr. Ashok P. Jangid - Corporate Secretary has been set up to issue / revoke Powers of Attorney, fix the procedures for signing authority, grant authority for various purposes to the employees. The DPC Meetings are need based, usually monthly. 11 Meetings of the DPC were held during the year 2000-01.

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

**VIII. General Body Meetings**

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

Year	AGM / EGM	Venue	Date	Time
2000-01	EGM for approval of Buyback	Y. B. Chavan Auditorium Gen. J. Bhosale Marg Nariman Point, Mumbai 400 021	Friday, 15 <sup>th</sup> June, 2001	11 a.m.
1999-00	AGM	- do -	Friday, 15 <sup>th</sup> December, 2000	3 p.m.
1998-99	AGM	Patkar Hall S.N.D.T. Women's University, 1, Nathibai Thackersey Road, Mumbai 400 020	Friday, 21 <sup>st</sup> January, 2000	3 p.m.
1997-98	AGM	- do -	Monday, 18 <sup>th</sup> January, 1999	4 p.m.

No Special Resolution was put through postal ballot last year and nor is there any proposed for this year.

**IX. Disclosures**

- The Company has not entered into any transaction of a material nature with the Promoters, Directors or the Management, their subsidiaries or relatives, etc. that may have potential conflict with the interests of the Company. Disclosures have also been received from the senior managerial personnel relating to the financial and commercial transactions in which they or their relatives might have a personal interest.
- The Company has complied with all requirements of the Listing Agreements with the Stock Exchanges as well as the regulations and guidelines of SEBI. Consequently no penalties were imposed or strictures passed against your Company by SEBI, Stock Exchange or any other statutory authority.

**X. Means of communication**

- Half-yearly / Quarterly Results are not being sent to each household of the Shareholders.
- The Quarterly Results of the Company are published in the following leading national and local language newspapers:  
Times of India and Indian Express (English newspapers)  
Maharashtra Times / Loksatta (Marathi newspapers)  
These newspapers are selected on the basis of having maximum circulation in the areas where vast majority of our Shareholders are located. The Results are also displayed on the corporate website [www.siemens.co.in](http://www.siemens.co.in) along with the official press releases and the detailed presentations made to the media and analysts.
- The Management's Discussion and Analysis is appearing as Annexure II to the Directors' Report.

**XI. General Shareholder Information**

Detailed information in this regard is provided in the General Shareholder Information Section appearing as Annexure IV to the Directors' Report.

**Status of compliance with non-mandatory requirements**

1. The Company has appointed a Remuneration Committee of Directors.
2. Since the financial results are published in leading newspapers as well as displayed on the website, the results are not sent to each household of the Shareholders.

On behalf of the Board of Directors

Dr. F. A. Mehta  
Chairman

Mumbai  
Tuesday, 4<sup>th</sup> December, 2001

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

The Board of Directors  
Siemens Ltd.  
130, Pandurang Budhkar Marg,  
Worli,  
Mumbai - 400 018.

We have examined the relevant records of Siemens Ltd. for the year ended 30th September, 2001 relating to compliance with the mandatory requirements of corporate governance as contained in Clause 49 of the Listing Agreement of the Company with the Bombay Stock Exchange and state that in our opinion, and to the best of our knowledge and according to the information and explanations given to us, the Company has complied with the mandatory requirements contained in the aforesaid Clause 49.

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

Mumbai  
22 November, 2001

**Vikram Utamsingh**  
Partner

## **Annexure IV to the Directors' Report General Shareholder Information**

**Siemens Ltd.**

### **Annual General Meeting**

The 44<sup>th</sup> Annual General Meeting of the Members of the Company will be held as per the following details:

Date	Time	Venue
Thursday, 17 <sup>th</sup> January, 2002	3.00 p.m.	Yashwantrao Chavan Pratishthan Auditorium, Y. B. Chavan Centre, General Jagannath Bhosale Marg, Nariman Point, Mumbai 400 021

Agenda of the Annual General Meeting is as follows:

Ordinary Business:

Adoption of audited Accounts for the year ended 30<sup>th</sup> September, 2001

Declaration of dividend

Re-appointment of Directors retiring by rotation

Appointment of Auditors

Special Business:

Re-appointment and remuneration of Mr. J. Schubert, Managing Director and Mr. O. P. Narula, Whole-time Director.

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

Mr. D. C. Shroff

The Board of Directors had appointed Mr. Shroff as a Director of the Company with effect from 20<sup>th</sup> February, 1997. He was appointed as a Director liable to retire by rotation by the Shareholders at the Annual General Meeting held on 21<sup>st</sup> January, 2000. Mr. Shroff is due to retire by rotation at the forthcoming Annual General Meeting of the Company and, being eligible, offers himself for re-appointment.

Mr. Shroff is 57 years of age and is a Solicitor. He is a senior partner of Crawford Bayley & Co., the Company's Solicitors. He has over 33 years of experience in the legal profession. He is also a Director of many reputed companies. His Directorships and Committee Memberships of other companies, as on date, are as follows:

Company	Position	Committee Memberships
Avi-Oil India Pvt. Ltd.	Director	Nil
Bayer (India) Ltd.	Director	Audit Committee Member
Ceat Asset Management Ltd.	Director	Nil
Ciba Specialty Chemicals Ltd.	Director	Audit Committee Member Investors Grievance Committee Member
CMP Pvt. Ltd.	Director	Nil
Eternit Everest Ltd.	Director	Nil
Fulford India Ltd.	Director	Nil
Ingersoll-Rand (India) Ltd.	Director	Audit Committee Member Share Transfer cum Investors Grievance Committee Chairman
Kulkarni Power Tools Ltd.	Director	Nil
Maersk Logistics India Pvt. Ltd.	Director	Nil
Orient Cerlane Ltd.	Director	Nil
Peregrine Capital India Pvt. Ltd.	Director	Nil
SKF Bearings Ltd.	Director	Audit Committee Chairman Investors Grievance Redressal/ Share Transfer Committee Member
Swastik Surfactants Ltd.	Director	Nil
S&M Agencies Pvt. Ltd.	Director	Nil
S&M Logistics Pvt. Ltd.	Director	Nil
Sea-Land Holdings (India) Pvt. Ltd.	Director	Nil
Sterling Home Products Pvt. Ltd.	Chairman	Nil
UTV Software Communications Ltd.	Director	Audit Committee Member

#### Mr. Y. H. Malegam

The Board of Directors had appointed Mr. Malegam as a Director of the Company with effect from 20<sup>th</sup> February, 1997. He was appointed as a Director liable to retire by rotation by the Shareholders at the Annual General Meeting held on 21<sup>st</sup> January, 2000. Mr. Malegam is due to retire by rotation at the forthcoming Annual General Meeting of the Company and, being eligible, offers himself for re-appointment.

Mr. Malegam is 68 years of age and is a Chartered Accountant (India & UK). He is a senior Partner of M/s. S. B. Billimoria & Co., one of the oldest firms of Chartered Accountants in India. Mr. Malegam is also a Director on the Boards of several reputed public limited companies. He is also associated with the Securities and Exchange Board of India, the National Stock Exchange of India and the Central Board of Reserve Bank of India. In his professional practice, Mr. Malegam has specialised in the field of valuations and restructuring of companies and has considerable experience in the areas of audit and taxation. His Directorships and Committee Memberships of other companies, as on date, are as follows:

Company	Position	Committee Memberships
The Antifriction Bearings Corporation Ltd.	Director	Nil
Bayer (India) Ltd.	Director	Audit Committee Member
Bayer Industries Pvt. Ltd.	Director	Nil
Cabot India Ltd.	Director	Audit Committee Chairman
Escorts Ltd.	Director	Nil
Hindustan Construction Co. Ltd.	Director	Nil
Mipco Seamless Rings (Gujarat) Ltd.	Director	Nil
Motor Industries Co. Ltd.	Director	Audit Committee Chairman Investor Protection and Shareholders Grievance Committee Member
National Securities Clearing Corporation Ltd.	Director	Nil
National Stock Exchange of India Ltd.	Director	Audit Committee Member
Nicholas Piramal India Ltd.	Director	Audit Committee Member
Tata Coffee Ltd.	Director	Audit Committee Chairman Remuneration Committee Member
Tata Tea Ltd.	Director	Audit Committee Chairman
The Western India Plywoods Ltd.	Director	Nil
Deloitte Touche Tohmatsu India Pvt. Ltd.	Director	Nil

#### Mr. A. B. Nadkarni

Mr. Nadkarni was appointed as a Whole-time Director for a period of five years with effect from 20<sup>th</sup> February, 1997 by the Board of Directors and by the Shareholders at the Annual General Meeting held on 19<sup>th</sup> December, 1997. He is liable to retire by rotation. Mr. Nadkarni is due to retire by rotation at the forthcoming Annual General Meeting of the Company and, being eligible, offers himself for re-appointment.

Mr. Nadkarni is 54 years of age and holds a degree in Mechanical Engineering. He is the Head of the Personnel Division of the Company. He has 28 years of experience with the Company during which period he has held various senior positions. Prior to being appointed as Whole-time Director, he was working as Executive Vice President – Personnel Division.

Mr. Nadkarni does not hold any other Directorships or Committee Memberships.

#### **Financial Calendar for 2001-02 (October to September)**

Adoption of Quarterly Results for:

Quarter ending	in the month of
31 <sup>st</sup> December, 2001	: January, 2002
31 <sup>st</sup> March, 2002	: April, 2002
30 <sup>th</sup> June, 2002	: July, 2002
Annual Accounts	: November, 2002

#### **Book Closure**

The Company's Register of Members and Share Transfer Register will remain closed from Thursday, 27<sup>th</sup> December, 2001 to Thursday, 17<sup>th</sup> January, 2002 (both days inclusive) for the purpose of Annual General Meeting and payment of dividend.



**Dividend**

The dividend as recommended by the Board of Directors, if declared at the Meeting, will be paid at par on or after 1<sup>st</sup> February, 2002 to those Members whose names appear on the Company's Register of Members as holders of Equity Shares on 17<sup>th</sup> January, 2002 (the 'Record Date'). In respect of Shares held in electronic form, the dividend will be paid on the basis of beneficial ownership details to be furnished by National Securities Depository Limited and Central Depository Services (India) Limited for this purpose.

**Listing on Stock Exchanges**

The Company's Equity Shares are listed on the following stock exchanges:

The Stock Exchange, Mumbai

Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001.

National Stock Exchange of India Ltd.

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

The Delhi Stock Exchange Association Limited

DSE House, 3/1, Asaf Ali Road, New Delhi 110 002.

Calcutta Stock Exchange Association Limited

7, Lyons Range, Kolkata 700 001.

Madras Stock Exchange Ltd.

Exchange Building, 11, Second Line Beach, Chennai 600 001.

The Stock Exchange, Mumbai is the Company's Regional Stock Exchange. It has permitted trading of the Company's Shares in the 'A' Group. The Company's Shares are actively traded on the Stock Exchange, Mumbai and National Stock Exchange. The Company has paid the listing fees for the year 2001-2002 to all the Stock Exchanges where the Company's Shares are listed.

**Stock Code**

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

The Stock Exchange, Mumbai - 500550

National Stock Exchange of India Ltd. - SIEMENS EQ

The ISIN No. for Shares in demat mode: INE 003 A01016

**Market Price Data**

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

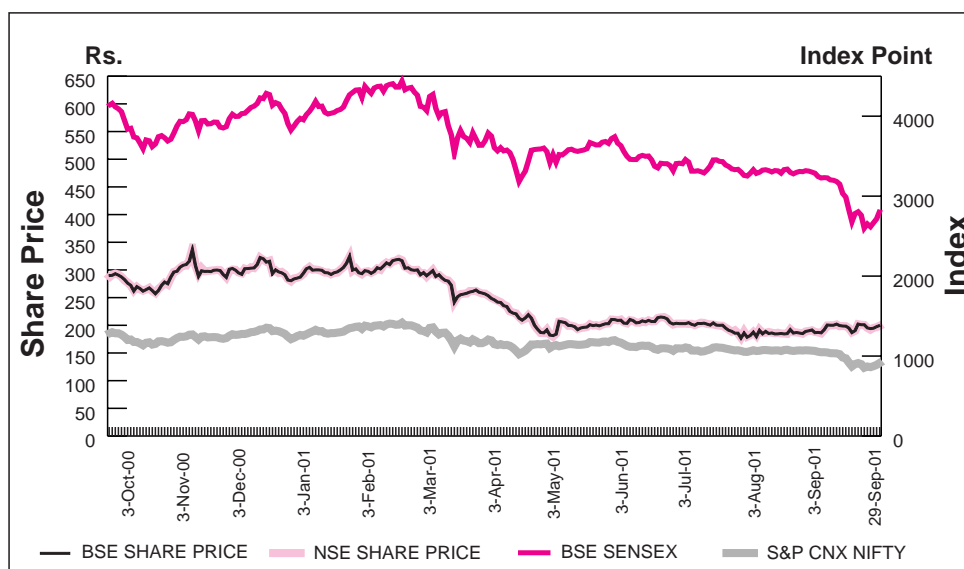
Month	The Stock Exchange, Mumbai			National Stock Exchange of India Ltd.		
	High (Rs.)	Low (Rs.)	Volume Nos.	High (Rs.)	Low (Rs.)	Volume Nos.
Oct. 2000	299.00	250.00	725,581	300.00	252.55	398,809
Nov 2000	341.05	284.0	2,393,299	342.35	280.10	1,953,089
Dec 2000	327.00	276.10	2,363,179	325.00	278.00	1,218,434
Jan 2001	327.00	289.50	2,350,672	327.40	286.00	1,652,115
Feb 2001	325.00	285.50	3,050,263	325.00	272.00	2,180,841
Mar 2001	301.25	234.00	861,241	303.00	240.05	709,816
Apr 2001	248.00	178.10	885,222	250.00	177.05	651,602
May 2001	214.95	182.00	1,048,034	214.70	182.00	1,047,193
June 2001	218.50	198.00	607,838	219.95	198.65	520,945
July 2001	208.85	172.00	119,496	208.50	172.00	506,134
Aug 2001	194.50	179.00	216,905	193.25	179.00	137,072
Sep 2001	203.00	180.25	833,846	207.00	177.00	235,805

(2) Shares traded during 1<sup>st</sup> October, 2000 to 30<sup>th</sup> September, 2001:

	Stock Exchange, Mumbai	National Stock Exchange
No. of Shares traded	15,455,576	11,211,855
Highest Share Price	Rs.341.05 (on 9 <sup>th</sup> November, 2000)	Rs.342.35 (on 9 <sup>th</sup> November, 2000)
Lowest Share Price	Rs.172.00 (on 26 <sup>th</sup> July, 2001)	Rs.172.00 (on 26 <sup>th</sup> July, 2001)
Average Share Price	Rs.245.39	Rs.245.65
Closing Share Price as on 28 <sup>th</sup> September, 2001	Rs.199.70	Rs.199.20
Market Capitalisation as on Friday, 28 <sup>th</sup> September, 2001	Rs.6,924 million	Rs.6,906 million

Source :Economic Times

### Share Price Movement



(3) Distribution of Shareholding:

Shares held	30 <sup>th</sup> September, 2001				30 <sup>th</sup> September, 2000			
	No. of Share holders	% of Share holders	No. of Shares held	% of Share holding	No. of Share holders	% of Share holders	No. of Shares held	% of Share holding
1-500	46,693	94.94	4,881,895	14.25	48,205	94.90	4,952,327	13.95
501-1000	1,579	3.21	1,106,681	3.23	1,610	3.17	1,117,852	3.15
1001-2000	591	1.20	823,307	2.40	614	1.21	847,925	2.39
2001-3000	129	0.26	313,916	0.92	123	0.24	301,694	0.85
3001-4000	51	0.10	177,033	0.52	58	0.11	201,288	0.57
4001-5000	29	0.06	132,991	0.39	33	0.07	152,899	0.43
5001-10000	56	0.11	370,619	1.08	65	0.13	445,903	1.25
10001 & above	60	0.12	26,447,068	77.21	88	0.17	27,474,309	77.41
Total	49,188	100.00	34,253,510*	100.00	50,796	100.00	35,494,197	100.00

\* arrived at after considering 1,240,687 Shares bought back as well as extinguished as on 30<sup>th</sup> September, 2001 under the on-going Buyback of Shares by the Company.

**(4) Shareholders' Profile:**

As on 30<sup>th</sup> September, 2001, the Company had 49,188 Shareholders. The Company's Shares are held by diverse entities as per the following break-up:

Type of Shareholder	30.09.2001		30.09.2000	
	No. of Shares held	% of total	No. of Shares held	% of total
Siemens AG	18,103,087	52.85	18,103,087	51.00
Foreign Institutional Investors	371,966	1.09	1,370,054	3.86
Mutual Funds	494,977	1.45	1,571,892	4.43
Indian Financial Institutions	5,668,170	16.54	4,295,561	12.10
Banks	103,542	0.30	21,912	0.06
Directors & Associates	34,751	0.10	39,139	0.11
Non-Resident Indians	109,553	0.32	100,139	0.28
Bodies Corporate	1,881,901	5.49	2,185,618	6.16
Public	7,485,583	21.86	7,806,795	22.00
Total	34,253,510*	100.00	35,494,197	100.00

\*arrived at after considering 1,240,687 Shares bought back as well as extinguished as on 30<sup>th</sup> September, 2001 under the on-going Buyback of Shares by the Company.

**Registrar and Share Transfer Agent**

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

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

Phone: 0091 22 8215235 (6 lines) Fax : 0091 22 8350456

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

**Share Transfer System**

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

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

	2000-2001	1999-2000
Number of transfers	1,193	16,741
Number of Shares transferred	125,420	1,020,112

**Dematerialisation of Shares**

As directed by SEBI, trading in the Shares of the Company have compulsorily to be in dematerialised form for all the investors with effect from 29<sup>th</sup> November, 1999. As on 30<sup>th</sup> September, 2001, 91.50% (38% as on 30<sup>th</sup> September, 2000) of total Shares of the Company have been dematerialised.

**Plant Locations**

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

West Bengal: Joka - 24 Parganas.

Goa: Verna.

**Registered and Corporate Office**

130, Pandurang Budhkar Marg, Worli, Mumbai 400 018, India.  
Phone: 0091 22 4987000 - 02 Fax: 0091 22 498 7500

**Internet Website**

Company's internet home page can be accessed at [www.siemens.co.in](http://www.siemens.co.in) for information about the Company in general, Shareholders information, financial results, etc.

**Corporate Secretariat Department**

We are pleased to inform you that with effect from 19<sup>th</sup> October, 2001, the Corporate Secretariat Department has been awarded the ISO 9001:2000 Certification by KPMG, Quality Registrar.

The Corporate Secretariat Department headed by Mr. Ashok P. Jangid, Corporate Secretary, is situated at 130, Pandurang Budhkar Marg, Worli, Mumbai 400 018.

Phone: 0091 22 4987523 Fax : 0091 22 4987043

**Investor Relations Section**

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

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

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

Phone: 0091 22 4987547/ 4987173 Fax: 0091 22 4987043. E-mail: [Subramani.Gopal@bom2.siemens.co.in](mailto:Subramani.Gopal@bom2.siemens.co.in)

On behalf of the Board of Directors



Dr. F. A. Mehta  
Chairman

Mumbai  
Tuesday, 4<sup>th</sup> December, 2001

We have audited the attached Balance Sheet of Siemens Ltd at 30 September 2001 and the Profit and Loss Account of the Company for the year ended on that date, annexed thereto, and report that:

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to in paragraph 1 above:
  - we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of the audit;
  - in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of these books;
  - the Balance Sheet and Profit and Loss Account dealt with by the report are in agreement with the books of account;
  - in our opinion, the Balance Sheet and Profit and Loss Account comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;

- on the basis of written representations obtained from the directors of the Company as at 30 September 2001 and taken on record by the Board of Directors on 22 November 2001, we report that no director is disqualified under the provisions of clause (g) of sub section (1) of Section 274 of the Companies Act, 1956.
- in our opinion, and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view:
  - in the case of the Balance Sheet, of the state of affairs of the Company at 30 September 2001; and
  - in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date.

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

**Vikram Utamsingh**  
*Partner*

*Mumbai*  
*22 November 2001*

## ***Annexure to the Auditors' Report***

With reference to the Annexure referred to in paragraph 1 of the report of the Auditors to the Members of Siemens Ltd on the accounts for the year ended 30 September 2001, we report that:

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

Section 209(1)(d) of the Companies Act, 1956 in respect of electrical motors, and prima facie the prescribed records and accounts have been made and maintained. We have not made a detailed examination of the records with a view to determining whether they are accurate and complete.

17. The Company has been generally regular in depositing Provident Fund and Employees' State Insurance dues during the current year with the appropriate authorities.
18. According to the information and explanations given to us, there are no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty which are outstanding at 30 September 2001 for a period of more than six months from the dates that they became payable.
19. On the basis of our examination of the books of account carried out by us, and according to the information and explanations given to us, no personal expenses have been charged to the Profit and Loss Account other than those payable under contractual obligations or in accordance with generally accepted business practice.
20. The Company is not a sick industrial company within the meaning of clause (o) of sub-section 1 of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
21. In our opinion, for service activities, the Company has a reasonable system, commensurate with its size and the nature of its business for:
  - recording receipts, issues and consumption of materials and stores and allocating materials consumed to each project;

- allocating man-hours utilised to each project; and
- authorisation and control over the issue of stores and allocating stores and labour costs to each project.

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

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

**Vikram Utamsingh**  
*Partner*

*Mumbai*  
*22 November 2001*

**Auditors' Report to the Board of Directors, Siemens Ltd.**

We have examined the attached cash flow statement of Siemens Ltd for the year ended 30 September 2001. The statement has been prepared in accordance with the requirements of Clause 32 of listing agreements with the Stock Exchanges and is based on and is in agreement with the corresponding Profit and Loss Account and Balance Sheet of the Company covered by our report of 22 November 2001 to the members of the Company.

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

**Vikram Utamsingh**  
*Partner*

*Mumbai*  
*22 November 2001*

**Balance Sheet**  
**at 30 September 2001**  
**(Currency: Indian rupee)**

	Note	2001 Rs '000	2000 Rs '000
<b>SOURCE OF FUNDS</b>			
<b>Shareholders' funds</b>			
Share capital	2	336,266	354,942
Reserves and surplus	3	2,873,685	2,480,817
		<b>3,209,951</b>	2,835,759
<b>Loan funds</b>			
Secured loans	4	2,678	169,723
Unsecured loans	5	32,835	251,759
		<b>35,513</b>	421,482
		<b>3,245,464</b>	3,257,241
<b>APPLICATION OF FUNDS</b>			
<b>Fixed assets</b>			
Gross block	6	5,419,981	5,480,873
Accumulated depreciation		(3,289,194)	(3,071,539)
Net block		2,130,787	2,409,334
Capital work-in-progress		46,197	40,796
		<b>2,176,984</b>	2,450,130
<b>Investments</b>	7	<b>440,973</b>	543,984
<b>Current assets, loans and advances</b>			
Inventories	8	725,787	805,956
Sundry debtors	9	3,204,739	3,251,522
Cash and bank balances	10	885,647	2,244,463
Loans and advances	11	2,024,756	884,514
		<b>6,840,929</b>	7,186,455
<b>Current liabilities and provisions</b>			
Current liabilities	12	(5,759,211)	(6,247,719)
Provisions	13	(615,660)	(675,609)
		<b>(6,374,871)</b>	(6,923,328)
<b>Net current assets/(liabilities)</b>		<b>466,058</b>	263,127
Deferred tax asset	14	321,577	—
Deferred tax liability	15	(160,128)	—
		<b>161,449</b>	—
		<b>3,245,464</b>	3,257,241

The accompanying notes set out on pages 41 to 57 form an integral part of this balance sheet.

As set out in our attached report.

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

**Ashok P. Jangid**  
Corporate Secretary

**Vikram Utamsingh**  
Partner

**For Siemens Ltd.**

**Dr. F. A. Mehta**

**J. Schubert**

**H. Gelis**

**S. K. Thackersey**

**D. C. Shroff**

**Y. H. Malegam**

**P. M. Thampi**

**N. J. Jhaveri**

**Dr. O. Schmitt**

**A. B. Nadkarni**

**Harminder Singh**

**O. P. Narula**

*Chairman*

*Managing Director*

*Executive Director*

*Directors*

Mumbai, 22 November 2001

Mumbai, 22 November 2001



**Profit and Loss Account  
for the year ended 30 September 2001  
(Currency: Indian rupee)**

**Siemens Ltd.**

	Note	2001 Rs '000	2000 Rs '000
<b>Income</b>			
Sales and services	16	11,572,815	11,157,151
Other income, net	17	778,443	571,987
		<b>12,351,258</b>	<b>11,729,138</b>
<b>Expenditure</b>			
Cost of sales and services		7,627,889	7,519,282
Personnel costs	18	1,583,342	1,478,611
Interest	19	17,115	48,852
Depreciation		294,578	315,012
Other costs	20	1,750,731	1,576,040
Restructuring costs/(net write back)	21	113,369	(154,863)
		<b>11,387,024</b>	<b>10,782,934</b>
<b>Profit before tax adjustments</b>			
		964,234	946,204
Deferred tax		(40,590)	—
Tax adjustments	22	(236,429)	(106,161)
<b>Net profit after tax</b>			
		687,215	840,043
Accumulated loss brought forward		—	(372,533)
<b>Available for appropriation</b>			
		687,215	467,510
<b>Appropriations:</b>			
Proposed dividend		132,554	223,761
Dividend tax		13,520	49,227
Transfer to general reserve		(541,141)	(194,522)
<b>Balance carried forward</b>			
		—	—
<b>Weighted average number of equity shares outstanding during the year</b>			
		35,266,251	34,843,078
<b>Basic and diluted earnings per share (in Rs.)</b>			
		19.49	24.11

The accompanying notes set out on pages 41 to 57 form an integral part of this profit and loss account.

As set out in our attached report.

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

**Ashok P. Jangid**  
Corporate Secretary

**Vikram Utamsingh**  
Partner

**For Siemens Ltd.**

**Dr. F. A. Mehta**

Chairman

**J. Schubert**

Managing Director

**H. Gelis**

Executive Director

**S. K. Thackersey**

**D. C. Shroff**

**Y. H. Malegam**

**P. M. Thampi**

**N. J. Jhaveri**

**Dr. O. Schmitt**

**A. B. Nadkarni**

**Harminder Singh**

**O. P. Narula**

Directors

Mumbai, 22 November 2001

Mumbai, 22 November 2001

**Cash Flow Statement**  
**for the year ended 30 September 2001**  
**(Currency: Indian rupee)**

	2001 Rs '000	2000 Rs '000
<b>Cash flow from operating activities</b>		
Profit before tax adjustments	964,234	946,204
Adjustments for:		
Interest expense	17,115	48,852
Restructuring costs/(net write back)	113,369	(154,863)
Depreciation	355,555	413,247
Profit on sale of fixed assets (net)	(42,838)	(47,293)
Provision for diminution in value of investments	—	6,870
(Profit)/ loss on sale of investments (net)	(36,088)	4,509
Exchange (gain)/ loss (net)	(12,079)	4,114
Interest and dividend accrued	(390,660)	(299,781)
Lease equalisation charge	16,438	24,216
Lease discounting costs	20,577	40,118
Operating profit before working capital changes	<u>1,005,623</u>	<u>986,193</u>
<b>(Increase)/decrease in working capital</b>		
Inventories	80,169	392,205
Trade payables	(486,407)	380,744
Trade and other receivables	(18,271)	48,597
Provisions	31,072	25,666
Net change in working capital	<u>(393,437)</u>	<u>847,212</u>
<b>Cash generated from operations</b>	<u>612,186</u>	<u>1,833,405</u>
Payments for restructuring costs	(57,475)	(94,583)
Direct taxes (paid)/refund	(359,829)	76,168
Net cash inflow from operating activities	<u>194,882</u>	<u>1,814,990</u>
<b>Cash flow from investing activities</b>		
Purchase of fixed assets	(119,084)	(86,389)
Proceeds from sale of fixed assets	59,513	109,491
Sale/(purchase) of investments	139,099	(143,904)
Inter corporate deposits given	(960,000)	—
Interest received	221,717	188,091
Dividend received	168,943	111,690
Net cash from/(used in) investing activities	<u>(489,812)</u>	<u>178,979</u>
<b>Cash flow from financing activities</b>		
Dividend paid (including tax thereon)	(271,156)	(262)
(Decrease)/Increase in short term borrowings	(169,545)	(438,510)
(Decrease)/Increase in long term borrowings	(216,424)	(137,401)
Interest paid	(37,772)	(123,911)
Payment for buy back of shares	(368,989)	—
Proceeds from issue of equity shares on right basis	—	1,419,439
Redemption of preference shares	—	(1,070,000)
Premium on redemption of preference shares	—	(170,835)
Net cash used in financing activities	<u>(1,063,886)</u>	<u>(521,480)</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<u>(1,358,816)</u>	<u>1,472,489</u>
<b>Cash and cash equivalents at end of the year</b>	<u>885,647</u>	<u>2,244,463</u>
<b>Cash and cash equivalents at beginning of the year</b>	<u>2,244,463</u>	<u>(771,974)</u>
	<u>(1,358,816)</u>	<u>1,472,489</u>

Ashok P. Jangid  
Corporate Secretary

For Siemens Ltd.

Dr. F. A. Mehta

J. Schubert

H. Gelis

S. K. Thackersey

D. C. Shroff

Y. H. Malegam

P. M. Thampi

N. J. Jhaveri

Dr. O. Schmitt

A. B. Nadkarni

Harminder Singh

O. P. Narula

Mumbai, 22 November 2001

Chairman

Managing Director

Executive Director

Directors

**Notes to the financial statements  
for the year ended 30 September 2001  
(Currency: Indian rupee)**

**Siemens Ltd.**

**1 Principal accounting policies**

**1.1 Basis of preparation of financial statements**

The financial statements are prepared under the historical cost convention, on the accrual basis of accounting, and in accordance with the provisions of the Companies Act, 1956 and comply with the Accounting Standards issued by the Institute of Chartered Accountants of India to the extent applicable.

**1.2 Fixed assets and depreciation**

Fixed assets are stated at cost less accumulated depreciation. Depreciation is provided on the straight line method ('SLM') at the rates prescribed in the Company's group accounting guidelines. In respect of additions, depreciation is provided prorata from the date the assets are put to use. The SLM rates prescribed in the Company's group accounting guidelines are greater than or equal to the corresponding minimum rates prescribed in Schedule XIV to the Companies Act, 1956. The key fixed assets and related depreciation rates are:

<b>Asset</b>	<b>Rate</b>
Freehold land	—
Factory buildings	3.34%
Other buildings	2%
Leasehold land and buildings	Over the lease period
Plant and machinery	20%
Furniture and fittings	20%
Office equipment	33 1/3%
Assets at project sites	Over the life of the project
Special machine tools	10%
Vehicles	25%

Equipment given on lease is stated at fair value and is depreciated on the SLM basis over the primary lease period.

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

**1.3 Investments**

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

**1.4 Inventories**

- Raw materials are valued at the lower of cost and net realisable value. Cost is determined on the basis of the first-in, first-out or the weighted average method.
- Work-in-progress and finished goods are valued at the lower of cost and net realisable value. Cost includes direct material and labour cost and appropriate portion of factory overheads.
- Excise duty on goods produced is included in the value of finished goods inventory.

**1.5 Revenue recognition**

- Sales of products and services are recognised on despatch of goods or when the service has been provided. Sales are stated exclusive of excise duty and sales tax.
- Income from long term contracts is recognised by reference to the estimated overall profitability of the contract under the percentage of completion method. Full provision is made for any loss in the year in which it is first foreseen.
- Commission income is recognised when proof of shipment is received from the overseas supplier.
- Dividend income is recognised when the right to receive the dividend is unconditional at the balance sheet date.

**1.6 Leases**

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

**Notes to the financial statements (continued)**  
**for the year ended 30 September 2001**  
**(Currency: Indian rupee)**

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. Leases entered into on or after 1 October 2001 will be accounted in accordance with Accounting Standard – 19, Leases, issued by the Institute of Chartered Accountants of India ('ICAI') .

**1.7 Employee benefits**

- The Company maintains retirement benefit schemes for its employees and accounts for them in accordance with Accounting Standard 15 on 'Accounting for Retirement Benefits'.
- Gratuity, leave encashment costs and pension under the pension scheme, which are defined benefits, are accrued for based on actuarial valuations at the balance sheet date carried out by an independent actuary.
- Contributions to the recognised provident fund and approved superannuation scheme, which are defined contribution schemes, are charged to the profit and loss account monthly.

**1.8 Foreign currency transactions**

- Foreign currency current assets and current liabilities outstanding at the balance sheet date are translated at the exchange rates prevailing on that date and the net gain or loss is recognised in the profit and loss account.
- Foreign currency translation differences relating to liabilities incurred for acquiring fixed assets are adjusted in the carrying cost of the fixed assets. All other foreign currency gains and losses are recognised in the profit and loss account.
- The cost of forward exchange contracts is amortised over the period of the contracts.

**1.9 Research and development**

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

**1.10 Technical know-how fees**

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

**1.11 Taxation**

- Provision is made for income tax liability estimated to arise on the results for the year at the current rate of tax in accordance with the Income-tax Act, 1961.
- In accordance with the Accounting Standard – 22, Accounting for Taxes on Income, issued by the Institute of Chartered Accountants of India ('ICAI'), and effective from 1 April 2001 and in accordance with the listing agreements with the respective stock exchanges, the Company has provided for deferred tax at 30 September 2001. Deferred tax resulting from timing differences between book and tax profits is accounted for under the liability method, at the current rate of tax, to the extent that the timing differences are expected to crystallize.
- Deferred tax assets arising on account of brought forward losses and unabsorbed depreciation are recognised only when there is a virtual certainty supported by convincing evidence that such assets will be realised. Deferred tax assets arising on other temporary timing differences are recognised only if there is a reasonable certainty of realisation.
- The deferred tax asset arising on account of temporary timing differences at 1 October 2000 is adjusted in reserves and surplus.

**1.12 Restructuring costs**

In accordance with historical practices, the Company provides for restructuring costs when the management commits the Company to a restructuring programme.

**1.13 Buy back of shares**

Trade date accounting is followed for shares bought back from the stock markets. Shares bought back pending extinguishment at balance sheet date are reflected as a reduction from share capital and securities premium account.

	<b>2001</b>	2000
	<b>Rs '000</b>	Rs '000
<b>2 Share capital</b>		
<b>Authorised</b>		
50,000,000 equity shares of Rs 10 each	<b>500,000</b>	500,000
150,000,000, 10.5% cumulative redeemable preference shares of Rs 10 each	<b>1,500,000</b>	1,500,000
	<b>2,000,000</b>	2,000,000
<b>Issued</b>		
35,667,050 equity shares of Rs 10 each	<b>356,671</b>	356,671
	<b>356,671</b>	356,671
<b>Subscribed and fully paid-up</b>		
33,626,621 (2000: 35,494,197) equity shares of Rs 10 each fully paid-up	<b>336,266</b>	354,942
	<b>336,266</b>	354,942
<b>Equity shares</b>		
<ul style="list-style-type: none"> <li>■ 150,000 (2000: 150,000) shares have been allotted as fully paid-up for consideration received other than in cash;</li> <li>■ 11,100,000 (2000: 11,100,000) shares have been allotted as fully paid-up bonus shares by capitalisation of the general reserve; and</li> <li>■ 18,103,087 (2000: 18,103,187) shares are held by the holding company, Siemens AG, Germany.</li> <li>■ On 30 September 1999, the Company made an offer of shares on a rights basis to its existing shareholders in the ratio of one share for every four shares held, at a premium of Rs 190 per share. The said rights shares were subscribed to in full and the Committee of Directors in its meeting held on 26 November 1999 made an allotment, except for 2,576 shares which were held in abeyance. At the Board Meeting held on 28 April 2000, 523 shares of the 2,576 shares held in abeyance were allotted.</li> <li>■ In terms of the resolution passed by the shareholders at the extra-ordinary general meeting held on 15 June, 2001 authorising the Company to buy back its equity shares, the Company has since bought back 1,867,576 Equity Shares of Rs. 10 each, at an average price of Rs 197.57 per share aggregating Rs. 368,988,270 up to 30 September, 2001. The premium on buy back amounting to Rs 350,312,470 has been debited to the securities premium account.</li> </ul>		
<b>3 Reserves and surplus</b>		
Capital reserve	<b>688</b>	688
Securities premium account		
Balance brought forward	<b>2,269,007</b>	946,375
– Premium on issue of right shares	—	1,348,467
– Utilised for premium on redemption of preference shares	—	(25,835)
– Utilised for premium on 1,867,576 equity shares bought back and extinguished before year end	<b>(350,312)</b>	—
	<b>1,918,695</b>	2,269,007
Export turnover reserve		
– Balance brought forward	—	16,600
– Transfer to general reserve	—	(16,600)
	—	—
General reserve		
– Balance brought forward	<b>211,122</b>	—
– Transfer from export turnover reserve	—	16,600
– Creation of Deferred Tax Assets	<b>202,039</b>	—
– Transfer from profit and loss account	<b>541,141</b>	194,522
	<b>954,302</b>	211,122
Profit and loss account	—	—
	<b>2,873,685</b>	2,480,817

**Notes to the financial statements (continued)**  
**for the year ended 30 September 2001**  
**(Currency: Indian rupee)**

	2001 Rs '000	2000 Rs '000
<b>4 Secured loans</b>		
<b>From Banks</b>		
– Short term	2,678	169,723
	<b>2,678</b>	<b>169,723</b>

The Company has availed of short term working capital loans from banks which are secured by hypothecation by way of a first charge on inventories, stores and spares, book debts and other receivables, both present and future.

<b>5 Unsecured loans</b>		
Long term		
– sales tax deferral	32,835	33,752
– from others	—	215,507
Short term - from others	—	2,500
	<b>32,835</b>	<b>251,759</b>

**6 Fixed assets** (Rs '000)

	Land and Buildings	Plant and machinery	Furniture, Fittings & Office Equipment	Vehicles	Equipment given on lease	Total	Previous year
<b>Gross block</b>							
At 1 October 2000	1,667,678	2,175,913	858,544	23,246	755,492	<b>5,480,873</b>	5,433,427
Additions	9,840	66,606	37,229	8	—	<b>113,683</b>	156,245
Disposals	(5,855)	(130,447)	(33,063)	(4,807)	(403)	<b>(174,575)</b>	(108,799)
<b>At 30 September 2001</b>	<b>1,671,663</b>	<b>2,112,072</b>	<b>862,710</b>	<b>18,447</b>	<b>755,089</b>	<b>5,419,981</b>	5,480,873
<b>Accumulated depreciation</b>							
At 1 October 2000	240,425	1,516,217	709,103	17,511	588,283	<b>3,071,539</b>	2,704,893
Charge for the year	39,770	191,337	81,267	2,204	60,977	<b>375,555</b>	413,247
Disposals	(1,071)	(122,358)	(29,802)	(4,669)	—	<b>(157,900)</b>	(46,601)
<b>At 30 September 2001</b>	<b>279,124</b>	<b>1,585,196</b>	<b>760,568</b>	<b>15,046</b>	<b>649,260</b>	<b>3,289,194</b>	3,071,539
<b>Net block</b>							
<b>At 30 September 2001</b>	<b>1,392,539</b>	<b>526,876</b>	<b>102,142</b>	<b>3,401</b>	<b>105,829</b>	<b>2,130,787</b>	2,409,334
At 30 September 2000	1,427,253	659,696	149,441	5,735	167,209	<b>2,409,334</b>	

Included in the gross block of land and buildings at 30 September 2001 is freehold land of Rs 26,642,000 (2000: Rs 26,642,000), leasehold land of Rs 105,152,450 (2000: Rs 105,152,450) and 1,772 (2000: 2,247) shares of Rs 50 each in various co-operative housing societies.

Accumulated depreciation on leasehold land at 30 September 2001 amounts to Rs 19,451,156 (2000: Rs 16,811,305).

Of the above, Plant & machinery of a net book value of Rs 8,098,000 is held for sale. Depreciation on assets held for sale has been accelerated to reflect their net realisable value. The accelerated charge of Rs 20,000,618 (2000: Rs Nil) is included as part of the restructuring costs at note 21 to the financial statements.

Depreciation has been disclosed as follows:

- Depreciation on equipment given on lease is reduced from lease income at note 17 to the financial statements;
- Accelerated depreciation charge of Rs 20,000,618 (2000: Rs Nil) is included under exceptional item as explained above; and
- The balance depreciation of Rs 294,578,000 (2000: Rs 315,012,000) has been separately disclosed in the profit and loss account.

	2001 Rs '000	2000 Rs '000
<b>7 Investments (long term, unquoted)</b>		
<b>Non-Trade</b>		
<b>In government securities</b>		
National Savings Certificates	5	5
<b>In mutual funds</b>		
Nil (2000: 347446) units of Rs. 10 each in Unit Trust of India Unit scheme 1964 (Repurchase price : Nil) (2000 : Rs. 4,690,521)	—	4,166
<b>In Housing Development Finance Corporation Bonds</b>		
– Series I to IV 13 %	7,000	7,000
– Series I to IV 14.5 %	12,000	12,000
<b>Shares in subsidiary companies</b>		
5,100,000 (2000: 5,100,000) equity shares of Rs 10 each fully paid-up in Siemens Information Systems Ltd (74.8% holding; 2000: 74.8% holding)	51,000	51,000
<b>Trade</b>		
<b>Shares in other companies</b>		
3,125,000 (2000: 5,325,000) equity shares of Rs 10 each fully paid-up in Siemens Public Communication Networks Ltd (20% holding; 2000: 30% holding)	140,405	239,250
8,320,000 (2000: 8,320,000) equity shares in Siemens Metering Ltd. (formerly called VXL Landis & Gyr Ltd) (26% holding; 2000: 26% holding)	226,125	226,125
<b>Debentures</b>		
740,040 18% non-convertible debentures of Rs 100 each in Mid-East Integrated Steel Ltd	74,004	74,004
Less: Provision for diminution in value	(69,566)	(69,566)
	<b>4,438</b>	4,438
	<b>440,973</b>	543,984
<b>8 Inventories</b>		
Raw materials	199,916	223,295
Work-in-progress		
– factory related	141,189	197,676
– project related	125,175	161,966
Finished goods	259,507	223,019
	<b>725,787</b>	805,956
<b>9 Sundry debtors</b>		
Debts outstanding		
– Over six months	819,688	1,009,163
– Other debts	2,660,776	2,618,619
	<b>3,480,464</b>	3,627,782
Of which		
– Considered good	3,204,739	3,251,522
– Considered doubtful	275,725	376,260
	<b>3,480,464</b>	3,627,782
Provision for doubtful debts	(275,725)	(376,260)
	<b>3,204,739</b>	3,251,522
Sundry debtors are unsecured and include:		
Amounts receivable in instalments beyond one year	82,633	90,739
Retentions on project related work	515,085	501,642

During the year, the Company further refined its estimation process of providing for doubtful debts, based on its commercial judgement. The revised estimation process in the opinion of management more appropriately reflects the fair recoverable value of receivables. This has resulted in an additional net write-back of provision for doubtful debts of Rs 33 million.

**Notes to the financial statements (continued)**  
**for the year ended 30 September 2001**  
**(Currency: Indian rupee)**

	2001 Rs '000	2000 Rs '000
<b>10 Cash and bank balances</b>		
Cash in hand	21,334	19,658
Cheques in hand	240,022	148,629
Balances with scheduled banks		
– on current account	403,041	243,989
– on deposit account	220,862	1,821,949
Balances with other banks [See note 26.1 (iv)]	388	10,238
	885,647	2,244,463
	885,647	2,244,463
<b>11 Loans and advances</b>		
<i>(Unsecured)</i>		
Advances recoverable in cash or in kind or for value to be received		
– Considered good	782,040	696,846
– Considered doubtful	134,202	125,914
	916,242	822,760
Provision for doubtful advances	(134,202)	(125,914)
	782,040	696,846
Lease equalisation account	51,257	67,694
Advance payments of income tax, less provision	209,192	85,792
Interest accrued on investments	4,137	663
Balances with customs, port trusts and excise authorities on current account	17,198	33,519
Inter corporate deposits	960,000	—
Bills of exchange	932	—
	2,024,756	884,514
	2,024,756	884,514
<b>12 Current liabilities</b>		
Sundry creditors	4,248,226	4,677,212
Advances from customers	1,506,178	1,567,452
Unclaimed dividends	2,388	556
Interest accrued but not due on loans	2,419	2,499
	5,759,211	6,247,719
	5,759,211	6,247,719
Advances from customers include progress payments and advances received on project related work of Rs 1,115,106 (2000: Rs 895,222).		
<b>13 Provisions</b>		
Pension	159,700	140,953
Restructuring	212,643	176,750
Proposed dividend	132,554	223,761
Tax on proposed dividend	13,520	49,227
Others	97,243	84,918
	615,660	675,609
	615,660	675,609



	2001 Rs '000	2000 Rs '000
<b>14 Deferred tax asset</b>		
Arising on account of timing differences in:		
– Provision for doubtful debts	<b>98,434</b>	165,651
– Other provisions	<b>223,143</b>	172,768
– Accumulated business loss	<b>—</b>	88,759
	<b>321,577</b>	427,178
<b>15 Deferred tax liability</b>		
Arising on account of timing differences in:		
– Depreciation	<b>160,128</b>	225,139
<b>16 Sales and services</b>		
Sales	<b>11,348,232</b>	10,941,550
Commission income	<b>224,583</b>	215,601
	<b>11,572,815</b>	11,157,151
<b>17 Other income</b>		
Lease rentals	<b>105,963</b>	163,016
Lease equalisation charge	<b>(16,438)</b>	(24,216)
Discounting costs	<b>(20,577)</b>	(40,118)
Depreciation	<b>(60,977)</b>	(98,235)
Lease income, net	<b>7,971</b>	447
Interest (includes tax deducted at source Rs 38,499; 2000: Rs 8,535)	<b>219,051</b>	184,937
Income from non-trade investments	<b>2,666</b>	3,154
Dividend from subsidiary and associate companies	<b>168,943</b>	111,690
Export incentives	<b>22,375</b>	58,781
Profit on sale of assets (net)	<b>42,838</b>	47,293
Profit on sale of investments	<b>36,088</b>	—
Receipts from third parties, associate and subsidiary companies	<b>170,702</b>	49,100
Sales tax set off	<b>53,990</b>	47,599
Sundries	<b>53,819</b>	68,986
	<b>778,443</b>	571,987
<b>18 Personnel costs</b>		
Salaries, wages and bonus	<b>1,276,724</b>	1,152,494
Contributions to provident and other funds	<b>149,980</b>	184,672
Contribution to pension funds	<b>18,747</b>	3,053
Workmen and staff welfare	<b>137,891</b>	138,392
	<b>1,583,342</b>	1,478,611
<b>19 Interest</b>		
On debentures and fixed loans	<b>—</b>	2,672
Other interest	<b>17,115</b>	46,180
	<b>17,115</b>	48,852

**Notes to the financial statements (continued)**  
**for the year ended 30 September 2001**  
**(Currency: Indian rupee)**

	2001 Rs '000	2000 Rs '000
<b>20 Other costs</b>		
Travel and conveyance	312,948	317,181
External software services	301,621	226,606
Communications	183,499	174,298
Power and fuel	129,909	132,008
Rates and taxes	96,472	90,859
Repairs and maintenance		
– on building	85,417	65,483
– on machinery	25,298	28,669
– others	44,994	50,185
Rent	58,453	53,613
Advertising and publicity	75,120	63,654
Packing and forwarding	57,987	58,135
Legal and professional	54,770	55,525
Exchange losses (net)	44,770	749
Office supplies, printing and stationery	40,042	39,512
Insurance	25,781	32,813
Spares and stores	24,442	22,850
Commission to directors	9,178	11,846
Share buy back expenses	5,095	—
Directors' fees	260	72
Loss on sale of investments	—	4,509
Provision for diminution in value of investments	—	6,870
Shares issue expenses	—	10,934
Write back of doubtful debts and advances, net of provision	(92,247)	(116,024)
Miscellaneous	266,922	245,693
	1,750,731	1,576,040
<b>21 Restructuring costs/(net write back)</b>		
Costs/ (net write back) of restructuring the business operations of the Company	113,369	(154,863)
<b>22 Tax adjustments</b>		
Provision for tax	236,429	46,571
Accelerated depreciation of deferred tax asset created in earlier years	—	59,590
	236,429	106,161
<b>23 Amounts due to small scale industries</b>		
Included in sundry creditors at 30 September 2001 are dues to small-scale industries of Rs 271,907 (2000: Rs 319,651).		
<b>24 Commitments</b>		
The estimated amount of contracts remaining to be executed on capital account and not provided for, net of advances, was Rs 22,000,740 at 30 September 2001 (2000: Rs 26,251,516). Future lease commitments at 30 September 2001 amounted to Rs 258,667,803 (2000: Rs 332,715,336).		

	<b>2001</b>	2000
	<b>Rs '000</b>	Rs '000
<b>25 Contingent liabilities</b>		
Bills discounted	<b>318,517</b>	283,169
Taxation matters:		
■ In respect of certain completed assessments where matters are under appeal by the Company	<b>187,825</b>	26,542
■ In respect of appeals decided in favour of the Company, but disputed further by income tax authorities	<b>106,166</b>	106,166
Excise/sales tax matters under dispute	<b>154,047</b>	149,170
Bank guarantees	<b>3,001,375</b>	3,132,146
Other guarantees	<b>169,349</b>	125,842
Claims against the Company not acknowledged as debts	<b>192,731</b>	205,790
	<b>4,130,010</b>	4,028,825
<b>26 Supplementary statutory information</b>		
<b>26.1 Balance sheet</b>		
(i) Debtors		
Included in debtors are:		
Debts due from companies under the same management		
– Siemens Public Communication Networks Ltd	<b>6,454</b>	12,301
– Siemens Automotive Systems Ltd	—	4,357
– Osram India Ltd	—	964
– BSH Home Appliances Pvt. Ltd.	<b>1,141</b>	1,225
– Siemens Hearing Instruments Pvt. Ltd.	<b>500</b>	965
– Siemens Building Technologies Ltd.	<b>2,275</b>	3,735
– Siemens Power Engineering Pvt. Ltd.	<b>2,571</b>	5,364
– Powerplant Performance Improvement Ltd.	<b>33,813</b>	36,413
(ii) Loans and advances		
Included in loans and advances are:		
(a) Amounts due from a director of the Company for a housing loan given prior to his becoming a director (maximum amount outstanding during the year Rs 5,163,821; 2000: Rs 5,222,044)	<b>2,481</b>	5,164
(b) Amounts due from an officer of the Company (maximum amount outstanding during the year Rs 96,127; 2000: Rs 144,041)	<b>74</b>	96
(c) Inter-corporate deposits with companies under the same management:		
– Osram India Ltd.	<b>350,000</b>	—
– VDO India Ltd.	<b>110,000</b>	—
– Siemens Metering Ltd.	<b>500,000</b>	—
(iii) Creditors:		
Included in creditors are amounts due to subsidiary company	<b>2,847</b>	2,557
(iv) Cash and bank balances		
Bank balances with others in current account:		
– Citibank, Colombo	<b>(167)</b>	9,590
– The Hongkong & Shanghai Banking Corporation Ltd, Bangkok and Kuala Lumpur	<b>339</b>	510
– Myanmar Economic Bank, Burma	<b>55</b>	55
– Stanchart Grindlays Bank, Nepal	<b>51</b>	51
– State Bank of India, Dhaka	<b>32</b>	32
– Stanchart Grindlays Bank, Dhaka	<b>78</b>	—
	<b>388</b>	10,238
Maximum amount outstanding at any time during the year:		
– Citibank, Colombo	<b>9,590</b>	9,784
– The Hongkong & Shanghai Banking Corporation Ltd, Bangkok and Kuala Lumpur	<b>510</b>	4,903
– Myanmar Economic Bank, Burma	<b>55</b>	55
– Stanchart Grindlays Bank, Nepal	<b>51</b>	180
– State Bank of India, Dhaka	<b>32</b>	32
– Stanchart Grindlays Bank, Dhaka	<b>3,619</b>	1,167

**Notes to the financial statements (continued)**  
**for the year ended 30 September 2001**  
**(Currency: Indian rupee)**

	2001 Rs '000	2000 Rs '000
<b>26.2 Profit and Loss account</b>		
(i) Managerial remuneration		
Personnel and other costs include managerial remuneration for directors as set out below:		
Salary	6,165	6,660
Perquisites	4,908	4,481
Commission	9,178	11,846
Contribution to provident fund	426	475
Contribution to superannuation	520	594
	<u>21,197</u>	<u>24,056</u>
<b>Computation of commission to the Managing Director and other directors:</b>		
Profit as per the Profit and Loss Account	687,215	840,043
<b>Add:</b>		
Managing and other director's remuneration and commission	21,197	24,056
Depreciation charged in the accounts	355,555	413,247
Profit on sale of fixed assets (net) as per Section 349	883	113
Write-back of provision for doubtful debts and advances, net	(92,247)	(116,024)
Tax adjustment	236,429	106,161
Provision for wealth tax	17,381	9,000
Restructuring costs/ (net write-back)	113,369	(154,863)
Provision for diminution in value of investment	—	6,870
Loss/(profit) on sale of investment	(36,088)	4,509
<b>Less:</b>		
Profit on sale of fixed assets (net) as per Profit and Loss account	(42,838)	(47,293)
Depreciation as per Section 350 of the Companies Act 1956	(183,605)	(364,842)
Net profit before adjustment of carried forward loss as per Section 349 of the Companies Act 1956	1,077,251	720,977
Unadjusted loss of prior year calculated in accordance with Section 349 of the Companies Act, 1956	—	(109,537)
Net profit/(loss) as per Section 349 of the Companies Act 1956	<u>1,077,251</u>	<u>611,440</u>
Commission to managing and whole-time directors at 10% of the net profits as calculated above, provided at	7,368	9,846
Commission to other directors at 1% of the net profits as calculated above, provided at	1,810	2,000
	<u>9,178</u>	<u>11,846</u>
<b>26.2 Profit and Loss account (continued)</b>		
(ii) Auditors' Remuneration		
– Audit fee	3,800	3,800
– Tax audit fee	1,200	1,200
– Other services	1259	266
– Reimbursement of expenses	164	202
	<u>6,423</u>	<u>5,468</u>
(iii) Research and development expenditure incurred and charged to the profit and loss account	11,061	14,933
(iv) Earnings and expenditure in foreign exchange:		
(a) Earnings in foreign currency		
– Export of goods/software		
Direct on FOB basis	450,466	1,183,769
Under IDA/IBRD/ADB credit	84,583	—
– Commission	197,834	207,147
– Service charges and others	167,802	72,509

	<b>2001</b>	2000
	<b>Rs '000</b>	Rs '000
(b) Expenditure in foreign exchange:		
– Travelling	<b>25,890</b>	24,340
– Installation charges	—	38,709
– Expenditure on contracts at foreign sites	<b>71,370</b>	84,827
– Commission	<b>4,955</b>	2,902
– Service charges	<b>44,722</b>	144,821
– Other	<b>11,150</b>	35,723
(c) Value of imports calculated on CIF basis:		
– Raw material	<b>551,859</b>	462,988
– Components and spare parts	<b>2,585,861</b>	2,233,110
– Capital goods	<b>15,980</b>	6,597
(d) Net dividend remitted in foreign exchange :		
Period to which it relates	<b>01.10.1999 to</b>	01.10.1998 to
	<b>30.09.2000</b>	30.09.1999
Number of non-resident shareholders	<b>1</b>	1
Number of equity shares held on which dividend was due	<b>18,103,087</b>	—
Amount remitted	<b>114,124</b>	—
Net of tax deducted at source Nil ( 2000 : Nil)	—	—

**27 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

<b>Class of goods</b>	<b>2001</b>		<b>2000</b>	
	<b>Quantity</b>	<b>Value</b>	<b>Quantity</b>	<b>Value</b>
Refer notes (a) and (d) below		<b>Rs '000</b>		<b>Rs '000</b>
Switchgear items		<b>1,674,447</b>		1,692,580
Electric motors/generators	<b>33,120</b>	<b>1,084,600</b>	23,856	1,330,243
Switchboards, control boards and miscellaneous accessories		<b>1,058,357</b>		602,695
X-Ray equipment		<b>285,000</b>		700,000
Measuring and control instruments		<b>150,600</b>		377,101
Railway signalling equipment		<b>831,900</b>		836,695
Variable speed AC/DC drive systems, motor control modules and programmable control systems		<b>926,002</b>		838,132
Protection systems		<b>126,264</b>		48,048
Data acquisition, logging and control systems		<b>247,161</b>		150,397
EPABX/EPAX/Intercom and key telephone systems		<b>505,700</b>		475,719
Medical electronic diagnostic equipment		<b>1,920,700</b>		762,841
Others		<b>2,210,801</b>		3,124,201
Installation and other services		<b>326,700</b>		2,898
		<b>11,348,232</b>		10,941,550
Commission income		<b>224,583</b>		215,601
		<b>11,572,815</b>		11,157,151

**Notes to the financial statements (continued)**  
**for the year ended 30 September 2001**  
**(Currency: Indian rupee)**

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

Refer note (e) below	Unit	2001		2000	
		Qty	Value Rs '000	Qty	Value Rs '000
Copper flats, strips and profiles	MT	250	42,216	215	36,190
Enameled copper wire	MT	280	45,871	272	45,211
Brass sheets and strips	MT	30	9,846	29	9,404
Aluminium ingots, profiles and castings	MT	425	26,848	538	20,687
Iron and steel castings and shafts	MT	2,284	76,104	2,187	76,168
Dynamo steel sheets, strips and laminations	MT	2,604	99,855	2,472	106,206
Hot rolled and cold rolled steel sheets, strips, housings, etc	MT	1,104	27,949	1,473	31,841
Cables and wires	Kms	2,232	14,777	2,106	14,301
Silver components	Kgs	2,712	32,327	3,132	45,325
Ball and roller bearings	Nos	38,853	17,622	35,096	14,970
Thyristors, diodes and transistors	Nos	338,877	16,330	351,078	20,623
X-Ray tubes	Nos	714	37,045	618	30,588
Amphenol terminals	Nos	111,828	2,782	89,227	973
Vacuum tubes	Nos	5,180	53,106	7,842	103,955
Integrated circuits	Nos	75,623	5,992	58,824	5,523
Capacitors and condensers	Nos	330,175	16,911	345,932	21,535
Printed circuit boards	Nos	19,533	13,348	20,294	26,151
Aluminium components			39,566	—	20,432
Steel components			171,739	—	155,543
Copper and copper alloy components			43,486	—	62,710
Insulation materials			191,896	—	71,115
Packing wood and cartons			6,972	—	6,257
Equipment			541,461	—	446,676
Others			516,813	—	551,035
			<b>2,050,862</b>		<b>1,923,419</b>

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

	2001		2000	
	Value Rs '000	% of total consumption	Value Rs '000	% of total consumption
Imported	501,709	24	468,761	24
Indigenous	1,549,153	76	1,454,658	76
	<b>2,050,862</b>	<b>100</b>	<b>1,923,419</b>	<b>100</b>

(iv) Inventories

Finished goods Refer note (a) below Class of goods	2001		2000	
	Quantity	Value Rs '000	Quantity	Value Rs '000
Switchgear items		27,485		63,083
Electric motors/generators	1,590 Nos.	76,555	914 Nos.	35,994
Switchboards, control boards, etc		—		2,757
X-Ray equipment		30,000		7,200
Electro medical equipment		—		7,300
CT and other diagnostic equipment		27,489		5,505
Measuring and control instruments		28		—
Railway signaling equipment		8,593		3,677
Variable speed AC/DC drive systems, Motor control modules and programmable control systems		42,335		47,507

		2001			2000		
		Quantity	Value		Quantity	Value	
			Rs '000			Rs '000	
	Protection systems / uninterrupted power supply systems		3,950			4,788	
	Others		43,072			45,208	
			<b>259,507</b>			223,019	
	Work-in-progress – project related		125,175			161,966	
	– factory related		141,189			197,676	
			<b>525,871</b>			582,661	
(v)	Purchases						
	Refer note (a) below						
	Class of goods						
	Towards projects execution (CIF value of imports						
	Rs 194,600,000, 2000: Rs 216,200,000)		1,849,437			1,868,244	
(vi)	Capacities and Production						
	Refer note (b) below						
Class of goods manufactured	Unit	2001 Annual licensed capacity	2001 Annual installed capacity (refer note c below)	*Actual production	2000 Annual licensed capacity	2000 Annual installed capacity (refer Note c below)	*Actual production
Switchgear items	Nos	11,084,000	4,739,700	3,600,399	11,084,000	4,739,700	3,609,294
Electric motors/generators	Nos	14,000	15,860	13,006	14,000	15,860	10,628
Switchboards, control boards and miscellaneous accessories	Nos	5,840 (Boards)	9,000 (Boards)	956 (Boards)	5,840 (Boards)	9,000 (Boards)	823 (Boards)
X-Ray equipment	Nos	520	1,283	1,095	520	1,283	661
Electromedical equipment	Nos	245	450	27	245	450	96
Measuring and control instrument	Nos	47,677	64,900	9,750	47,677	64,900	8,066
Railway signalling equipment and static converters for railways	Nos	58,320	72,740	79,873	58,320	72,740	32,224
Rectifier cubicles and miscellaneous equipment	MW	64.5	64.5	1.2	64.5	64.5	2.9
Variable speed AC/DC drive systems, motor control modules and programmable control systems	Nos	6,248	6,248	1,139	6,248	6,248	493
AC/DC machines	Nos	1,250	925	—	1,250	925	—
Protection systems	Nos	100	100	—	100	100	—
Data acquisition, logging and control systems	Nos	50	50	16	50	50	5
Uninterrupted power supply systems	Nos	**NA	690	—	**NA	690	—
EPABX/EPAX/Intercom and key telephone systems	Lines	**NA	40,000	—	**NA	40,000	—
Digital electronic switching systems	Line	**NA	680,000	—	**NA	680,000	—
Transmission Equipment	Nos	**NA	500	—	**NA	500	—
Medical electronic diagnostic equipment	Nos	**NA	209	—	**NA	209	—
Wiring harness assembly	Nos	30,000	30,000	—	30,000	30,000	—
Electronic Measurand Converter	Nos	1,277	1,277	104	1,277	1,277	24
Process Controller	Nos	3,048	3,048	—	3,048	3,048	—
Miscellaneous Accessories	Nos	1,000	1,000	138	1,000	1,000	43

\* Inclusive of captive consumption and for exports

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

**Notes to the financial statements (continued)  
for the year ended 30 September 2001  
(Currency: Indian rupee)**

**Notes:**

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

**28 Prior year comparatives**

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

**29 Related Party transactions**

**29.1 Parties where control exists**

**Siemens AG**

Holding Company (holds 53.83% of the equity share capital as at 30 September 2001)

**Siemens Information Systems Ltd. (SISL)**

Subsidiary Company (74.8% of whose equity share capital is held by Siemens Ltd. as at 30 September 2001)

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

**Fellow subsidiaries**

Siemens Shared Services, LLC, Iselin, NJ  
Powerplant Performance Improvement Ltd.  
Siemens Metering Ltd.  
Siemens Hearing Instruments Pvt. Ltd.  
Siemens Power Engineering Ltd.  
Siemens Building Technologies Ltd.  
Siemens Automotive s.r.o  
SBS Siemens Group und Service  
Siemens atea  
Siemens A/s Ballerup DK  
Siemens Power Generation  
Siemens S.p.A., Mailand – Italy  
Siemens d.o.o  
Siemens –Elema Ab- Sweden  
Siemens S.A., Madrid  
Simko Ticaret ve Sanayi A. S., Istanbul  
Siemens Lagos- Nigeria  
Siemens Ltd., Johannesburg  
Siemens S.a, Buenos Aires  
Siemens Ltd., Bangkok  
Siemens Medical Systems, USA  
Siemens Bangladesh  
Osram India Ltd.  
VDO India Ltd.  
Siemens Public Communication Networks Ltd.  
Siemens Communication Ltd.  
P.T. Siemens, Indonesia  
Siemens – Asahi Medical Technology  
Siemens Showa Solar  
Siemens Elect Engg SDN. Bh.  
Siemens Medical Systems Ltd.  
Siemens Ltd., Australia  
Siemens Advanced Engineering  
Siemens Nixdorf Information Systems Ltd.  
Siemens Automotive s.r.o., Michalovce

**Associates**



**29.3 Directors of the Company**  
**Whole-time Directors**

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

**Non-executive Directors**

Dr. F. A. Mehta  
 Mr. S. K. Thackersey  
 Mr. D. C. Shroff  
 Mr. Y. H. Malegam  
 Mr. P. M. Thampi  
 Dr. K. Wucherer  
 Mr. N. J. Jhaveri  
 Dr. O. Schmitt

Details of remuneration to directors is disclosed as note 26.2 (i) to the financial statements.

**29.4 Sales to and recoveries from related parties**

*Amounts in Rs 000*

Holding Company	553,167
Subsidiary Company	141,483
Fellow Subsidiaries	516,534
Associates	100

**29.5 Purchases / other services from related parties**

*Amounts in Rs 000*

Holding Company	2,808,499
Subsidiary Company	28,422
Fellow Subsidiaries	385,443
Associates	—

**29.6 Interest income from related parties**

*Amounts in Rs 000*

Holding Company	—
Subsidiary Company	—
Fellow Subsidiaries	32,351
Associates	—

**29.7 Outstanding balances as at 30 September 2001**

**Debtors**

*Amounts in Rs 000*

Holding Company	162,770
Subsidiary Company	46,774
Fellow Subsidiaries	16,579
Associates	—

**Inter Corporate Deposits**

*Amounts in Rs 000*

Holding Company	—
Subsidiary Company	—
Fellow Subsidiaries	960,000
Associates	—

**Creditors**

*Amounts in Rs 000*

Holding Company	666,502
Subsidiary Company	2,847
Fellow Subsidiaries	73,874
Associates	—

**Notes to the financial statements (continued)  
for the year ended 30 September 2001  
(Currency: Indian rupee)**

**30 Balance Sheet Abstract and Company's General Business Profile**

**I. Registration Details**

Registration No.

State Code

Balance Sheet Date     
Date Month Year

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

Public Issue

Rights Issue

Bonus Issue

Private Placement

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

Total Liabilities

Total Assets

Sources of Funds

Paid-up Capital

Reserves & Surplus

Secured Loans

Unsecured Loans

Application of Funds

Net Fixed Assets

Investments

Net Current Assets

Miscellaneous Expenditure

Accumulated Losses

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

**IV. Performance of Company** (Amount in Rs. thousand)

Turnover	Total Expenditure
11,572,815	11,387,024
+/- Profit/Loss before Tax	+/- Profit/Loss after Tax
+ 964,234	+ 687,215

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

Earning per share in Rs.	Dividend Rate %
19.49	40

**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') effective 1 April 2001.

**Ashok P. Jangid**  
Corporate Secretary

**For Siemens Ltd.**

**Dr. F. A. Mehta**

**J. Schubert**

**H. Gelis**

**S. K. Thackersey**

**D. C. Shroff**

**Y. H. Malegam**

**P. M. Thampi**

**N. J. Jhaveri**

**Dr. O. Schmitt**

**A. B. Nadkarni**

**Harminder Singh**

**O. P. Narula**

Mumbai, 22 November 2001

*Chairman*

*Managing Director*

*Executive Director*

*Directors*

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

**Siemens Information Systems Ltd.**

a) Holding Company's Interest:	5,100,000 Equity Shares of Rs. 10 each fully paid-up (i.e. 74.8% of the paid-up Equity Capital)
b) Net aggregate amount of the Subsidiary's profits/(losses) not dealt with in the Holding Company's accounts (so far as it concerns the members of Siemens Ltd.):	
(i) For the Subsidiary's financial year ended 30th September 2001	Rs. 255,940,168
(ii) For previous financial years	Rs. 170,176,732
c) Net aggregate amount of the Subsidiary's profits/(losses) dealt with in the Holding Company's accounts (so far as it concerns the members of Siemens Ltd.):	
(i) For the Subsidiary's financial year ended 30th September 2001	Rs. 123,930,000
(ii) For its previous financial years	Rs. 111,690,000

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

**For Siemens Ltd.**

**Dr. F. A. Mehta**

**J. Schubert**

**H. Gelis**

**S. K. Thackersey**

**D. C. Shroff**

**Y. H. Malegam**

**P. M. Thampi**

**N. J. Jhaveri**

**Dr. O. Schmitt**

**A. B. Nadkarni**

**Harminder Singh**

**O. P. Narula**

*Mumbai, 22 November 2001*

*Chairman*

*Managing Director*

*Executive Director*

*Directors*

***Siemens Information Systems Ltd. (SISL)***  
***Fourteenth Annual Report***  
***for the year ended 30 September 2001***

**Board of Directors**

**Chairman**

J. Schubert

**Managing Director**

A. R. Laud

**Directors**

A. S. Viswanathan  
(Whole-time Director)

H. Gelis  
(from 16.01.01)

Hans-Peter Beck  
(from 16.01.01)

Dr. R. Kunkel  
(upto 30.09.01)

W. Kroll  
(upto 01.01.01)

**Company Secretary**

B. R. Nagaraja

**Bankers**

Citibank N. A.

Deutsche Bank AG

State Bank of India

Bank of America NT & SA

**Auditors**

Bharat S. Raut & Co.

**Solicitors**

Crawford Bayley & Co.

**Registered and Corporate Office**

130, Pandurang Budhkar Marg  
Worli,  
Mumbai 400 018

**Software Centres & Sales Offices**

Bangalore

Calcutta

Chennai

Gurgaon

Mumbai

New Delhi

Pune

Kharghar

The Directors have pleasure in presenting the Fourteenth Annual Report together with the audited statement of accounts for the period ended September 30, 2001:

**Financial Results**

	Rs. in Million	
	<b>30th September 2001</b>	30th September 2000
Total Income	<b>2257.34</b>	1792.03
Total Expenditure	<b>1952.80</b>	1564.52
Net Profit for the year (before tax)	<b>304.54</b>	227.51
<b>Appropriation</b>		
Interim dividend paid	<b>153.34</b>	133.03
Final dividend proposed/paid	—	12.27
Dividend tax	<b>15.64</b>	18.01
Transfer to general reserve	<b>30.45</b>	22.75
Retained earning carried forward (without adjustment for deferred tax)	<b>105.10</b>	41.45

**Operations**

The Company has further consolidated its position by registering a further growth of 26% in Total Income. The total income recorded for this financial period was Rs. 2257.34 million, as against Rs. 1792.03 million for the corresponding period in the previous year.

The operating profit for this financial period was to the tune of Rs. 304.54 million which is 13.5% of the total income.

**Dividend**

A total interim dividend of Rs. 22.50 per equity share was declared in this business year. After considering the profitability and planned investments, your Directors have not recommended any final dividend for the year ended September 30, 2001.

**Transfer to Reserves**

Details of amounts transferred to Reserves after the accounting for Deferred Tax as per Accounting Standard 22 have been given under Note 4 of the Notes to the Accounts.

**Business Development**

**Domestic**

In accordance with the strategic thrust on exports, as also to concentrate on focused areas in the domestic business, the exposure in the domestic businesses has been reduced. This business accounted for approximately 20% of the total income for this financial year.

**Media**

Your Company through its offering of 'Integrated Media Solutions' has achieved remarkable success in the Media industry by bagging additional 3 leading Publishing houses as its clients thereby positioning itself as a leading solution provider for Publishing Companies in India. The Media customers include Malayala Manorama, Times of India, Hindustan Times and Anand Bazar Patrika and Tata Infomedia, the largest yellow pages and magazines publisher and distributor in India.

**Pharma**

Your company has also established the market leadership position in implementing SAP R/3 at Pharmaceuticals and Chemical companies. This year we bagged prestigious orders from Novartis Enterprise, E-Merck Regional Template Creation, Blue Cross Pharmaceuticals, Orchid Pharma and Chemicals, Jindal Polyester. This year your company received a SAP CRM implementation order from an existing customer Sudarshan Chemicals Industries Limited. Currently we are executing more than 10 SAP R/3 implementation projects, which are in its different phases of completion.

**Healthcare**

The Healthcare group has strengthened its position in the domestic market by bagging some prestigious clients like Schefflien Leprosy & Training Research Centre, Karigiri, (whose IT initiatives are funded by the ASHA grant of USA), Sitaram Bhartia Hospital & Research Centre, Delhi and Malabar Institute of Medical Sciences, Calicut - a super speciality hospital with NRI investment. In all, the Group has added 9 new prestigious accounts to the domestic client list.

**Utilities**

In the area of Graphic Products, the group has bagged its first Customer Information and Billing systems project from BEST. This is a major breakthrough in the utility sector.

**e-governance**

Your Company bagged a prestigious client in EPFO for its IT consulting and services. This is one of the largest e-governance initiatives in India. It covers over 250 centres across India.

**Telecom**

The Telecom Group further consolidated its position. Reliance Telecom, Kolkata upgraded the Pre-paid billing system with additional licenses for 150,000 subscribers. The first phase of Bharti Tel Net Ltd order for 100 agents Call Center with IVR, at Bhopal was completed.

**Others**

The IT Services Group picked up new orders in Systems Integration for OSRAM, SANMAR, GTN Textiles, DUNCANS, JSPL (Infovergix), Bluecross, Hindustan Times, and EPCOS. The group completed the ADG Systems project after successful acceptance testing and deployment of Customized application (ARPAN) at 17 Record Offices. The group also changed its focus to the Export Market. This year, 25% of its revenue came from Export, compared to 2% last year.

Aeronautical Development Agency was another prestigious PDM project, which was completed successfully.

### **Export**

Export business accounted for 80% of the total income in the financial period under review.

A majority of these orders consisted of large implementation projects in the areas of customized software development. The period under review also witnessed major sales from the Healthcare group – in software development for Siemens Medical Systems.

The Major Projects Group, in addition to its successful on-going association with SBS-UK in the National Savings account, has credited itself with many application integration projects in the E-Business and related areas. Notable amongst them are its large-scale participation in the prestigious VI-MoT project of SBS in the UK attempting to automate vehicle testing for roadworthiness across 19,000 garages in the UK and design-build of related E-Sales system prototype for these garages. In addition, it has further consolidated its exclusive position with Siemens AG and other partner company Rail Consult GmbH as Application Integrator in the area of Ticketing Systems by winning strategic orders from both Netherlands and Germany.

The SCM group achieved remarkable success by its foray in the export market by bagging prestigious projects in i2 Solution Consulting for customers like NEC, France, Siam Cements, Thailand and Infineon, Germany. The Group has also bagged orders in the emerging areas like Enterprise Application Integration, E-Procurement, CRM and Content Management from Siemens Procurement and Logistics Services, Germany and Siemens ITS, Germany. The Group has extended its services from product-based implementation to Process Consultancy, Training Services and Managed Operations. Siemens Business Services, Germany, Finland and USA are some of the recent projects in these areas. Currently there are 10 projects in execution worldwide.

The year saw a consolidation in the export market for SAP R/3 Implementation Group. In the Spiridon project SISL contributed with training & consultancy. In the Siemens Westinghouse USA project, SISL addressed the ABAP requirement of the Customer on Offshore mode.

In the field of Graphic Products, the group has been successful in making inroads into Siemens ICN projects with its GIS and software development consultants wherein they are developing Telecom Network Management Solutions, with spatial and non-spatial data management. The PDM Consulting services in USA have established us as competent partners for both SDRC / EDS as well as Agile.. Similarly in UK we have established direct relationship with EDS for providing services on PDM. Projects were executed in Boeing, Flextronics, Solectron etc quite successfully.

Siemens, Center of E-Excellence, Singapore has chosen the IT Services Group for its Workflow Application through LIVELINK tools.

In the Telecom area the Group bagged its first international order for GABS, a General Administration and Billing System for Telecom service providers, from Siemens Telecommunications Pty, South Africa for Africell, Gambia. The Telematics Back-office System for Ford Motor Company, UK was cut into production and support services and an upgrade order was bagged. An order for a 100 agents Call Center with IVR from Grameen Phone Ltd, Dhaka was another remarkable achievement. The Group is actively involved in the development of test tools, Man Machine Interface software for Siemens Mobile Phones and development of UMTS nodes for Siemens-ICM. In the coming year the Group is targeting new markets like China and Australia, besides consolidating its position in North and South America, and Africa where it started focusing this year. It also plans to enter into defence applications development and migration in the areas of embedded software and real time systems.

The Software Development Group is actively involved with Siemens Transportation Systems Ltd, UK in the West Coast Route Modernization program for the implementation of an integrated voice radio system for the railway network. The Group is developing medical diagnostic applications for Siemens CT and OCS modalities. In the last financial year we successfully delivered CT-ICS VA40A version to our CT customer. The Group's remarkable achievement was developing the web based e-simulation or virtual product introduction for the Siemens SL45 & S45 mobile phones and SIMPAD device of Siemens ICM division Munich. The application is hosted on [www.my-siemens.com](http://www.my-siemens.com) portal.

SISL has shared its contributed skilled specialists to ICN and ICM in the areas of call center integration and radio communication system development/integration. As a sequel to this SISL is working in close coordination with Siemens Shared Services in the operation of call centers.

### **Quality**

We are pleased to inform you that SISL has achieved important milestones in Quality. Our development centres at Bangalore and Gurgaon have been assessed at Level 5 on SEI's Software Engineering Capability Maturity Model. This SEI recognition was bestowed upon us by the recognized assessors M/s. QAI, India. And in another significant breakthrough, we achieved SEI PCMM level 3.

### **Future Prospects**

The economy is showing recessionary tendencies especially in software. The global economy is also showing similar trends especially in the USA. The recent political unrest has also caused a setback to the software industry. To safeguard your Company, we have already initiated steps in the form of several austerity measures, productivity improvement measures and performance measures.

Our pioneer status in SAP implementation and consulting in India has ensured the largest market share in the domestic market, besides a large pool of SAP Consultants. These strengths have enabled us to tap the export market opportunities, which have risen in the last



one-year. We intend to maintain this progress and further reinforce the same with investments in key industry verticals and specialized domains as required.

The Company has taken HR initiatives to increase retention rates and to leverage its IT expertise for further process improvement. The most recent initiative being the PCMM certification.

**Investments**

The Company made capital investments to the tune of Rs. 98 million in the financial period under review, mainly in computers, servers and to upgrade the technology as also towards replacement of older models. This has helped the Company to improve the speed of the internal access systems and connectivity as also to be updated with the state-of-art technology.

Your Company will continue to invest in upgrading the existing computer equipment, hardware and infrastructure to maintain a state-of-the-art facility for software development.

**Research & Development**

The R&D efforts of your Company are undertaken in software development across various technologies and products.

The expenditure incurred during the financial year on account of R&D was to the tune of Rs. 1.436 million.

**Conservation of Energy**

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

**Foreign Exchange Earnings & Outgoings**

This information has been furnished in the notes to the accounts vide item (v) and (vi) of Note 22.

**Employees**

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

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

**Directors**

Mr. Wolfgang Kroll resigned from the Board of Directors with effect from 1st January 2001. The Board places on record its appreciation for the support and guidance given by Mr. Kroll.

Mr. Hans-Peter Beck was appointed as a Director with effect from 16th January 2001 in the casual vacancy caused by the resignation of Mr. Graham Paxton.

Dr. Rolf Kunkel was appointed as a Director with effect from 16th January 2001 in the casual vacancy caused by

the resignation of Mr. Juergen Mohr. However he resigned from the Board of Directors with effect from 30<sup>th</sup> September 2001. The Board places on record its appreciation for the support given by Dr. Kunkel during his brief tenure.

Mr. Hueseyin Gelis was appointed as a Director with effect from 16th January 2001 in the casual vacancy caused by the resignation of Mr. Wolfgang Kroll.

Mr. A. S. Viswanathan, who was appointed as a Whole-time Director of the Company with effect from 1st July 1996 for a period of 5 years, was re-appointed as a Whole-time Director with effect from 1st July 2001 for a further period of 5 years.

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

**Directors' Responsibility Statement**

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

- (i) in the preparation of the annual accounts for the financial year ended 30th September, 2001, the applicable accounting standards have been followed;
- (ii) the accounting policies are consistently applied and are reasonable, prudent judgment and estimates are made so as to give a true and fair view of the state of affairs of the Company as at the end of the financial year;
- (iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) the Directors have prepared the annual accounts on going concern basis.

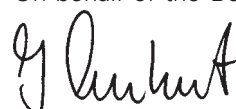
**Audit Committee**

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

**Auditors**

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

On behalf of the Board of Directors,



**J Schubert**  
Chairman

Mumbai,  
November 21, 2001.

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

We have audited the attached Balance Sheet of Siemens Information Systems Limited ('the Company') as at 30 September 2001 and the Profit and Loss Account of the Company for the year ended on that date, annexed thereto, and report that:

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the annexure referred to in paragraph (1) above:
  - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of the audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books;
  - (c) the Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;
  - (d) in our opinion, the Balance Sheet and Profit and Loss account comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable;

- (e) on the basis of the written representation received from the directors of the Company, as at 30 September 2001, and taken on record by the Board of Directors, we report that none of the directors are disqualified from being appointed as director of the Company, under clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- (f) in our opinion, and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view:
  - in case of the Balance Sheet, of the state of affairs of the Company at 30 September 2001; and
  - in case of the Profit and Loss Account, of the profit of the Company for the year ended on that date.

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

**Abizer Diwanji**  
*Partner*

*Mumbai*  
*21 November 2001*

### **Annexure to the Auditor's report**

With reference to the annexure referred to in paragraph 1 of the report of the auditors to the members of Siemens Information Systems Limited on the accounts for the year ended 30 September 2001, we report that:

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. As per the Company's programme, physical verification of fixed assets at each location is done once in three years, which in our opinion is reasonable. Accordingly, the fixed assets of Bangalore location were verified during the year. No material discrepancy has been noticed in respect of fixed assets verified to date.
2. None of the fixed assets have been revalued during the year.
3. The stock of dialogic cards has been physically verified by the management during the current year. In our opinion, the frequency of such verification is reasonable.
4. In our opinion, the procedures for the physical verification of dialogic cards stock followed by management are reasonable and adequate in relation to the size of the Company and the nature of its business.
5. No material discrepancies were identified on physical verification of dialogic cards stock between physical stocks and book records.
6. On the basis of our examination of dialogic cards stock, in our opinion, the valuation of such stock is fair and proper in accordance with normally

- accepted accounting principles, and is on the same basis as in the previous year.
7. The Company has not taken any loans secured or unsecured from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 or from companies under the same management as defined under Section 370 (1-B) of the Companies Act, 1956.
  8. According to the information and explanations given to us, there are no companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. During the year, the Company has granted short-term unsecured loans to companies under the same management as defined under section 370 (1-B) of the Companies Act, 1956, which have been repaid. In our opinion, the rate of interest and other terms and conditions of such loans are prima facie not prejudicial to the interest of the Company.
  9. The employees to whom loans or advances in the nature of loans have been given by the Company are generally regular in repaying the principal amounts and also interest as stipulated.
  10. In our opinion, and according to the information and explanations given to us, there are adequate internal control procedures for the purchase of dialogic cards stock, plant and machinery, equipment and other assets and for the sale of services.
  11. We are informed that there are no transactions of purchase of goods and materials and sale of goods, materials and services, made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956.
  12. The Company has a regular procedure for the determination of unserviceable or damaged dialogic cards stock and adequate provision is made in the accounts for the loss arising on the items so determined.
  13. We are informed that the Company has not accepted any deposits from the public within the meaning of Section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975.
  14. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
  15. We are informed that the Central Government has not prescribed maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 for any product of the Company.
  16. According to the records of the Company, provident fund and employees state insurance dues have generally been regularly deposited with the appropriate authority.
  17. According to the information and explanations given to us, there are no undisputed amounts payable in respect of income tax, wealth tax, sales tax, custom duty and excise duty which are outstanding at 30 September 2001 for a period of more than six months from the date they became payable.
  18. On the basis of our examination of the books of account, and according to the information and explanations given to us, no personal expenses have been charged to the profit and loss account other than those payable under contractual obligation or in accordance with generally accepted business practice.
  19. The Company is not a sick industrial Company within the meaning of clause (o) of sub-section 1 of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
  20. With regard to service activities of the Company, in our opinion:
    - i) the Company has a reasonable system for recording receipts and issues of dialogic cards to individual jobs;
    - ii) the Company has a reasonable system of allocating man-hours utilised to the relative jobs, commensurate with the size and nature of its business; and
    - iii) there is a reasonable system of authorisation at proper levels and an adequate system of internal control commensurate with the size of the Company and the nature of its business, for allocation of staff costs to jobs.
  21. The matters specified in clause (xiv) of Paras 4(A), 4(C), 4(D) of the aforesaid order are not applicable to the Company in the current year.

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

**Abizer Diwanji**  
*Partner*

*Mumbai*  
*21 November 2001*

**Balance sheet**  
**at 30 September 2001**  
**(Currency: Indian rupee)**

	Note	2001 Rs '000	2000 Rs '000
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' funds</b>			
Share capital	3	68,150	68,150
Reserves and surplus	4	635,192	429,112
		<b>703,342</b>	497,262
<b>Loan funds</b>			
Secured loans	5	—	42,685
		<b>703,342</b>	539,947
<b>APPLICATION OF FUNDS</b>			
<b>Fixed assets</b>			
Gross block	6	698,665	614,306
Less: Accumulated depreciation		454,773	371,800
Net block		243,892	242,506
Capital work-in-progress		327	1,959
		<b>244,219</b>	244,465
<b>Current assets, loans and advances</b>			
Inventories	7	11,816	7,485
Sundry debtors	8	532,381	551,475
Cash and bank balances	9	180,555	52,805
Unbilled receivables		87,984	87,026
Loans and advances	10	112,025	135,151
		<b>924,761</b>	833,942
<b>Less: Current liabilities and provisions</b>			
Current liabilities	11	527,635	520,413
Provisions	12	8,525	18,047
		<b>536,160</b>	538,460
Net current assets		<b>388,601</b>	295,482
<b>Deferred tax assets</b>	17	<b>70,522</b>	—
		<b>703,342</b>	539,947

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

As per attached report.

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

**B. R. Nagaraja**  
Company Secretary

**Abizer Diwanji**  
Partner

**For Siemens Information Systems Ltd.**

**J. Schubert** *Chairman*

**A. R. Laud** *Managing Director*

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

Mumbai  
21 November 2001

Mumbai  
21 November 2001

**Profit and Loss Account  
for the year ended 30 September 2001  
(Currency: Indian rupee)**

**SISL**

	Note	2001 Rs '000	2000 Rs '000
<b>Income</b>			
Sales and services		2,209,692	1,778,869
Other income	13	47,649	13,162
		<b>2,257,341</b>	<b>1,792,031</b>
<b>Expenditure</b>			
Direct cost of sales and services	14	703,060	578,013
Personnel cost	15	667,240	498,695
Other costs	16	489,563	396,619
Depreciation	6	90,071	84,151
Interest		2,870	7,044
		<b>1,952,804</b>	<b>1,564,522</b>
Net profit for the year		304,537	227,509
Deferred tax benefit		37,629	—
Net profit for the year after tax		342,166	227,509
Profit and loss account, brought forward		224,299	182,855
Less: Appropriations			
Proposed dividend		—	12,267
Interim dividend paid		153,338	133,033
Dividend tax		15,640	18,014
Transfer to general reserve		30,454	22,751
Profit and loss account, carried forward		<b>367,033</b>	<b>224,299</b>
Number of shares outstanding during the year		<b>6,815,000</b>	6,815,000
Earnings per share (Rs)			
Basic		50.21	33.38
Diluted		50.21	33.38

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

As per attached report.

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

**B. R. Nagaraja**  
Company Secretary

**Abizer Diwanji**  
Partner

**For Siemens Information Systems Ltd.**

**J. Schubert** *Chairman*

**A. R. Laud** *Managing Director*

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

Mumbai  
21 November 2001

Mumbai  
21 November 2001

**Notes to the financial statements  
for the year ended 30 September 2001  
(Currency: Indian rupee)**

**1 Background**

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

The Company is engaged in software development and consultancy services. SISL is spread over seven business areas at Mumbai, Kharghar, Chennai, Bangalore, Delhi, Pune and Calcutta. The head office is located at Mumbai.

**2 Principal accounting policies**

**2.1 Basis of preparation of financial statements**

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

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting periods. Management believes that the estimates made in the preparation of financial statements are prudent and reasonable. Actual results could differ from these estimates.

**2.2 Fixed assets and depreciation**

Fixed assets are recorded at historical cost less accumulated depreciation. Cost includes inward freight duties, taxes and incidental expenses related to the acquisition and corresponding installation expenses.

Depreciation is charged on the straight-line method (SLM) pro-rata from the date of purchase using the following rates:

<b>Asset</b>	<b>Rate</b>
Buildings	5%
Electrical installations	20%
Plant and machinery	20%
Furniture, fittings and office equipment	20%
Workplace computers	33.33%
Vehicles	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 as software consumables. (Refer note 16)

**2.3 Inventories**

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

**2.4 Revenue recognition**

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

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

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

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

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

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

**2.5 Retirement benefits**

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

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

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

**2.6 Research and development**

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

**Notes to the financial statements (Continued)**  
**for the year ended 30 September 2001**  
**(Currency: Indian rupee)**

**SISL**

**2.7 Foreign currency transactions**

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

**2.8 Income tax**

**Recently issued accounting standards by the Institute of Chartered Accountants of India ('ICAI')**

The Institute of Chartered Accountants of India have recently issued 7 new accounting standards, which are applicable for accounting periods commencing 1 April 2001. The Company has decided for an early adoption of Accounting Standard 20 'Earnings per share', Accounting Standard 18 'Related Party Disclosure' and Accounting Standard 22 'Accounting for Taxes on Income'

*Current Tax*

Provision for income tax is determined in accordance with the provisions of the Indian Income-tax Act, 1961.

*Deferred Tax*

The Company accounts for deferred taxes in accordance with Accounting Standard 22 issued by the Institute of Chartered Accountants of India, whereby deferred tax assets and liabilities are recognised based on the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial reporting and tax basis of assets and liabilities using enacted or substantively enacted tax rates expected to apply to taxable income in the year temporary differences are expected to be recovered or settled.

Deferred tax assets are recognized on unabsorbed depreciation and carried forward losses only to the extent that there is virtual certainty supported by convincing evidence and on others to the extent that there is reasonable certainty of their realization.

	<b>2001</b>	2000
	<b>Rs '000</b>	Rs '000
<b>3 Share capital</b>		
<b>Authorised</b>		
900, 9% non-cumulative redeemable preference shares of Rs 10 each	<b>9</b>	9
10,000,000 equity shares of Rs 10 each	<b>100,000</b>	100,000
<b>Issued</b>		
10,000,000 (2000: 10,000,000) equity shares of Rs 10 each fully paid-up	<b>100,000</b>	100,000
<b>Subscribed and paid-up</b>		
6,815,000 (2000: 6,815,000) equity shares of Rs 10 each fully paid-up	<b>68,150</b>	68,150
Of these shares 5,100,000 (2000: 5,100,000) equity shares of Rs 10 each are held by the holding Company, Siemens Limited.		
<b>4 Reserves and surplus</b>		
Capital redemption reserve	<b>9</b>	9
General reserve		
- Balance brought forward	<b>204,803</b>	182,053
- Creation of deferred tax asset (see note below)	<b>32,893</b>	—
- Transfer from profit and loss account	<b>30,454</b>	22,751
	<b>268,150</b>	204,804
Profit and loss account	<b>367,033</b>	224,299
	<b>635,192</b>	429,112

Note: The Company has accounted for the deferred tax asset/liability at 1 October 2000 by adjusting the amounts from the opening general reserve in accordance with the transitional provisions as laid down in Accounting Standard-22 'Accounting for Taxes on Income' issued by the Institute of Chartered Accountants of India.

**5 Secured loans**

Bank overdraft	<b>—</b>	42,685
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The bank overdraft is secured by hypothecation of book debts, all movable and tangible assets of the Company and is repayable on demand.

**Notes to the financial statements (Continued)**  
**for the year ended 30 September 2001**  
**(Currency: Indian rupee)**

**6 Fixed assets**

Rs '000

	<b>Plant and machinery</b>	<b>Building</b>	<b>Electrical installations</b>	<b>Furniture, fittings and office equipment</b>	<b>Vehicles</b>	<b>Total</b>	<b>Previous year</b>
<b>Gross block</b>							
At 1 October 2000	129,930	419,064	11,089	33,697	20,526	<b>614,306</b>	557,902
Additions	—	67,545	786	8,586	21,180	<b>98,097</b>	89,827
Disposals	—	5,679	345	3,023	4,691	<b>13,738</b>	33,423
At 30 Sept., 2001	<u>129,930</u>	<u>480,930</u>	<u>11,530</u>	<u>39,260</u>	<u>37,015</u>	<b>698,665</b>	614,306
<b>Accumulated Depreciation</b>							
At 1 October 2000	17,457	318,426	6,832	22,026	7,059	<b>371,800</b>	317,052
Charge for the year	6,249	69,772	1,380	5,448	7,222	<b>90,071</b>	84,151
Disposals	—	3,132	198	1,968	1,800	<b>7,098</b>	29,403
At 30 Sept., 2001	<u>23,706</u>	<u>385,066</u>	<u>8,014</u>	<u>25,506</u>	<u>12,481</u>	<b>454,773</b>	371,800
<b>Net block</b>							
At 30 Sept., 2001	<u>106,224</u>	<u>95,864</u>	<u>3,516</u>	<u>13,754</u>	<u>24,534</u>	<b>243,892</b>	242,506
At 30 Sept., 2000	<u>112,473</u>	<u>100,638</u>	<u>4,257</u>	<u>11,671</u>	<u>13,467</u>	<b>242,506</b>	

Land and building includes cost of freehold land aggregating Rs 4,418,827 (2000: Rs 4,418,827)

	<b>2001</b> <b>Rs '000</b>	2000 Rs '000
<b>7 Inventories</b>		
Bought out software and hardware	<b>11,816</b>	7,485
<b>8 Sundry debtors</b> <i>(Unsecured)</i>		
- under six months	<b>468,180</b>	464,665
- over six months	<b>120,335</b>	153,806
	<b>588,515</b>	618,471
- considered good	<b>532,381</b>	551,475
- considered doubtful	<b>56,134</b>	66,996
	<b>588,515</b>	618,471
Less: Provision for doubtful debts	<b>56,134</b>	66,996
	<b>532,381</b>	551,475
<b>9 Cash and bank balances</b>		
Cash on hand	<b>71</b>	—
Balances with scheduled banks		
- On current accounts	<b>177,203</b>	49,767
- On deposit accounts	<b>3,281</b>	3,038
	<b>180,555</b>	52,805



**Notes to the financial statements (Continued)**  
**for the year ended 30 September 2001**  
**(Currency: Indian rupee)**

**SISL**

	<b>2001</b>	2000
	<b>Rs '000</b>	Rs '000
<b>10 Loans and advances</b>		
<i>(unsecured, considered good)</i>		
Advances recoverable in cash or in kind or for value to be received	<b>98,114</b>	112,033
Income-tax deducted at source	<b>11,943</b>	20,778
Advance payments of income-tax	<b>1,968</b>	2,340
	<b>112,025</b>	135,151
	<hr/> <hr/>	<hr/> <hr/>
Advances recoverable in cash or in kind or for value to be received includes amount due from Directors: Rs. 3,945,495 (2000 : Rs. 4,145,744).		
Maximum amount outstanding during the year in respect of the above: Rs. 4,129,606 (2000 : Rs. 4,316,667)		
<b>11 Current liabilities</b>		
Sundry creditors	<b>488,453</b>	510,751
Billings in excess of revenue earned	<b>16,185</b>	2,526
Interim dividend	<b>5,561</b>	—
Advances from customers	<b>17,436</b>	7,136
	<b>527,635</b>	520,413
	<hr/> <hr/>	<hr/> <hr/>
<b>12 Provisions</b>		
Proposed dividend	—	12,267
Leave encashment	<b>8,525</b>	5,780
	<b>8,525</b>	18,047
	<hr/> <hr/>	<hr/> <hr/>
<b>13 Other income</b>		
Interest income	<b>7,851</b>	6,491
(includes tax deducted at source : Rs. 38,092; 2000 : Rs. 75,386)		
Profit on sale of fixed assets	<b>2,342</b>	5,111
Exchange gain	<b>36,283</b>	—
Miscellaneous income	<b>1,173</b>	1,560
	<b>47,649</b>	13,162
	<hr/> <hr/>	<hr/> <hr/>
<b>14 Direct cost of sales and services</b>		
Overseas travel expenses	<b>176,389</b>	94,564
Cost of software	<b>98,823</b>	154,607
Cost of hardware	<b>93,714</b>	135,486
Travel and conveyance	<b>231,137</b>	117,738
Professional charges	<b>90,161</b>	57,691
Others	<b>12,836</b>	17,927
	<b>703,060</b>	578,013
	<hr/> <hr/>	<hr/> <hr/>
<b>15 Personnel cost</b>		
Salaries and bonus	<b>571,905</b>	422,392
Contribution to provident and other funds	<b>19,808</b>	15,481
Provision for gratuity and superannuation	<b>15,810</b>	8,551
Staff welfare	<b>59,717</b>	52,271
	<b>667,240</b>	498,695
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the financial statements (Continued)**  
**for the year ended 30 September 2001**  
**(Currency: Indian rupee)**

	2001 Rs '000	2000 Rs '000
<b>16 Other costs</b>		
Rent	127,365	120,726
Travel and conveyance	73,126	80,458
Post and communication	50,881	36,703
Repairs and maintenance		
- building	37,337	25,821
- plant and machinery	14,966	9,670
- other	2,445	1,060
Legal and professional	65,790	35,494
Software consumables	34,450	9,037
Electricity	17,549	12,820
Exchange loss	—	11,762
Advertising and publicity	12,189	12,279
Insurance	3,189	6,097
Rates and taxes	5,869	2,574
Provision/(write back) of doubtful debts, net	(7,935)	6,568
Bad debts	16,176	—
Donation	312	402
Miscellaneous expenses	35,854	25,148
	<u>489,563</u>	<u>396,619</u>
<b>17 Income tax</b>		
<b>Current tax</b>		
No provision for current taxation is considered necessary taking into account tax benefits available for Export Oriented Unit and Units of Software Technology Park and also the carry forward tax loss for the domestic business.		
<b>Deferred tax</b>		
The components of the deferred tax balances are as follows:		
<i>Deferred tax assets</i>		
Debtors	17,358	23,021
Other provisions	16,279	16,916
Fixed assets	36,885	—
	<u>70,522</u>	<u>39,937</u>
<i>Deferred tax liability</i>		
Fixed assets	—	7,044
	<u>—</u>	<u>7,044</u>
<b>18 Capital commitments</b>		
The estimated amount of contracts remaining to be executed on capital account and not provided for at 30 September 2001 is Rs 1.65 million (2000: Rs 6.07 million). In addition, the financial commitment of future lease rentals at 30 September 2001 is Rs 15.08 million ( 2000: Rs 9.49 million)		
<b>19 Amounts due to small scale industrial undertakings</b>		
Based on the information and records available with the Company, there are no amounts payable to small scale industrial undertakings at 30 September 2001.		
<b>20 Contingent liabilities</b>		
Tax demand for the assessment year 1997-98.	—	4,177
Bank guarantees and letters of credit	81,662	72,429
Claims against the Company not acknowledged as debts	11,645	4,018
	<u>93,307</u>	<u>80,624</u>

## 21 Related Party Transactions

### 21.1 Parties where control exists:

Siemens Ltd Holding Company ( holds 74.8% of the equity share capital as at 30th September 2001).

### 21.2 Other related parties controlled by Siemens AG, the ultimate parent company ,with whom transactions have taken place during the year:

Sicad Geomatics-Germany  
 Siemens Metering Ltd  
 Siemens AG (SMS-Division)  
 Siemens AG (AT-Division)  
 Infineon India  
 ADB SA.Brussels  
 Siemens, Finland  
 Siemens SAS, St.Denis  
 Siemens Plc, Bracknell  
 Siemens SA, Portugal  
 Siemens SA, Spain  
 SBS-Singapore  
 Siemens Communications Ltd  
 SBS, Turkey  
 Siemens Ltd, South Africa  
 Siemens Telecommunications, Pty RSA  
 SBS Pvt Ltd, S.Africa  
 SBS, Manheim  
 Siemens Ltd., Thailand  
 Siemens ICN  
 SICP, USA  
 SNI, Burlington  
 Siemens.Medical-Eng-USA  
 Osram India Pvt Ltd  
 Siemens Public Communications and Networks Ltd, India  
 Siemens, Australia  
 Siemens Advanced Engineering  
 Siemens Transportation Systems Ltd, USA  
 SBS-Munich  
 SBS Gr.Britain  
 Siemens AG-ZT  
 Siemens ICM  
 Siemens.ICP-Munich  
 Siemens AG-ICM  
 Siemens AG ANL  
 SAG-A&D-Nuremberg  
 Siemens AG VT  
 Siemens AG CSA Germany  
 Siemens Medical-AG-Germany  
 SAG-PN(ICN)-Munich  
 SAG-PN(ICN)-Munich  
 Siemens AG KWU  
 Siemens Proc & Log Ser  
 Siemens LLC, Abu Dabi  
 Siemens Business Services, Germany  
 Siemens Business Services, Singapore  
 Siemens AG  
 Sicad Geomatics

	Siemens Nixdorf Informations	
	Siemens Business Services, USA	
	Siemens Business Services, South Africa	
	Siemens Health Services (Medical HSCS)	
	Siemens Limited-Thailand	
21.3	<i>Directors of the Company</i>	
	Chairman	Mr. J. Schubert
	Managing Director	Mr. A. R. Laud
	Wholetime Director	Mr. A.S. Viswanathan
	Non-Executive Directors	Mr. H. Gelis Mr. Hans Peter Beck
	Details of remuneration to directors is disclosed as note 22(ii) to the financial statements.	
21.4	<i>Sales to and recoveries from related parties</i>	
	Holding Company	28,422
	Other related parties	1,722,935
21.5	<i>Purchases/Services (including reimbursement of expenses) from related parties</i>	
	Holding Company	141,483
	Other related parties	135,293
21.6	<i>Inter Corporate Deposits taken from related parties</i>	
	Holding Company	40,000
	Other related parties	—
21.7	<i>Interest paid to related parties</i>	
	Holding Company	185
	Other related parties	—
21.8	<i>Inter Corporate Deposits given to related parties</i>	
	Holding Company	—
	Other related parties	15,000
21.9	<i>Interest income from related parties</i>	
	Holding Company	—
	Other related parties	254
21.10	<i>Housing loan to director</i>	4,317
	<i>Interest received</i>	196
21.11	<i>Outstanding balances as at 30 September 2001</i>	
	<i>Debtors</i>	
	Holding Company	2,846
	Other related parties	371,289
	<i>Creditors</i>	
	Holding Company	46,774
	Other related parties	38,296
	<i>Inter Corporate Deposits</i>	
	Holding Company	—
	Other related parties	—
	<i>Housing loan to directors</i>	3,945

**Note:** No amounts were written off /provided for in respect of related party transactions during the year ended 30 September 2001.

**Notes to the financial statements (Continued)**  
**for the year ended 30 September 2001**  
**(Currency: Indian rupee)**

**SISL**

	<b>2001</b> <b>Rs '000</b>	2000 Rs '000
<b>22 Supplementary statutory information</b>		
(i) Personnel costs includes managerial remuneration for directors as follows :		
Salary	<b>2,280</b>	1,980
Perquisites	<b>1,503</b>	1,371
Commission	<b>2,280</b>	1,980
Contribution to superannuation fund	<b>274</b>	297
Contribution to provident fund	<b>342</b>	238
	<b>6,679</b>	5,866
Provision for employee retirement benefits, which are based on actuarial valuation done on an overall Company basis are not included above as separate amounts for the directors are not available.		
(ii) Computation of commission to the Directors:		
Profit as per profit and loss account	<b>304,537</b>	227,509
Add: Director's remuneration and commission	<b>6,679</b>	5,866
Provision for doubtful debts	<b>(7,935)</b>	6,568
Depreciation charged in the accounts	<b>90,071</b>	84,151
	<b>393,352</b>	324,094
Less: Depreciation as per Section 350 of the Companies Act, 1956	<b>38,837</b>	73,907
Net profit as per Section 349 of the Companies Act, 1956	<b>354,515</b>	250,187
Commission to Directors at 1% of the net profit	<b>3,545</b>	2,501
Restricted to 100% of salary (2000: 100%)	<b>2,280</b>	1,980
(iii) Other costs include:		
Auditor's remuneration:		
Audit fees	<b>600</b>	675
Tax audit	<b>725</b>	570
Others	<b>400</b>	-
Reimbursement of expenses	<b>42</b>	95
	<b>1,767</b>	1,340
(iv) Value of imports calculated on C.I.F. basis:		
Capital goods	<b>24,047</b>	42,954
Spares and accessories	<b>16,650</b>	17,527
	<b>40,697</b>	60,481
(v) Expenditure in foreign currency:		
Expenditure on projects	<b>122,728</b>	110,308
Travelling	<b>113,811</b>	79,622
Licence fees / Royalty (net of tax)	<b>33,335</b>	10,978
Consultancy fees	<b>35,552</b>	25,773
Others	<b>44,919</b>	36,521
	<b>350,345</b>	263,202
(vi) Earnings in foreign currency :		
Sales and services	<b>1,775,300</b>	1,075,522

**Notes to the financial statements (Continued)**  
**for the year ended 30 September 2001**  
**(Currency: Indian rupee)**

	<b>2001</b> <b>Rs '000</b>	2000 Rs '000
	<b>2001</b>	<b>2000</b>
(vii) Expenditure incurred on research and development:		
Capital	—	—
Revenue	<b>1,436</b>	2,168
	<b>1,436</b>	2,168
(viii) Net dividend remitted in foreign exchange:		
Number of non-resident shareholders	<b>One</b>	One
Number of equity shares held on which dividend was due	<b>1,715,000</b>	1,715,000
Period to which dividend relates	<b>10/01/99</b>	10/01/98
	<b>to</b>	to
	<b>30/9/2000</b>	30/9/1999
Interim dividend	—	17,150
Final dividend	<b>3,087</b>	4,116
Period to which dividend relates	<b>10/01/00</b>	10/01/99
	<b>to</b>	to
	<b>30/9/2001</b>	30/9/2000
Number of equity shares held on which dividend was due	<b>1,715,000</b>	1,715,000
Interim dividend	<b>38,588</b>	33,443

**23 Prior year comparatives**

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

**Balance Sheet Abstract and Company's General Business for the year ended 30 September 2001**  
**(Currency: in thousands of Indian Rupees)**

**I Registration Details**

Registration No.	11-93854	State code	011
Balance sheet date	30 09 2001		
	date month year		

**II Capital raised during the year** (Amount in Rupees thousand)

Public issue	Nil	Right issue	Nil
Bonus issue	Nil	Private placement	Nil

**III Position of mobilization and deployment of funds** (Amount in Rupees thousand)

	Total liabilities	Total assets
	1,239,502	1,239,502
Sources of funds	Paid-up capital	Reserves and surplus
	68,150	635,192
	Secured loans	Unsecured loans
	—	—
Application of funds	Net fixed assets	Investments
	244,219	—
	Net current assets	Miscellaneous expenditure
	388,601	—
	Accumulated losses	
	—	

**Notes to the Financial Statements  
for the year ended 30 September 2001  
(Currency: Indian rupee)**

**Balance Sheet Abstract and Company's General Business for the year ended 30 September 2001  
(Currency: in thousands of Indian Rupees)**

IV **Performance of Company** (Amount in Rupees thousand)

	Turnover		Total expenditure
	2,257,341		1,952,804
+/-	Profit/loss before tax	+/-	Profit/Loss after tax
+	304,537	+	342,166
	Earning per share in Rs		Dividend @ %
	50.21		225

V **Generic names of three principal products/services of Company**

(As per monetary terms)

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

**B. R. Nagaraja**  
Company Secretary

**For Siemens Information Systems Ltd.**

**J. Schubert** *Chairman*  
**A. R. Laud** *Managing Director*  
**A. S. Viswanathan** } *Directors*  
**H. Gelis** }

*Mumbai*  
*21 November 2001*



***Siemens Group (Siemens Ltd. and SISL)***

***Consolidated Financial Statements  
for the year ended 30 September 2001  
together with Auditors' Report***

**Auditors' Report to the Board of Directors of  
Siemens Ltd**

We have examined the attached consolidated balance sheet of Siemens Ltd. and its subsidiary Siemens Information Systems Ltd as at 30 September 2001, and also the consolidated profit and loss account and the consolidated cash flow statement for the year then ended. 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.

We report that the consolidated financial statements have been prepared by the company in accordance with the requirements of Accounting Standard 21 of the Institute of Chartered Accountants of India on the basis of the individual financial statements of the various companies included in the aforesaid consolidation which have been audited by us.

In our opinion and on the basis of a consideration of the audit reports on individual financial statements, the consolidated financial statements give a true and fair view of the consolidated financial position of Siemens Ltd and its subsidiaries as at 30 September 2001 and of the consolidated results of their operations and consolidated cash flows for the year then ended in accordance with generally accepted accounting principles in India.

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

**Vikram Utamsingh**  
*Partner*

Mumbai  
22 November 2001

**Siemens Ltd. Consolidated  
Balance Sheet  
at 30 September 2001  
(Currency: Indian rupee)**

	Note	2001 Rs '000	2000 Rs '000
<b>SOURCE OF FUNDS</b>			
<b>Shareholders' funds</b>			
Share capital	2	336,266	354,942
Reserves and surplus	3	3,406,610	2,886,804
		<b>3,742,876</b>	3,241,746
<b>Minority interest</b>			
Equity	4	17,150	17,150
Non-equity	5	159,846	107,986
		<b>176,996</b>	125,136
<b>Loan funds</b>			
Secured loans	6	2,678	212,408
Unsecured loans	7	32,835	251,759
		<b>35,513</b>	464,167
		<b>3,955,385</b>	3,831,049
<b>APPLICATION OF FUNDS</b>			
<b>Fixed assets</b>			
Gross block	8	6,118,645	6,095,179
Accumulated depreciation		(3,743,969)	(3,443,339)
Net block		2,374,676	2,651,840
Capital work-in-progress		46,524	42,755
		<b>2,421,200</b>	2,694,595
<b>Investments</b>			
	9	447,555	565,578
<b>Current assets, loans and advances</b>			
Inventories	10	825,587	900,467
Sundry debtors	11	3,687,469	3,765,834
Cash and bank balances	12	1,066,201	2,297,268
Loans and advances	13	2,136,782	1,019,665
		<b>7,716,039</b>	7,983,234
<b>Current liabilities and provisions</b>			
Current liabilities	14	(6,237,194)	(6,730,969)
Provisions	15	(624,186)	(681,389)
		<b>(6,861,380)</b>	(7,412,358)
<b>Net current assets</b>			
		<b>854,659</b>	570,876
Deferred tax asset	16	392,099	—
Deferred tax liability	17	(160,128)	—
		<b>231,971</b>	—
		<b>3,955,385</b>	3,831,049

The accompanying notes set out on pages 85 to 93 form an integral part of the consolidated balance sheet.  
As set out in our attached report.

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

**Vikram Utamsingh**  
Partner

Mumbai  
22 November 2001

**For Siemens Ltd.**

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

Mumbai  
22 November 2001

**Siemens Ltd. Consolidated  
Profit and Loss Account  
for the year ended 30 September 2001  
(Currency: Indian rupee)**

**Siemens Group**

	Note	2001 Rs '000	2000 Rs '000
<b>Income</b>			
Sales and services	18	13,606,638	13,256,509
Other income, net	19	566,471	456,268
		<b>14,173,109</b>	<b>13,712,777</b>
<b>Expenditure</b>			
Cost of sales and services		8,287,809	8,360,400
Personnel costs	20	2,243,513	2,009,952
Interest	21	19,801	57,060
Depreciation and amortizations		410,493	423,446
Other costs	22	2,097,283	1,935,095
Restructuring costs/(net write back)	23	113,369	(154,863)
		<b>13,172,268</b>	<b>12,631,090</b>
Share of profit in associate companies		125,897	82,702
<b>Profit before tax adjustment</b>		<b>1,126,738</b>	<b>1,164,389</b>
Deferred tax		(2,961)	—
Tax adjustment	24	(236,429)	(118,269)
<b>Profit after tax adjustment</b>		<b>887,348</b>	<b>1,046,120</b>
Minority interest		(90,448)	(44,961)
<b>Net profit</b>		<b>796,900</b>	<b>1,001,159</b>
Accumulated loss brought forward		—	(109,657)
<b>Available for appropriation</b>		<b>796,900</b>	<b>891,502</b>
<b>Appropriations</b>			
Proposed dividend		(132,554)	(223,761)
Dividend tax		(29,160)	(67,241)
Transfer to general reserve		(541,141)	(194,522)
<b>Balance carried forward</b>		<b>94,045</b>	<b>405,978</b>
<b>Weighted average number of equity shares outstanding during the year</b>		<b>35,266,251</b>	<b>34,843,078</b>
<b>Basic and diluted earning per share (in Rs.)</b>		<b>22.60</b>	<b>28.73</b>

The accompanying notes set out on pages 85 to 93 form an integral part of the consolidated profit and loss account.

As set out in our attached report.

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

**Vikram Utamsingh**  
Partner

Mumbai  
22 November 2001

**For Siemens Ltd.**

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

Mumbai  
22 November 2001

**Siemens Ltd. Consolidated  
Cash Flow Statement  
for the year ended 30 September 2001  
(Currency: Indian rupee)**

	2001 Rs '000	2000 Rs '000
<b>Cash flow from operating activities</b>		
Profit before tax after exceptional items and minority interest	1,036,290	1,119,428
Adjustments for:		
Interest expense	19,801	57,060
Depreciation	445,627	519,527
Restructuring costs/ (net write back)	113,369	(154,863)
Profit on sale of fixed assets, net	(45,181)	(52,404)
Provision for diminution in value of investments	—	6,870
Share of profit in associate companies	(80,885)	(82,702)
Loss on sale of investments	33,967	—
Amortisation of goodwill	25,843	2,154
Exchange gain/(loss) , net	(12,079)	4,114
Interest accrued	(229,383)	(192,614)
Lease equalisation charge	16,437	24,216
Lease discounting costs	20,577	40,118
Operating profit before working capital changes	1,344,383	1,290,904
<b>(Increase)/decrease in working capital:</b>		
Inventories	74,880	342,111
Trade payables and provisions	(455,156)	338,552
Trade and other receivables	27,230	14,798
	(353,046)	695,461
<b>Cash generated from operations</b>	991,337	1,986,365
Payments for restructuring costs	(57,475)	(94,583)
Direct taxes (paid) / refund	(350,623)	64,414
<b>Net cash inflow from operating activities</b>	583,239	1,956,196
<b>Cash flow from investing activities:</b>		
Purchase of fixed assets	(215,547)	(176,166)
Sale/(purchase) of investments	139,099	(226,126)
Interest received	229,383	192,614
Proceeds from sale of fixed assets	68,495	118,622
Inter corporate deposits given	(960,000)	—
(Decrease)/increase in minority interest	51,860	(76,572)
<b>Net cash used in investing activities</b>	(686,710)	(167,628)
<b>Net cash used in financing activities</b>		
Interest paid	(40,458)	(137,303)
Decrease in long term borrowings	(218,924)	(137,401)
Premium paid on redemption of preference shares	—	(170,835)
Dividend paid	(221,929)	(262)
Dividend tax paid	(67,566)	(15,315)
Debentures redeemed	—	—
Decrease in short term borrowings	(209,730)	(356,222)
Proceeds from rights issue of equity shares	—	1,419,439
Redemption of preference share capital	—	(1,070,000)
Payment for buy back of shares	(368,989)	—
<b>Net cash used in financing activities</b>	(1,127,596)	(467,899)
<b>Net increase/ (decrease) in cash and cash equivalents</b>	(1,231,067)	1,320,669
<b>Cash and cash equivalents at end of the year</b>	1,066,201	2,297,268
<b>Cash and cash equivalents at beginning of the year</b>	2,297,268	(976,599)
	(1,231,067)	1,320,669

For Siemens Ltd.

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

Mumbai  
22 November 2001

**Siemens Ltd. Consolidated  
Notes to Financial Statements  
for the year ended 30 September 2001  
(Currency: Indian rupee)**

**Siemens Group**

**1 Basis of preparation**

**1.1 Siemens Ltd has prepared the consolidated financial statements by:**

- Consolidating its accounts with those of its majority owned subsidiaries in accordance with Accounting standard 21 (Consolidated Financial Statements) of Institute of Chartered Accountants of India; and
- Applying the equity method of accounting for its investee companies in which it holds between 20 and 50 per cent of the equity share capital, in accordance with Accounting standard 23 (Accounting for investments in associates in consolidated financial statements) of Institute of Chartered Accountants of India.

**1.2 Principles of consolidation**

The consolidated financial statements comprise the financial statements of Siemens Ltd ('the Company') and its majority owned subsidiaries. The financial statements of each of these companies are prepared according to uniform accounting policies, in accordance with generally accepted accounting principles in India. The effects of intercompany transactions between consolidated companies are eliminated in consolidation.

Investments in associated companies are accounted for under the equity method. Under this method the Company reflects its pro-rata share of the investee's net income in the Profit and loss account and its share in net assets in investments.

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

**1.3 Companies included in consolidation**

Siemens Information Systems Limited, a 74.83% subsidiary.

Major changes in consolidation result from the following events:

- On 12 September 2001, the Company sold part of its investment in Siemens Public Communication Networks Limited ('SPCNL'), thereby reducing its stake in SPCNL from 30% to 20%.
- On 22 August 2000, the Company acquired 26% stake in Siemens Metering Limited ('SML', formerly called VXL Landis and GYR).
- On 29 September 2000, the Company sold its 51% stake in Siemens Telecom Limited.
- On 29 September 2000, the Company sold its 100% stake in Siemens Automotive Systems Limited.

**1.4 Other significant accounting policies**

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

A key difference between the accounting policies followed by Siemens Ltd. and its associates, SPCNL and SML is that they have not accounted for deferred taxes as at 30 September 2001.

	<b>2001</b>	2000
	<b>Rs '000</b>	Rs '000
	<hr/>	<hr/>
<b>2 Share capital</b>		
<b>Authorised</b>		
50,000,000 equity shares of Rs 10 each	<b>500,000</b>	500,000
150,000,000 10.5% cumulative redeemable preference shares of Rs 10 each	<b>1,500,000</b>	1,500,000
	<hr/> <b>2,000,000</b> <hr/>	<hr/> 2,000,000 <hr/>
<b>Issued</b>		
35,667,050 equity shares of Rs 10 each	<b>356,671</b>	356,671
	<hr/> <b>356,671</b> <hr/>	<hr/> 356,671 <hr/>

**Siemens Ltd. Consolidated**  
**Notes to Financial Statements (continued)**  
**for the year ended 30 September 2001**  
**(Currency: Indian rupee)**

	2001 Rs '000	2000 Rs '000
<b>Subscribed and fully paid-up</b>		
33,626,621 (2000: 35,494,197) equity shares of Rs 10 each fully paid-up	<b>336,266</b>	354,942
	<b>336,266</b>	354,942

**Equity shares**

- 150,000 (2000: 150,000) shares have been allotted as fully paid-up for consideration received other than in cash;
- 11,100,000 (2000: 11,100,000) shares have been allotted as fully paid-up bonus shares by capitalisation of the general reserve; and
- 18,103,087 (2000: 18,103,187) shares are held by the holding company, Siemens AG, Germany.
- On 30 September 1999, the Company made an offer of shares on a rights basis to its existing shareholders in the ratio of one share for every four shares held, at a premium of Rs 190 per share. The said rights shares were subscribed to in full and the Committee of Directors in its meeting held on 26 November 1999 made an allotment, except for 2,576 shares which were held in abeyance. At the Board Meeting held on 28 April 2000, 523 shares of the 2,576 shares held in abeyance were allotted.
- In terms of the resolution passed by the shareholders at the extra-ordinary general meeting held on 15 June, 2001 authorising the Company to buy back its equity shares, the Company has since bought back 1,867,576 Equity Shares of Rs. 10 each, at an average price of Rs 197.57 per share aggregating Rs. 368,988,270 up to 30 September, 2001. The premium on buy back amounting to Rs 350,312,470 has been debited to the securities premium account.

**3 Reserve and surplus**

Capital reserve	688	688
Capital redemption reserve	9	9
Securities premium account		
Balance brought forward	<b>2,269,007</b>	946,375
– Premium on issue of right shares	—	1,348,467
– Utilised for premium on redemption of preference shares	—	(25,835)
– Utilised for premium on 1,867,576 equity shares bought back and extinguished before year end	<b>(350,312)</b>	—
	<b>1,918,695</b>	2,269,007
Export turnover reserve		
– Balance brought forward	—	16,600
– Transfer to general reserve	—	(16,600)
	—	—
General reserve		
– Balance brought forward	<b>211,122</b>	—
– Transfer from export turnover reserve	—	16,600
– Creation of deferred tax assets	<b>234,932</b>	—
– Transfer from profit and loss account	<b>541,141</b>	194,522
	<b>987,195</b>	211,122
Profit and loss account		
– Balance brought forward	<b>405,978</b>	—
– Transfer from profit and loss account	<b>94,045</b>	405,978
	<b>500,023</b>	405,978
	<b>3,406,610</b>	2,886,804



	2001 Rs '000	2000 Rs '000
<b>4 Minority interest in equity</b>		
<b>Siemens Information Systems Ltd</b>		
1,715,000 Equity shares (2000: 1,715,000) held by minority interest (25.16% holding, 2000: 25.16% holding)	<b>17,150</b>	17,150
<b>5 Minority interest in non-equity</b>		
<b>Siemens Information Systems Ltd</b>		
Balance brought forward	<b>107,986</b>	91,831
Share of profit for the year	<b>90,448</b>	52,720
Less: Dividend paid	<b>(38,588)</b>	(36,565)
	<b>159,846</b>	107,986
<b>6 Secured loans</b>		
<b>From Banks</b>		
– Short-term	<b>2,678</b>	212,408
	<b>2,678</b>	212,408
<b>7 Unsecured loans</b>		
Long term		
– sales tax deferral	<b>32,835</b>	33,752
– from others	—	215,507
Short term - from others	—	2,500
	<b>32,835</b>	251,759
<b>8 Fixed assets</b>		<b>(Rs. '000)</b>

	Land and Buildings	Plant and machinery	Furniture, Fittings & Office Equipment	Vehicles	Equipment given on lease	Total	Previous year
<b>Gross block</b>							
At 1 October 2000	1,797,608	2,606,066	892,241	43,772	755,492	<b>6,095,179</b>	5,991,329
Additions	9,840	134,936	45,816	21,186	—	<b>211,778</b>	246,072
Disposals	(5,855)	(136,471)	(36,085)	(9,498)	(403)	<b>(188,312)</b>	(142,222)
At 30 September 2001	<b>1,801,593</b>	<b>2,604,531</b>	<b>901,972</b>	<b>55,460</b>	<b>755,089</b>	<b>6,118,645</b>	6,095,179
<b>Accumulated depreciation</b>							
At 1 October 2000	257,882	1,841,475	731,129	24,570	588,283	<b>3,443,339</b>	3,021,945
Charge for the year	46,019	262,490	86,715	9,427	60,977	<b>465,628</b>	497,398
Disposals	(1,071)	(122,358)	(33,132)	(6,637)	(1,800)	<b>(164,998)</b>	(76,004)
At 30 September 2001	<b>302,830</b>	<b>1,981,607</b>	<b>784,712</b>	<b>27,360</b>	<b>647,460</b>	<b>3,743,969</b>	3,443,339
<b>Net block</b>							
At 30 September 2001	<b>1,498,763</b>	<b>622,924</b>	<b>117,260</b>	<b>28,100</b>	<b>107,629</b>	<b>2,374,676</b>	2,651,840
At 30 September 2000	1,539,726	764,591	161,112	19,202	167,209	2,651,840	

Included in the gross block of land and buildings at 30 September 2001 is freehold land of Rs 31,061,000 (2000: Rs 31,061,000), leasehold land of Rs 105,152,450 (2000: Rs 105,152,450) and 1,772 (2000: 2,247) shares of Rs 50 each in various co-operative housing societies.

**Siemens Ltd. Consolidated  
Notes to Financial Statements (continued)  
for the year ended 30 September 2001  
(Currency: Indian rupee)**

Accumulated depreciation on leasehold land at 30 September 2001 amounts to Rs 19,451,156 (2000: Rs 16,811,305).

Of the above, Plant & machinery of a net book value of Rs 8,098,000 is held for sale. Depreciation on assets held for sale has been accelerated to reflect their net realisable value. The accelerated charge of Rs 20,000,618 (2000: Rs Nil) is included as part of the restructuring costs at note 23 to the financial statements.

Depreciation has been disclosed as follows:

- Depreciation on equipment given on lease is reduced from lease income at note 19 to the financial statements;
- Accelerated depreciation charge of Rs 20,000,618 (2000: Rs Nil) is included under exceptional item as explained above; and
- The balance depreciation of Rs 384,650,000 (2000: Rs 421,292,000) along with the amortisation of goodwill of Rs 25,843,000 (2000: Rs 2,154,000) has been separately disclosed in the profit and loss account.

	<b>2001</b>	2000
	<b>Rs '000</b>	Rs '000
<b>9 Investments</b>		
<b>Non-Trade</b>		
<b>In government securities</b>		
6/7 Years National Savings Certificates	<b>5</b>	5
<b>In mutual funds</b>		
Nil (2000: 347,446) units of Rs 10 each in Unit Scheme 1964, Unit Trust of India (repurchase price Nil, 2000: Rs 4,690,521)	—	4,166
<b>In Housing Development Finance Corporation Ltd Bonds</b>		
– Series I to IV 13 %	<b>7,000</b>	7,000
– Series I to IV 14.5 %	<b>12,000</b>	12,000
<b>Trade</b>		
<b>Shares in other companies</b>		
3,125,000 (2000: 5,325,000) equity shares of Rs 10 each fully paid-up in Siemens Public Communication Networks Ltd; 20% holding (2000: 30% holding)	<b>140,405</b>	239,250
Share of accumulated profit	<b>64,896</b>	71,846
	<b>205,301</b>	311,096
8,320,000 (2000: 8,320,000) equity Shares in Siemens Metering Ltd. (formerly called VXL Landis & Gyr Ltd) (26% holding; 2000: 26% holding)	<b>96,909</b>	96,909
Unamortised goodwill	<b>129,216</b>	129,216
Goodwill amortised	<b>(27,997)</b>	(2,154)
Share of profit	<b>20,683</b>	2,902
	<b>218,811</b>	226,873
<b>Debentures</b>		
740,040 (2000: 740,040) 18% non-convertible debentures of Rs 100 each in Mid-East Integrated Steel Ltd	<b>74,004</b>	74,004
Provision for diminution in value	<b>(69,566)</b>	(69,566)
	<b>4,438</b>	4,438
	<b>447,555</b>	565,578
<b>10 Inventories</b>		
Raw materials	<b>199,916</b>	223,295
Work-in-progress		
– factory related	<b>141,189</b>	197,676
– project related	<b>213,159</b>	248,992
Finished goods	<b>271,323</b>	230,504
	<b>825,587</b>	900,467

	2001 Rs '000	2000 Rs '000
<b>11 Sundry debtors</b> (unsecured)		
Debts outstanding		
– over six months	940,023	1,162,969
– other debts	3,079,305	3,046,121
	<b>4,019,328</b>	4,209,090
– considered good	3,687,469	3,765,834
– considered doubtful	331,859	443,256
	<b>4,019,328</b>	4,209,090
Provision for doubtful debts	(331,859)	(443,256)
	<b>3,687,469</b>	3,765,834
<b>12 Cash and bank balances</b>		
Cash in hand	21,405	19,658
Cheques in hand	240,022	148,629
Balances with scheduled banks		
– on current account	580,243	293,756
– on deposit account	224,143	1,824,987
Balances with other banks	388	10,238
	<b>1,066,201</b>	2,297,268
<b>13 Loans and advances</b> (unsecured)		
Advances recoverable in cash or in kind or for value to be received		
– considered good	880,154	808,879
– considered doubtful	134,202	125,914
	<b>1,014,356</b>	934,793
Provision for doubtful advances	(134,202)	(125,914)
	<b>880,154</b>	808,879
Lease equalisation account	51,257	67,694
Advance payments of income tax, less provision	223,104	108,910
Interest accrued on investments	4,137	663
With customs, port trusts and excise authorities on current account	17,198	33,519
Inter corporate deposits	960,000	—
Bills of exchange	932	—
	<b>2,136,782</b>	1,019,665
<b>14 Current liabilities</b>		
Sundry creditors	4,687,027	5,150,800
Advances from customers	1,523,614	1,577,114
Interest accrued but not due on loans	2,419	2,499
Unclaimed dividends	2,388	556
Billings in excess of revenue earned	16,185	—
Interim dividend	5,561	—
	<b>6,237,194</b>	6,730,969

**Siemens Ltd. Consolidated**  
**Notes to Financial Statements (continued)**  
**for the year ended 30 September 2001**  
**(Currency: Indian rupee)**

	2001 Rs '000	2000 Rs '000
<b>15 Provisions</b>		
Pension	159,700	140,953
Restructuring	212,643	176,750
Proposed dividend	132,554	223,761
Tax on proposed dividend	13,520	49,227
Others	105,769	90,698
	<b>624,186</b>	<b>681,389</b>
<b>16 Deferred tax assets</b>		
Arising on account of timing differences in:		
– Provision for doubtful debts	163,702	188,672
– Other provisions	191,512	189,684
– Depreciation	36,885	—
– Accumulated business loss	—	88,759
	<b>392,099</b>	<b>467,115</b>
<b>17 Deferred tax liability</b>		
Arising on account of timing differences in:		
– Depreciation	160,128	232,183
<b>18 Sales and services</b>		
Sales	13,382,055	13,039,030
Commission income	224,583	217,479
	<b>13,606,638</b>	<b>13,256,509</b>
<b>19 Other income</b>		
Lease rentals	105,963	163,016
Lease equalisation	(16,437)	(24,216)
Discounting costs	(20,577)	(40,118)
Depreciation	(60,977)	(98,235)
Lease income, net	7,972	447
Interest – gross	226,717	189,460
Income from non-trade investments	2,666	3,154
Profit on sale of assets	45,181	52,404
Profit on disposal of majority owned subsidiaries	—	13,771
Export incentives	22,375	58,781
Sundries	108,982	126,006
Recoveries from associate companies	152,578	12,245
	<b>566,471</b>	<b>456,268</b>
<b>20 Personnel costs</b>		
Salaries, wages and bonus	1,845,330	1,604,563
Contributions to provident and other funds	185,598	211,361
Contribution to pension funds	18,747	3,053
Workmen and staff welfare	193,838	190,975
	<b>2,243,513</b>	<b>2,009,952</b>
<b>21 Interest</b>		
On debentures and fixed loans	—	9,957
Other interest	19,801	47,103
	<b>19,801</b>	<b>57,060</b>

	2001 Rs '000	2000 Rs '000
<b>22 Other costs</b>		
Travel and conveyance	386,065	409,482
External Software Services	301,621	226,606
Communications	231,117	214,814
Repairs and maintenance		
– on building	115,398	76,949
– on machinery	40,264	39,570
– other	47,439	53,264
Power and fuel	147,065	145,910
Legal and professional	119,412	94,713
Rates and taxes	102,341	94,344
Advertising and publicity	87,309	117,702
Rent	63,088	66,501
Packing and forwarding	57,987	65,678
Office supplies, printing and stationery	40,042	40,298
Software consumables	34,051	4,037
Loss on sale of investments	33,967	—
Insurance	28,970	39,572
Spares and stores	24,442	29,147
Directors commission	11,458	13,826
Exchange loss (net)	8,487	12,512
Share buy back expenses	5,095	—
Share issue expenses	—	10,934
Provision for diminution in value of investment	—	6,870
Directors' fees	260	72
Write back of doubtful debts and advances, net of provision	(92,247)	(108,495)
Miscellaneous	303,652	280,789
	<b>2,097,283</b>	<b>1,935,095</b>
<b>23 Restructuring costs/ (net write back)</b>		
Costs/ (net write back) of restructuring the business operations of the Company	<b>113,369</b>	<b>(154,863)</b>
<b>24 Tax adjustments</b>		
Provision for tax	236,429	58,679
Accelerated write off of deferred tax assets created in earlier years	—	59,590
	<b>236,429</b>	<b>118,269</b>
<b>25 Commitments</b>		
The estimated amount of contracts remaining to be executed on capital account and not provided for, net of advances, was Rs 23,650,740 at 30 September 2001 (2000: Rs 32,321,516). Future lease commitments at 30 September 2001 amounted to Rs 273,747,803 (2000: Rs 342,205,336).		
<b>26 Amounts due to small scale industries</b>		
Included in sundry creditors at 30 September 2001 are dues to small-scale industries of Rs 271,907 (2000: Rs 319,651).		

**Siemens Ltd. Consolidated**  
**Notes to Financial Statements (continued)**  
**for the year ended 30 September 2001**  
**(Currency: Indian rupee)**

	2001 Rs '000	2000 Rs '000
<b>27 Contingent liabilities</b>		
Bills discounted	<b>318,517</b>	283,169
Taxation matters:		
■ In respect of certain completed assessments where matters are under appeal	<b>187,825</b>	30,719
■ In respect of appeals decided in favour of the companies, but disputed further by the tax authorities	<b>106,166</b>	106,166
Excise/sales tax matters (net of tax) under dispute	<b>154,047</b>	149,170
Bank and other guarantees	<b>3,252,386</b>	3,330,417
Claims against the companies not acknowledged as debts	<b>203,986</b>	209,808
	<b>4,222,927</b>	4,109,449
<b>28 Supplementary statutory information</b>		
<b>28.1 Profit and Loss account</b>		
(i) Managerial remuneration		
Personnel and other costs include managerial remuneration for directors as set out below:		
Salary	<b>8,445</b>	8,640
Perquisites	<b>6,411</b>	5,852
Commission	<b>11,458</b>	13,826
Contribution to provident fund	<b>768</b>	713
Contribution to superannuation	<b>794</b>	891
	<b>27,876</b>	29,922
<b>28.1 Profit and Loss account (continued)</b>		
(ii) Auditors' Remuneration		
– Audit fee	<b>4,400</b>	4,475
– Tax audit fee	<b>1,925</b>	1,770
– Other services	<b>1,679</b>	266
– Reimbursement of expenses	<b>206</b>	297
	<b>8,210</b>	6,808
(iii) Research and development expenditure incurred and charged to the profit and loss account	<b>12,497</b>	17,101
(iv) Earnings and expenditure in foreign exchange:		
(a) Earnings in foreign currency		
– Export of goods/software		
Direct on FOB basis	<b>450,466</b>	1,183,769
Under IDA/IBRD/ADB credit	<b>84,583</b>	—
– Commission	<b>197,834</b>	207,147
– Sales and services	<b>1,775,300</b>	1,075,522
– Service charges and others	<b>167,802</b>	72,509
(b) Expenditure in foreign exchange:		
– Travelling	<b>139,701</b>	103,962
– Installation charges	<b>—</b>	38,709
– Expenditure on contracts at foreign sites	<b>71,370</b>	84,827
– Expenditure on projects	<b>122,728</b>	110,308
– Commission	<b>4,955</b>	2,902
– Service charges	<b>44,722</b>	144,821
– License fees/royalty (net of tax)	<b>33,335</b>	10,978
– Consultancy fees	<b>35,552</b>	25,773
– Other	<b>56,069</b>	72,244

	<b>2001</b>	2000
	<b>Rs '000</b>	Rs '000
(c) Value of imports calculated on CIF basis:		
– Raw material	<b>551,859</b>	462,988
– Components and spare parts	<b>2,602,511</b>	2,250,637
– Capital goods	<b>40,027</b>	49,551

**29 Particulars of subsidiaries and associates**

**Subsidiaries**

- The Company holds 74.8% stake in Siemens Information Systems Limited, a company incorporated in India.
- On 29 September 2000, the Company divested its 51% stake in Siemens Telecom Limited, a company incorporated in India.
- On 29 September 2000, the Company divested its 100% stake in Siemens Automotive Systems Limited, a company incorporated in India.

**Associates**

- The Company holds 26% stake in Siemens Metering Limited, (formerly called VXL Landis & Gyr).
- On 12 September 2001, the Company divested part of its stake in Siemens Public Communication Networks Limited & now holds 20%.
- On 22 August 2000, the Company divested its 26% stake in Siemens Nixdorf Information Systems Limited.

**30 Prior year comparatives**

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

## Your nearest Siemens Partners

### Registered & Corporate Office:

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Kharghar Node  
Navi Mumbai 410 210

☎ : (022) 756 8000

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### Sales Offices

#### Ahmedabad

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Terapanth Marg

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P.O.Box No. 4111

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#### Bangalore

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Hosur Road

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☎ : (080) 852 8641-56, 809 1651

Fax : (080) 852 1117

#### Chandigarh

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Sector 34A, Guru Nanak Complex

Chandigarh 160 022

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9319,

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Rashbihari Bypass Connector

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442 8641-46

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#### New Delhi

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New Delhi 110 002

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Fax : (011) 331 4178

#### Pune

Vasant Vihar

1205/2/6 Shirole Road

Pune 411 004

☎ : (020) 553 9577/9760/4976

Fax : (020) 553 9758

#### Secunderabad

9-1-87/119/2, 1<sup>st</sup> Floor,

St. John's Road

Secunderabad 500 025

☎ : (040) 770 2552/4544/3863

Fax : (040) 770 2951

#### Vadodara

Vanijya Bhavan,

Race Course Road

Vadodara 390 007

☎ : (0265) 341 579, 330 563

Fax : (0265) 341 579

#### Software Development &

Engineering Centre

Plot 6A, Sector 18,

Maruti Industrial Area

HUDA,

Gurgaon 122 015

Haryana

☎ : (0124) 634 9360-67

Fax : (0124) 634 3142



**Works**

Aurangabad Works  
E-76 Waluj MIDC Area  
Aurangabad 431 136  
☎ : (0240) 554 008/700  
Fax : (0240) 554 007

Calcutta Works  
Diamond Harbour Road  
24, Parganas (South)  
Joka 743 512  
☎ : (033) 467 2901-08  
Fax : (033) 467 2913

Goa Works  
Plot No. L6  
Verna Electronic City  
Panaji Margao Road  
Verna  
Goa 403 722  
☎ : (0832) 783 420  
Fax : (0832) 783 422

Kalwa Works  
Thane Belapur Road  
P.O. Box 85  
Thane 400 601  
☎ : (022) 760 0001-06  
Fax : (022) 760 0030

Nashik Works  
Plot No. C-1,  
Additional Industrial Area  
MIDC, Ambad  
Nashik 422 010  
☎ : (0253) 382 348/1326/1327/  
2206/38 2105/  
1325/2542/2429/2153/38  
2082/2006  
Fax : (0253) 381 262

Worli Works  
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Worli  
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**Subsidiary/Associate Companies**

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Worli,  
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Fax : (022) 493 8941

Siemens Public Communication  
Networks Ltd.  
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