

**BAJAJ**

*Distinctly Ahead*

**Bajaj Auto Limited**

First Annual Report

2007-08

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## Management Team



Rahul Bajaj  
Madhur Bajaj



Rajiv Bajaj  
Sanjiv Bajaj





Rakesh Sharma  
Pradeep Shrivastava  
R C Maheshwari  
S. Sridhar  
Kevin D'sa

N.H. Hingorani  
C P Tripathi  
S. Ravikumar  
K. Srinivas  
Abraham Joseph

## Board of Directors

**Rahul Bajaj**  
Chairman

**Madhur Bajaj**  
Vice Chairman

**Rajiv Bajaj**  
Managing Director

**Sanjiv Bajaj**  
Executive Director

**D S Mehta**

**Kantikumar R Podar**

**Shekhar Bajaj**

**D J Balaji Rao**

**J N Godrej**

**S H Khan**

**Ms Suman Kirloskar**

**Naresh Chandra**

**Nanoo Pamnani**

**Manish Kejriwal**

**P Murari**

**Niraj Bajaj**

## Management

**Rahul Bajaj**  
Chairman

**Madhur Bajaj**  
Vice Chairman

**Rajiv Bajaj**  
Managing Director

**Sanjiv Bajaj**  
Executive Director

**Pradeep Shrivastava**  
President (Engineering)

**Rakesh Sharma**  
CEO (International Business)

**R C Maheshwari**  
CEO (Commercial Vehicles)

**S Sridhar**  
CEO (Two Wheelers)

**Abraham Joseph**  
Vice President  
(Research & Development)

**C P Tripathi**  
Vice President (Corporate)

**Kevin D'sa**  
Vice President (Finance)

**K Srinivas**  
Vice President  
(Human Resources)

**N H Hingorani**  
Vice President (Commercial)

**S Ravikumar**  
Vice President  
(Business Development)

## Company Secretary

**J Sridhar**

## Auditors

**Dalal & Shah**  
Chartered Accountants

## Cost Auditor

**A P Raman**  
Cost Accountant

## Bankers

**Central Bank of India**  
**State Bank of India**  
**Citibank N A**  
**Standard Chartered Bank**  
**Bank of America**  
**ICICI Bank**  
**HDFC Bank**

**Registered under the Indian  
Companies Act, 1956**

## Registered Office

Mumbai-Pune Road  
Akurdi, Pune 411 035

## Works

- Mumbai-Pune Road  
Akurdi, Pune 411 035
- Bajaj Nagar, Waluj  
Aurangabad 431 136
- Chakan Industrial Area  
Chakan, Pune 410 501
- Plot No.2, Sector 10  
IIE Pantnagar  
Udhamsinghnagar  
Uttarakhand 263 531



# Chairman's Letter

## Dear Shareholder,

Last year, I had correctly observed that January to March 2007 had witnessed the beginnings of slackening domestic demand for two-wheelers “because of the sharp tightening of non-food credit by the Reserve Bank of India and all commercial banks and non-banking financing companies”. But I had wrongly hoped that “this slowdown is a temporary aberration.” My argument was the RBI was reacting to inflationary pressures and asset price bubbles; and as these eased off, “non-food credit growth will perforce bounce back to its 30 per cent annual growth rates” allowing your Company to regain its high rates of growth of sales, top-line and profits.

This was not the case. Throughout 2007-08, the RBI maintained a very tight monetary and

credit policy which raised interest rates on consumer loans to exceptionally high levels. Moreover, banks and finance companies significantly reduced their exposure to auto loans, and severely curtailed the supply of credit. The twin effects of higher interests and lower credit availability hit the two-wheeler industry very badly. Thus, after a decade of spectacular double-digit growth, two-wheelers suddenly faced a slump. For the first time in over 10 years, the industry as a whole witnessed negative growth. From 8.47 million in 2006-07, overall two-wheelers sales fell by 4.8% to 8.07 million in 2007-08. The decline in motorcycle sales was sharper still: by 7.8%, from 7.1 million vehicles sold in 2006-07 to 6.54 million in 2007-08.

Your Company has been affected by this downturn. Falling demand coupled with sharply rising cost of critical raw material such as steel,

especially in the second half of 2007-08, has affected both sales and profits. Given below are the key results:

- Despite an impressive growth in exports, Bajaj Auto's motorcycle sales by volume fell by 10% over the previous year, to 2.14 million vehicles in 2007-08. Three-wheeler sales, too, declined by 9.8% to 290,312 vehicles, notwithstanding strong exports. Thus, your Company's net sales fell by 6.8% to Rs.86.63 billion.
- Operating EBITDA (earnings before interest, taxes, depreciation and amortisation) fell by 9.6% to Rs.12.94 billion in 2007-08. This translated to an operating EBITDA margin of 14.3% of operating income, compared to 15% in the previous year.
- Operating profit before tax (PBT) fell by 16.7% to Rs.10.12 billion in 2007-08.

These are not the best results, especially for a company that has been on a consistently profitable growth path since 2001-02.

Yet, I am not despondent. All industries have their cycles. It is in the nature of businesses to have feasts as well as famines. We have had a great run for the last five years. Moreover, I think that the downturn of 2007-08 will not be a long term phenomenon. Soon enough, we will see an upward movement. Bajaj Auto will be well positioned to make the best of that growth.

Why do I have this confidence? In part, because of my age which has allowed me to witness the rough and the smooth. I have been at the helm of your Company when it was by far the largest two-wheeler manufacturer in India. I have seen Bajaj Auto struggle with rapidly declining sales of scooters, even as it was trying to make its mark in motorcycles. And I have seen us rising from the ashes of 2000-01, and enjoying several years of superb growth. A year's adversity is nothing in the life cycle of business.

My confidence, however, is based on more than just my longevity. Your Company has an excellent suite of products. With its range — and new offerings slated over the next two years, including a four-wheeler cargo vehicle slated for 2009-10, I believe that Bajaj Auto has the ability to consistently offer customer satisfaction across all segments and, thus, recapture the growth momentum.

I continue to be encouraged by Bajaj Auto's export performance. The Company remains India's largest exporter of two- and three-wheelers. The total value of exports for 2007-08 was Rs.20.48 billion (Rs.2,048 crore) — a 20.8% increase over Rs.16.94 billion (Rs.1,694 crore) in 2006-07, at a time when the rupee appreciated substantially against the US dollar. In terms of volumes, too, Bajaj Auto's international sales achieved an all-time high of 618,341 units of two- and three-wheelers sold during 2007-08, or a growth of 40% over the previous year. Export of two-wheelers increased

by 60% to 482,026 units. I expect exports to continue growing in the years to come.

Having expressed my confidence in your Company's longer term growth prospects, let me also share a few words of caution. 2008-09 may see continued inflationary pressures which can prompt the RBI to maintain, if not harden, the interest rates and keep a tight lid on monetary and credit growth. Moreover, input prices are expected to remain firm, especially those of steel and aluminium. These can impact two-wheeler sales as well as profitability. I am, of course, hoping that monetary constraints and input prices ease off. But if they don't, Bajaj Auto will have to find innovative ways of growing without hurting margins. That will require even greater managerial effort.

To recapitulate: although things have been difficult in 2007-08, I see long term growth prospects for your Company, driven by a good portfolio of products, growth in domestic demand over the longer horizon and rising exports. Equally, we need to be prepared for the slowdown of 2007-08 to spill-over to some part of 2008-09; and to figure out new ways of combating this through greater manufacturing productivity and novel marketing strategies.

Let me now touch upon the 2010 vision that I wrote of last year. It involved:

- **Mobilising India** — by supplying 4 million motorcycles out of a projected market of 10 million.
- **Globalising India** — by rapidly enhancing exports and international facilities to become among the three largest global player in two-wheelers.
- **Financing India** — by ramping up the group's financial operations.
- **De-Risking India** — by expanding the group's life and general insurance business across the land.

As far as 'Mobilising India' is concerned, your Company slipped in 2007-08 with a fall in the number of motorcycles sold in India. Thus, more than ever before, we have to ramp up profitable sales to achieve the 4 million target in the next three years. It is a hard task, but one worthy of your Company's management. Having seen the way the team set up the state-of-the-art Pantnagar plant in record time, I believe that Bajaj Auto's managers can rise to the challenge. As they must.

'Globalising India' is on target, thanks to your Company's excellent export achievements. Exports now account for 23.6% of Bajaj Auto's total net sales. Exports will grow, and I am sure that the Company will be a significant player in global markets over the next few years.

Regarding 'Financing India' and 'De-Risking India', the de-merger that occurred in the course of 2007-08, and the consequent formation of Bajaj Finserv Limited, should enable the group to unlock greater value by widening its financial reach and portfolio.



I now turn to the de-merger which I touched upon last year, and which became effective on 20 February 2008, after approval of the shareholders and the High Court, Mumbai. The key features are:

- The auto business with all its assets has been de-merged as a separate listed entity. It is now a pure auto company, and retains the name Bajaj Auto Limited. This is my letter to you as the Chairman of that company.
- A new company, Bajaj Finserv Limited, which has in its portfolio erstwhile Bajaj Auto's holdings of the two insurance companies, Bajaj Auto Finance and the wind-power undertaking. I expect this company to play a much greater role in exploiting opportunities in the growing financial services space.

- The existing company, without the auto and finance business, is called Bajaj Holdings and Investment Limited. It retains 30% equity of Bajaj Auto and Bajaj Finserv, and most of your Company's surplus cash and investments to either financially support the auto and / or finance businesses, or to fund newer business opportunities as and when these arise.

I am convinced that this de-merger will unlock greater shareholder value. Just as I believe that Bajaj Auto will overcome the setback of 2007-08, and return to the next phase of profitable growth.



**Rahul Bajaj**  
Chairman



# Management Discussion and Analysis

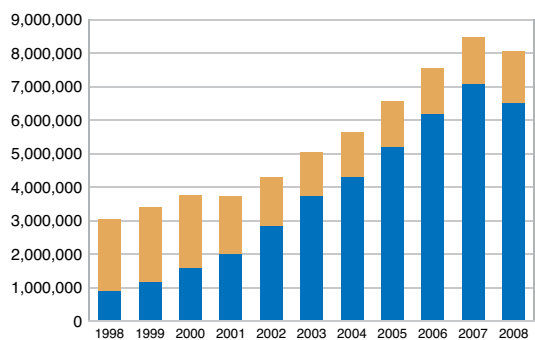
The decade from 1997-98 to 2006-07 was spectacular for India's two-wheeler industry. It saw impressive year-on-year growth in domestic demand for two-wheelers, driven by the sales of motorcycles. Here are the facts. In terms of volumes, the compounded annual growth rate (CAGR) of two-wheeler sales between 1997-98 and 2006-07 was 12%; and for motorcycles, it was a staggering 25.6%.

This phenomenal decade of growth was abruptly, albeit temporarily, halted in 2007-08. From 8.47 million in 2006-07, overall two-wheelers sale fell by 4.8% to 8.07 million in 2007-08. The decline in motorcycle sales was sharper: by 7.8%, from 7.1 million vehicles sold in 2006-07 to 6.54 million in 2007-08. Chart A gives the data.

As Chart A shows, the decline, while unfortunate, is not precipitous. The fall was largely brought about by significant hikes in the interest rate on retail consumer loans and because of major retail lenders curtailing their exposures. Incidentally, readers will recall that we had identified the

effects of credit tightening in the previous year's Annual Report. In the Management Discussion and Analysis, we had written, "In the last three months of the year [January-March 2007]... overall market growth slackened considerably — largely due to steadily rising interest rates and constraints on credit growth due to actions taken by the Reserve Bank of India, banks and financial institutions to control non-food credit." The trend

Chart A :  
Industry's sale of Two-Wheelers



Source : SIAM Year ended 31 March

■ Motorcycles ■ Other two wheelers

of tightening interest rates and putting pressure on certain types of credit growth continued throughout 2007-08, affecting consumer credit and, with it, motorcycle sales.

Although interest rates are expected to remain firm, and the credit market relatively tight, in 2008-09, the general consensus within industry is that the drop is a short term phenomenon. With inflation adjusted GDP expected to grow by at least 8% compound over the next decade, per capita real incomes are set to rise by 6.5% every year. This will increase the demand for individual mobility throughout India — especially in the rapidly growing up-country markets and bring with it another period of growth for the two wheeler industry. To be sure, this growth may not be as spectacular as it was between 2000-01 and 2006-07, when two-wheeler sales grew by 14.5% CAGR. But it will be significant, and Bajaj Auto Limited ('Bajaj Auto' or 'the Company') is well placed to leverage this growth opportunity.

Having said this, it is also a fact that the fall in demand in 2007-08 has adversely affected Bajaj Auto's performance for the year. Given below are the highlights of the Company's performance for 2007-08.

### Highlights for 2007-08: Bajaj Auto stand-alone

- Net sales (net of excise duty) decreased by 6.8% to Rs.86.63 billion.
- Exports increased by 20.8% to Rs.20.48 billion.
- Motorcycle sales by volume was 2.14 million in 2007-08—a fall of 10% over the previous year, versus overall market decline

of 7.8%. Thus, Bajaj Auto's market share in motorcycles fell marginally from 33.5% in 2006-07 to 32.7% in 2007-08.

- Operating EBITDA (earnings before interest, taxes, depreciation and amortisation) fell by 9.6%, from Rs.14.31 billion in 2006-07 to Rs.12.94 billion in 2007-08. This translates to an operating EBITDA margin of 14.3% of operating income.
- Operating profit before tax (PBT) fell by 16.7% — from Rs.12.15 billion in 2006-07 to Rs.10.12 billion in 2007-08.

## Markets

### Motorcycles: Domestic

The two-wheeler market is dominated by motorcycles, accounting for over 81% of overall sales. Bajaj Auto, too, focuses on motorcycles in the two-wheeler segment. As shown in Chart A, in 2007-08, the industry's overall sales of two-wheelers declined by 4.8% to 8.07 million units. Motorcycles sales fell by 7.8% from 7.1 million units to 6.54 million units.

With industry as a whole witnessing a fall in motorcycle sales, so too did Bajaj Auto. Table 1 gives the data. The table also shows that while overall motorcycle sales fell by 7.8% in 2007-08 over the previous year, Bajaj Auto's sales declined further. In 2007-08, the Company sold 2.14 million motorcycles — which was 10.1% less than what it sold in 2006-07. Consequently, Bajaj Auto's share in the market fell by 0.8 percentage points, from 33.5% in 2006-07 to 32.7% in 2007-08. The somewhat greater fall of the Company's motorcycle sales vis-à-vis the industry needs explaining.

**Table 1:** Motorcycle sales — the industry and Bajaj Auto (in numbers)

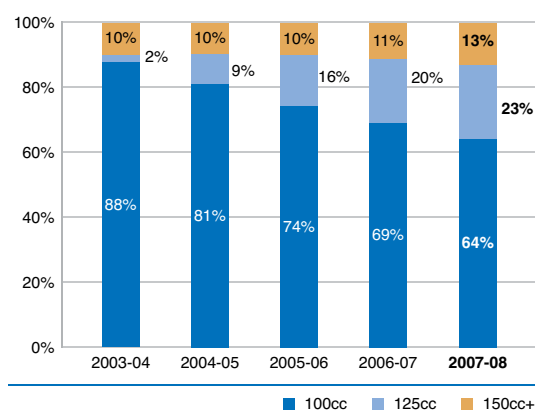
Year ended 31 March	Market (nos.)	Market growth	BAL (nos.)	BAL's growth	BAL's market share
2003	3,757,125	31.3%	868,138	32.3%	23.1%
2004	4,316,777	14.9%	1,023,551	17.9%	23.7%
2005	5,217,996	20.9%	1,449,710	41.6%	27.8%
2006	6,200,749	18.8%	1,912,306	31.9%	30.8%
2007	7,099,551	14.5%	2,379,499	24.4%	33.5%
2008	6,544,482	-7.8%	2,139,779	-10.1%	32.7%

As mentioned last year, the motorcycle market is broadly divided into three segments:

1. The high performance segment: This includes motorcycles in the engine class of 150 cc and above. Bajaj Auto is present here with the Pulsar range (150 cc, 180 cc, 200 cc and the new 220 cc) and the Avenger DTS-i.
2. The 125 cc segment: Bajaj Auto is in this category with the upgraded Discover DTS-i 135 and, more significantly, the XCD 125 DTS-Si, which was launched in September 2007.
3. The 100 cc segment: Here, Bajaj Auto offers the Platina.

Without doubt, the market is moving towards the 125 cc and above segment, with an increasing mass migrating to the 125 cc variants. In fact, Bajaj Auto has catalysed this trend, and it forms the core of the Company's integrated marketing, product development and R&D strategy. Chart B shows the trend—where the 125 cc market has grown from 2% of total motorcycle sales in 2003-04 to 23% in 2007-08, and the 150 cc plus market has grown from 10% to 13% over the same

**Chart B :**  
The Market Segment for Motorcycles



period. The chart also shows the sharply falling share of the 100 cc entry segment, from 88% of the market in 2003-04 to 64% in 2007-08.

Where does Bajaj Auto operate among these segments? Can this explain the marginally greater fall in motorcycle sales of the Company versus the market? What does Bajaj Auto's market segmentation strategy mean for future sales and profits? Let us begin with the 100 cc segment and move up the chain.

## The 100 cc Segment

Although this is the largest segment in the motorcycle market, as Chart B shows it has been steadily falling in percentage terms since 2003-04. It is also a sector characterised by intense competition from all players, which is accompanied by aggressive pricing initiatives and promotions.

All profitable business depends on differentiated marketing. The “ 100cc segment ” in the mind of the customers is of a reliable, economical commuter and belongs to someone else. No competitor has been able to establish volumes there; market share - yes, but at heavy cost.

Hence Bajaj Auto is focused on moving customers to the “ 125cc+ segment ”, representing high tech, high quality, fun to ride bikes. This is its strength since it is the leader here with close to 50% market share owing to 4 well established brands – Pulsar, Avenger, Discover and XCD.

The “ 125cc+ segment ” is already 36% of the motorcycle market and growing. Bajaj Auto will accelerate this trend of moving customers with 4 new 125cc+ category motorcycles in 2008-09. In this way, Bajaj Auto will gain not just market share but will do so profitably. Over time, 100cc bikes should cease to be of major significance, as have geared scooters. For that horizon we must align our ship without distraction.

## The 125 cc Segment

Bajaj Auto competes in this category with the upgraded Discover DTS-i 135 and the XCD 125 DTS-Si (Digital Twin Spark-Swirl Induction), which was launched in September 2007.

The product offers features of a

150 cc motorcycle while matching the fuel efficiency and price of a 100cc product.

XCD 125 DTS-Si has been well received by consumers, and has sold 193,466 bikes in the first six months of launch.

During the early part of 2007-08, the Discover 125 DTS-i was upgraded to a 135 cc variant. This and the XCD 125 DTS-Si helped increase Bajaj Auto's domestic sales in the segment by 43% — from 384,482 units in 2006-07 to 548,083 in 2007-08. Bajaj Auto is the clear market leader in this segment.

## The 150 cc + Segment

This segment consists of more powerful motorcycles in range of 150cc and above, and is for those who want performance and power. This segment has Bajaj Auto's flagship brand, the Pulsar. The Company dominates this exciting segment in volumes and mind-space with the Pulsar range and the Avenger DTS-i. The Company's domestic market share in this segment is close to 50%.

In June 2007, Bajaj Auto launched its Pulsar 220 DTS-Fi (Digital Twin Spark Fuel Injected), which has created a new technological benchmark for bikes in performance category. It is the first bike from Bajaj Auto with the powerful combination of twin spark plugs and fuel-injection technology and is the ultimate machine for the performance motorcycle enthusiast. The biggest feature of the Pulsar 220 DTS-Fi is the fuel injection, which gives the bike a linear power curve, crisp feel and instant throttle response. Besides, the motorcycle boasts low noise, and a low vibration 220 cc engine that produces 20 BHP and 1.95 kg metre (kgm) of torque.

The Pulsar 220 DTS-Fi has won several accolades, with the latest being the Indian Motorcycle of the Year Award 2008, which had jury members from all the major automobile magazines of the country.

Although competition in this segment has intensified, Bajaj Auto remains ahead in visibility, product quality and technology in this highly demanding segment. As a company, we are fairly confident of growing this market.

In this highly demanding performance segment, Bajaj Auto intends to further up the play by introducing even more advanced and powerful models. As a part of this strategy, in November 2007, the Company took a 14.51% equity stake in KTM Power Sports AG of Austria, Europe's second largest sport motorcycle manufacture. By March 2008, the equity stake was progressively increased to 24.45%. KTM will provide the know-how for the joint development of highly efficient water-cooled four-stroke engines from 125 cc to 250 cc. It will be a two-way co-operation, where KTM, in co-operation with Bajaj Auto, will extend its product portfolio to a 125 cc line.

We now come to why Bajaj Auto's decline in motorcycle sales by volume in 2007-08 was greater than that of the industry as a whole. Simply put, the drop in the Company's sales in the extremely competitive, low margin 100 cc category was significantly greater than its gain in sales in the 125 cc segment and above.

### Three-wheelers: Domestic and Exports

Bajaj Auto continues to be the leading three-wheeler player in India. Domestic demand for three-wheelers in 2007-08 was 9% lower

compared to the previous year. Export demand, however, continued to be stable. Bajaj Auto continued to drive exports to de-risk itself from fluctuations in domestic demand. Thus, over 47% of its three-wheeler sales came from exports — up from 44% last year. Table 2 gives the three-wheeler data for domestic as well as exports.

In a backdrop of de-growth, the domestic passenger three-wheeler segment (for three and six seaters) saw a significant shift towards alternate fuel powered vehicles like CNG and LPG. The Company had anticipated these shifts, and plans to launch two variants of its passenger carrier, Mega Max, in the CNG and LPG versions in the second half of 2008-09.

**Table 2:** Three-wheeler Sales of Bajaj Auto, Domestic and Exports (in numbers)

	2006-07	2007-08
<b>Passenger Sales</b>		
Industry Sales	373,868	368,914
Bajaj Auto Sales	279,341	263,598
Bajaj Auto Market Share	74.7%	71.5%
<b>Goods Carriers</b>		
Industry Sales	159,417	128,348
Bajaj Auto Sales	42,487	26,714
Bajaj Auto Market Share	26.7%	20.8%
<b>Total Three-Wheelers</b>		
Industry Sales	533,285	497,262
Bajaj Auto Sales	321,828	290,312
Bajaj Auto Market Share	60.3%	58.4%

Bajaj Auto also introduced 'Gasoline Direct Injection' auto rickshaws in a few markets, which is delivering 33% better fuel efficiency and has cut down exhaust emissions by 50%. This model will be introduced in all markets in Q2 2008-09. The Company believes that this environment-friendly, fuel efficient offering will reinforce Bajaj Auto's dominance in this segment.

The domestic three-wheeler goods segment also saw a substantial drop in demand — down by 20% in volume terms in 2007-08 over the previous year. This was primarily driven by higher interest rates as well as a shift towards the sub-one-tonne four-wheeler vehicles, which saw a volume growth of 19% during the year.

To strengthen Bajaj Auto's position in domestic cargo segment further, the Company is planning to launch a new four-wheeler cargo offering in 2009-10, which should lower operating costs of customers compared to the existing models in the market. It is expected that the launch of this vehicle will lift the Company's sales in the cargo segment.

## Exports

The Company continues to be India's largest exporter of two- and three-wheelers, and exports remain a success story. The total value of exports for 2007-08 was Rs.20.48 billion (Rs.2,048 crore) — a 20.8% increase over Rs.16.94 billion (Rs.1,694 crore) in 2006-07. Note that the 20.8% growth is in rupee terms, at a time when the rupee appreciated against the US dollar.

In terms of volumes, too, Bajaj Auto's international sales achieved an all-time high of 618,341 units of two- and three-wheelers sold during 2007-08, which was a growth of 40% over the previous year. Export of two-wheelers increased by 60% to 482,026 units, though three wheelers saw a marginal decline of 3% to 136,315 units. Table 3 summarises the product wise exports.

**Table 3: Bajaj Auto's Exports (in numbers)**

Product	2006-07	2007-08	Growth
Motorcycles	300,656	481,549	60%
Total Two-wheelers	301,766	482,026	60%
Three-wheelers	140,645	136,315	- 3%
Total Vehicles	442,411	618,341	40%

The international business enjoys a healthy, de-risked spread across all the major regions. South Asia contributes to 32% of total sales; South-East Asia (mainly Indonesia and Philippines) another 13%; Africa and the Middle East comprises 30%; and South America constitutes 25%. While the business in South Asia grew by 5%, sales in South East Asia increased by 143%; in Africa and the Middle East by 93%; and in South America by 24%.

Almost all the major brands contributed to the growth. In the 100cc category, Boxer / CT100 (which is exclusively for exports) and Platina grew by 54% & 57 % respectively over the previous year. In the 125 cc + segment, Discover nearly doubled its volume with 93 % growth over last year, and Pulsar grew by 23%. In three-wheelers, the RE 2-Stroke declined; but this was almost completely offset by growth of RE 4-Stroke.

Several initiatives were consolidated.

The Indonesian operation launched towards the end of 2006-07 was expanded. The entry strategy has focused on the high performance segments, and both the Pulsar 180 cc and the Pulsar 200 cc have now been launched. These products, along with advertising and public relations, are steadily building the Bajaj Auto brand in Indonesia. An exclusive network has been put in place and this gives the Company reach into the



key markets of Jakarta, Java, Sumatra, Bali and Sulawesi. The organisational capability has been strengthened with local recruitments in both the technical and commercial areas.

The Nigerian business has recorded rapid growth, with Boxer easily being the most visible two-wheeler brand in the capital city of Lagos. Three-wheelers, too, have done impressively in Nigeria. Meaningful penetration has been achieved in several African countries like Angola, Sudan, Ethiopia and Uganda.

In Colombia, the Discover was established as the second pillar of the Company's business which, along with the Pulsar, gives Bajaj Auto a powerful leadership position.

In Sri Lanka, the business faced a difficult market environment and did not grow. Even so, it managed to increase market share. Additionally, a successful changeover to RE 4-stroke was made. Bangladesh showed growth of both two-and three-wheelers, and Bajaj Auto consolidated its No.1 position in the country. In Philippines, too, the Company enjoys leadership in the 100 cc motorcycle segment.

The challenge is the exchange rate. Profitability came under pressure due to the appreciating rupee and this will continue to be an important dimension to manage in the future. Besides the exchange rate, rising input costs will also pose a challenge to the Company's competitiveness in many existing markets. Managing growth with profitability, stabilisation of the Indonesian operations and building a sustainable growth momentum will be the key challenges for the business in the coming year.

## Operations

### The Pantnagar Plant

On 9 April 2007, Bajaj Auto inaugurated its green-field plant at Pantnagar, Uttarakhand. Built on the unique concept of having the mother plant and its vendors in the same premises, the Pantnagar plant completed producing 100,000 units of the Platina in less than six months; from December 2007, it began producing the XCD 125 cc as well.

As planned, localisation of components up to 75% to 80 % has been achieved with the 16 vendors located in the cluster, for both the Platina and the XCD.

In its first year of operations, the plant produced over 275,000 vehicles. This achievement of high volumes in its inaugural year reflects the meticulous care taken during the project planning and execution stage to eliminate all the problems that are generally faced during plant start up and production ramp up.

### The Chakan Plant

Bajaj Auto treats the Chakan plant, as a 'manufacturing laboratory for mass production'. Various new concepts for mass production are first tried and tested at Chakan, and then deployed in other plants according to their applicability.

Having achieved successful operations of robotic machining cells in the past, the plant took another initiative of supplying components from various machining cells to the engine assembly through

Exports increased by **20.8%**

Expansion of Indonesian operation

Boxer sales grew by **54%**

International Sales Growth of **40%**



**No. 1 Bangladesh**  
The Nigerian business has recorded rapid growth  
position in **Philippines**

Bangladesh | Colombia | Dubai | Egypt | Guatemala | India | Indonesia

Iran | Mexico | Nigeria | Peru | Philippines | Srilanka | Sudan

automatic guided vehicles (AGVs). The use of AGV was also started in the vehicle assembly shop in the later part of year.

Thanks to various innovative engineering initiatives in the cylinder block machining cells, the capacity has been more than doubled — thus avoiding huge investment that would have been necessary to meet incremental demand. Similarly, significant cost reductions have been achieved in the paint shop by successful implementation of the mono-coat system.

In 2007-08, Chakan completed the cumulative production of over 2 million Pulsars. It also achieved the highest ever production volume of more than a 100,000 vehicles in a single month.

## The Akurdi Plant

Akurdi was shut down as a vehicle assembly plant from 3 September 2007. The main reason for doing so was the higher cost of manufacturing, which placed this location in a significantly disadvantageous position compared to the other facilities of the Company. Bajaj Auto plans to convert Akurdi to: (i) a significant R&D centre that focuses on the growing development needs, (ii) a prototype plant for its new products and offerings, and (iii) a world class development / training centre for its employees, vendors and dealers.

Akurdi will, of course, continue to remain the corporate headquarters of Bajaj Auto.

## Research and Development (R&D)

During 2007-08, Bajaj Auto's R&D was primarily involved with the work on the next wave of products to be launched in 2008-09. Two important products which demonstrated the Company's technological prowess were also launched during the year — the XCD 125 DTS-Si and the Three-wheeler Direct Injected auto rickshaw.

### XCD 125 DTS-Si

The XCD 125 DTS-Si has been touched upon earlier. The platform is strategically important, as it uses technological differentiation to increase the penetration of Bajaj Auto's motorcycles in the large 125 cc segment.

The XCD 125 DTS-Si is the result of the cumulative experience of many years of engine and vehicle development in Bajaj Auto. DTS-Si represents the latest advancements in modifying the Company's patented DTS-i technology to further enhance the combustion by incorporating a swirl motion in the combustion chamber. The combustion is controlled by using an advanced microcontroller-based ECU, which gives both ignition and fuel controls based on inputs of load, revolutions per minute and temperature. The engine cuts down weight and friction to match numbers of a typical 100cc engine. The XCD 125 DTS-Si has been engineered to cut down weight, while having on board advanced features like LCD speedometer, LED tail lamps and tank spoilers.



## Three-Wheeler: Gasoline Direct Injected

Bajaj Auto's R&D team has been working on the Direct Injection of gasoline for the past three years. The work has resulted in a new two-stroke engine for the three-wheeler, which is comparable with gas fuelled three-wheelers in terms of emissions, while simultaneously giving the power of a diesel model.

The direct injection technology ensures that there is no loss of hydrocarbons due to short circuiting, unlike a conventional two-stroke engine. This means that the engine has all the advantages of the two-stroke such as excellent low end torque characteristics, smooth power delivery and lightness without the negatives such as poor fuel consumption and emissions.

In addition, the R&D continues to build its infrastructure in all the areas of design, prototyping and validation. These are long term investments, and are aimed to give flexibility, speed and insight spanning the entire gamut of design and development.

## Other Initiatives

### Total Productive Maintenance (TPM)

Bajaj Auto started its TPM initiative eight years ago with its manufacturing plants. In March 2007, it achieved a distinct milestone of having all its manufacturing facilities awarded by JIPM (Japan Institute of Plant Maintenance) as winners of the 'TPM Excellence Category-1'. Thereafter, the Company extended TPM

initiatives to all its non-manufacturing functions, namely sales, service, engineering, R&D, vendors and dealers.

Right from concept planning, various TPM initiatives played key roles in setting up the Company's new green-field plant at Pantnagar. The best kaizens and learning from other plants were implemented from the very first day at Pantnagar. This resulted in rapid ramp-up of production with near zero defects, and the lowest operating cost per vehicle at the plant.

Bajaj Auto initiated TPM in all its 16 vendor plants situated in the Pantnagar vendor cluster. The basic thought was that the plant cannot achieve excellence on its own; and that the vendors and their suppliers needed to be improved simultaneously. The event created history — where the mother company with all its vendors doing a concurrent TPM Kick-Off. Conducting TPM on such a scale is definitely a first in India, and possibly in the world.

During 2007-08, other Bajaj Auto plants at Chakan and Waluj (three-wheeler and motorcycles), which had received the TPM Excellence Award in 2006-07, started gearing up for next level of TPM award, namely the 'Special Award for TPM Achievements'. All the three plants — Chakan, Waluj and Pantnagar — will be in a position to apply for this award in 2008-09.

Last year, TPM at vendor plants received further momentum. 64 vendors received the 'Bajaj Quality Award', compared to 32 in 2006-07. The year also saw five vendors getting the next level of award, the 'Bajaj TPM Award'.

## Subsidiaries

### Bajaj Auto International Holdings BV (BAIH BV)

A 100% Netherlands based subsidiary of Bajaj Auto (Bajaj Auto International Holdings BV) was formed to focus on international ventures, including possible acquisitions. To its issued and subscribed capital of €200,000 was added further capital of €98.2 million, taking Bajaj Auto's total investment in BAIH BV to €98.4 million. As its first activity, in November 2007, BAIH BV invested €58.62 million (Rs.3.45 billion or Rs.345 crore) to acquire a 14.51% equity stake in KTM Power Sports AG of Austria, Europe's second largest sport motorcycle manufacturer. The equity stake was progressively increased to 24.45% with a total investment of €98.36 million (Rs.5.68 billion or Rs.568 crore).

KTM is a leading global manufacturer of power sports vehicles. With products in Motocross, Supermoto, Enduro segments and on-road bike products like the Super Duke, KTM is a strong brand in Europe and the USA. KTM motorcycles have won several World Championship titles and the Paris-Dakar rally on seven occasions.

The core company, KTM-Sportmotorcycle AG, develops and manufactures competition off-road and street motorcycles.

With more than 1,930 employees, the KTM Group earned revenue of € 566.1 million (Rs.32 billion) in 2006-07. Over 23 sales subsidiaries distribute KTM products to 1,400 dealerships worldwide.

KTM is a Vienna Stock Exchange listed company with market capitalisation of Euro 390 million (INR 22 billion).

### PT Bajaj Indonesia (PTBAI)

PTBAI was incorporated in 2006-07 as a subsidiary in Indonesia with an issued and subscribed capital of US\$ 12.5 million (Rs.562 million). Bajaj Auto holds 97.5% shares in PTBAI, with the balance being held by the local partner.

PTBAI assembles and markets Pulsars in Indonesia. During 2007-08, variants of the Pulsar were launched, and an exclusive dealer network has been put in place which gives the Company reach into the key markets of Jakarta, Java, Sumatra, Bali and Sulawesi.

## Summarised Financials

Given below are Bajaj Auto's summarised financials. Given that this is the first annual report of the Company after its Scheme of Arrangement (i.e. de-merger), the previous year's figures are no longer comparable.

**Table 4:** Abridged Profit and Loss Statement

Rs. In Million	2007-08
<b>Operations</b>	
Sales	96,900
Less: excise duty	10,267
Net sales	86,633
Other operating income	3,829
<b>Total operating income</b>	<b>90,462</b>
Cost of materials consumed, net of expenditures capitalised	65,973
Share of material cost	72.9%
Stores and tools	747
Share of stores and tools	0.8%
Labour cost	3,416
Share of labour cost	3.8%
Factory and administrative expenses	3,031
Share of factory and administrative expenses	3.4%
Sales and after sales expenses	4,359
Share of sales and after sales expenses	4.8%
<b>Total expenditure</b>	<b>77,526</b>
Operating profit	12,936
Operating profit as a share of total operating income	14.3%
Voluntary Retirement Scheme	1,024
<b>Revised operating profit</b>	<b>11,912</b>
<b>Revised operating profit as a share of total income</b>	<b>13.2%</b>
Interest	52
Depreciation	1,740
<b>Net operating profit</b>	<b>10,120</b>
<b>Non-operating income</b>	
Income	1,226
Expenses	-
<b>Non-operating income, net</b>	<b>1,226</b>
<b>Profit before taxation</b>	<b>11,346</b>
Provision for taxation	3,788
<b>Profit after taxation</b>	<b>7,558</b>

## Operating working capital

Table 5 gives the details of operating working capital. Though negligible, Bajaj Auto enjoys negative working capital. This is even after monies being locked up on account of refunds of VAT and excise duty, amounting to Rs. 1,710 million.

**Table 5:** Operating Working Capital

Rs. In Million	As at 31st March 2008
<b>Current assets</b>	
Inventories	3,496
Sundry debtors	2,753
Cash and bank balances	561
Other current assets	4,438
Sub-total	11,248
<b>Less: Current liabilities</b>	
Sundry creditors	9,445
Advance against orders	948
Other current liabilities	1,032
Sub-total	11,425
<b>Working capital</b>	<b>-177</b>

## Return on operating capital employed

As table 6 shows, the Company's return on operating working capital stands at 74 per cent in 2007-08.

**Table 6:** Return on Operating Capital Employed

Rs. In Million	As at 31st March 2008
Fixed assets	12,928
Capital Advances	831
Technical know-how	105
Working capital	-177
<b>Total</b>	<b>13,687</b>
Operating profit before interest and taxation	10,172
<b>Pre-tax return on operating capital employed</b>	<b>74%</b>

## Consolidation of accounts and segment reporting

Bajaj Auto has consolidated the financial statements of subsidiaries, in accordance with the relevant accounting standards issued by The Institute of Chartered Accountants of India. The summary of consolidated profit and loss account business segment wise is tabulated in Table 7.

**Table 7:** Segment Revenue and Segment Results  
(Rs. million)

Segment Revenue	2007-08
Automotive	90,413
Investment and others	1,227
<b>Total</b>	<b>91,640</b>
Less: Intersegment revenue	—
<b>Total</b>	<b>91,640</b>

Segment Results Profit/(loss) from each segment before interest and tax	2007-08
Automotive	10,000
Investment and others	1,227
<b>Total</b>	<b>11,227</b>
Less: Interest	52
<b>Profit before tax</b>	<b>11,175</b>

## Cautionary Statement

*Statements in Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectation may be 'forward looking' within the meaning of applicable laws and regulations. Actual results might differ materially from those expressed or implied.*



# Corporate Governance

The commitment of Bajaj Group to the highest standards of good corporate governance practices predates SEBI and clause 49 of the listing agreements. Transparency, fairness, disclosure and accountability are central to the working of the Group. Bajaj Auto Limited ('BAL' or 'the company' or 'Bajaj Auto'), the newly incorporated company maintains the same tradition and commitment.

Given below are the company's corporate governance policies and practices for 2007-08 (refers to the period 30 April 2007 to 31 March 2008, since the company was incorporated on 30 April 2007 only and the term '2007-08' will have the same meaning hereinafter with reference to BAL).

## Board of directors

Bajaj Auto was incorporated on 30 April 2007 as Bajaj Holdings & Investment Ltd. After the demerger of erstwhile Bajaj Auto Ltd. manufacturing undertaking was vested with the company and the name of the company was changed to Bajaj Auto Ltd. vide fresh Certificate of Incorporation issued by the Registrar of Companies, Maharashtra, Pune on 5 March 2008.

Rahul Bajaj, Rajiv Bajaj and Sanjiv Bajaj are the first directors of the company. Madhur Bajaj was appointed as an additional director on 10 May 2007. Twelve more directors, viz. D S Mehta, Kantikumar R Podar, Shekhar Bajaj, D J Balaji Rao, J N Godrej, S H Khan, Ms Suman Kirloskar, Naresh Chandra, Nanoo Pamnani, Manish Kejriwal, P Murari and Niraj Bajaj were inducted as additional directors with effect from 30 January 2008.

Consequent upon the approval of scheme of arrangement of demerger of erstwhile Bajaj Auto Ltd. by the High Court of Judicature at Bombay vide its order dated 18 December 2007, managerial personnel of the erstwhile Bajaj Auto Ltd. were transferred to the company and accordingly -

- Rahul Bajaj was appointed as executive chairman for the period commencing from 20 February 2008 and ending on 31 March 2010
- Madhur Bajaj was appointed as executive vice chairman for the period commencing from 20 February 2008 and ending on 31 March 2010

- Rajiv Bajaj was appointed as managing director for the period commencing from 20 February 2008 and ending on 31 March 2010; and
- Sanjiv Bajaj was appointed as executive director for the period commencing from 20 February 2008 and ending on 31 March 2009.

## Composition

As on 31 March 2008, the board of Bajaj Auto consisted of sixteen directors, of whom four directors were executive. Nine out of the twelve non-executive directors were independent. The board has no institutional nominee directors.

According to clause 49 as in force as on 31 March 2008, if the chairman is executive, at least one half of the board should consist of non-executive, independent directors. As Table 1 below shows, this provision is met at Bajaj Auto.

According to the statutes, first directors of the company viz. Rahul Bajaj, Rajiv Bajaj and Sanjiv Bajaj shall retire at the first annual general meeting and being eligible have offered their candidature for re-appointment. The term of thirteen additional directors expires on the date of the first annual general meeting. The company has received a notice along with requisite deposit amount from the member(s) of the company

proposing all the thirteen directors as candidates for the office of directors.

## Non-executive directors' compensation

Until 20 February 2008, the effective date of scheme of arrangement of demerger, the non-executive directors of the company were not paid any sitting fee or commission. The board of directors at its meeting held on 30 January 2008 revised the directors' remuneration policy with effect from 20 February 2008 and accordingly, non-executive directors of the company would now be paid sitting fee of Rs.20,000 per meeting for every meeting of the board and its committee and commission at the rate of Rs.50,000 per meeting of the board and its committee attended by them, within the overall ceiling of one percent of the net profits.

The Company currently does not have a stock option programme.

## Board procedures

During 2007-08, the board of directors met nine times: on 2 May 2007, 10 May 2007, 15 May 2007, 17 May 2007, 12 July 2007, 20 July 2007, 19 October 2007, 30 January 2008 and 28 March 2008. The gap between any two meetings has been less than four months.

## Attendance record of directors

**Table 1:** Composition of the board and attendance record of directors for 2007-08

Name of director	Category	Meetings attended	Whether attended last AGM
Rahul Bajaj <sup>1</sup>	Chairman, executive	7/9	Not applicable since the company will have its first Annual General Meeting only on 10 July 2008.
Madhur Bajaj <sup>1 2</sup>	Vice Chairman, executive	8/8	
Rajiv Bajaj <sup>1</sup>	Managing Director, executive	9/9	
Sanjiv Bajaj <sup>1</sup>	Executive Director, executive	9/9	
D S Mehta <sup>3</sup>	Non-executive independent	1/2	
Kantikumar R Podar <sup>3</sup>	Non-executive, independent	1/2	
Shekhar Bajaj <sup>3</sup>	Non-executive	2/2	
D J Balaji Rao <sup>3</sup>	Non-executive, independent	2/2	
J N Godrej <sup>3</sup>	Non-executive, independent	1/2	
S H Khan <sup>3</sup>	Non-executive, independent	2/2	
Ms Suman Kirloskar <sup>3</sup>	Non-executive, independent	2/2	
Naresh Chandra <sup>3</sup>	Non-executive, independent	2/2	
Nanoo Pamnani <sup>3</sup>	Non-executive, independent	2/2	
Manish Kejriwal <sup>3</sup>	Non-executive	1/2	
P Murari <sup>3</sup>	Non-executive, independent	1/2	
Niraj Bajaj <sup>3</sup>	Non-executive	1/2	

<sup>1</sup> Took up executive positions from 20 February 2008

<sup>2</sup> Appointed with effect from 10 May 2007

<sup>3</sup> Appointed with effect from 30 January 2008

## Information supplied to the board

In advance of each meeting, the board is presented with all relevant information on various matters related to the working of the company, especially those that require deliberation at the highest level. Directors have separate and independent access to senior

management at all times. In addition to items which are required to be placed before the board for its noting and / or approval, information is provided on various significant items. In terms of quality and importance, the information supplied by management to the board of the company is far ahead of the list mandated under clause 49 of the listing agreement.



## Outside directorships and memberships of board committees

Table 2 gives the number of outside directorships and committee positions held by the directors of Bajaj Auto.

**Table 2:** Outside directorships / committee positions as on 31 March 2008

Name of Director	In listed companies	In unlisted public limited companies	As chairman/ member of Board committees of companies
Rahul Bajaj	3	3	0
Madhur Bajaj	4	7	4
Rajiv Bajaj	2	2	0
Sanjiv Bajaj	3	4	4
D S Mehta	4	2	8
Kantikumar R Podar	3	2	0
Shekhar Bajaj	2	5	1
D J Balaji Rao	5	3	8
J N Godrej	5	6	2
S H Khan	3	4	4
Ms Suman Kirloskar	0	1	0
Naresh Chandra	7	2	9
Nanoo Pamnani	2	1	7
Manish Kejriwal	0	1	0
P Murari	6	5	5
Niraj Bajaj	6	6	2

Notes: Private limited companies, foreign companies and companies under section 25 of the Companies Act, 1956 are excluded for the above purposes. Only audit committee and shareholders' grievance committee are considered for the purpose of committee positions as per listing agreement.

None of the directors was a member in more than 10 committees, nor a chairman in more than five committees across all companies in which he / she was a director.

### Review of legal compliance reports

Provision regarding the above as stipulated under clause 49 is not applicable for the period under review, as the company which got incorporated on 30 April 2007 had not got listed on or before 31 March 2008. However, at its meeting held on 30 January 2008, the board has approved and

adopted the legal compliance reporting system for the company and the same will be duly adhered to.

### Code of conduct

Provision regarding the above as stipulated under clause 49 is not applicable for the period under review, as the company which got incorporated on 30 April 2007 had not got listed on or before 31 March 2008. However, the board at its meeting on 30 January 2008 laid down a code of conduct for all directors and senior

management of the Company, which has been posted on the web-site www.bajajauto.com. All directors and senior management personnel have affirmed compliance with the code for 2007-08. A declaration to this effect signed by the managing director / CEO is given in this annual report.

## Audit committee

### Constitution and composition

With a view to comply with various requirements under the Companies Act, 1956 and clause 49 of the listing agreement, the company has set up its audit committee in the board of directors meeting held on 30 January 2008. The present audit committee consists of the following directors:

1. S H Khan, Chairman
2. D J Balaji Rao
3. J N Godrej
4. Naresh Chandra
5. Nanoo Pamnani

All members of the audit committee are independent, non-executive directors and are 'financially literate' as required by clause 49. Moreover, S H Khan, D J Balaji Rao, J N Godrej and Nanoo Pamnani have 'accounting or related financial management expertise'.

### Meetings, attendance and topics discussed

During 2007-08, the audit committee met once on 30 January 2008. This meeting was attended by all members of the committee except J N Godrej. In addition to the members of the audit committee, this meeting was attended by the heads of finance and internal audit functions, the statutory auditors and cost auditors of the company, and those executives who were considered necessary for providing inputs to the

committee. The company secretary acted as the secretary to the audit committee.

The terms of reference of the audit committee are extensive and go beyond what is mandated in clause 49 of the listing agreement and section 292A of the Companies Act, 1956.

## Subsidiary companies

Provision regarding the above as stipulated under clause 49 is not applicable for the period under review, as the company which got incorporated on 30 April 2007 had not got listed on or before 31 March 2008. The two overseas companies, viz., PT. Bajaj Auto Indonesia and Bajaj Auto International Holdings BV, Netherlands became the subsidiaries of the company pursuant to the scheme of demerger and the provisions with regard to the same would hereafter be adhered to.

## Disclosures

A summary statement of transactions with related parties was placed before the audit committee meeting held on 30 January 2008. Suitable disclosures have been made in the financial statements, together with the management's explanation in the event of any treatment being different from that prescribed in accounting standards.

At its meeting of 30 January 2008, the board laid down procedures to inform it of the company's risk assessment and minimisation procedures. These would be periodically reviewed to ensure that management identifies and controls risk through a properly defined framework.

Pursuant to scheme of arrangement of demerger sanctioned by the Hon'ble High Court of Judicature at Bombay, 101,183,510 Equity

Shares of Rs.10 each of the Company, have been issued and allotted to the shareholders of demerged company (erstwhile BAL) in the ratio of 1:1, on 3 April, 2008.

Except as above, there were no public issues, right issues, preferential issues etc. during the year.

## Remuneration committee

At the meeting of the board of directors held on 30 January 2008, remuneration committee was constituted with the following non-executive independent directors as its members :

1. Shri D J Balaji Rao, Chairman
2. Shri S H Khan
3. Shri Naresh Chandra

The remuneration committee met on 30 January 2008 to fix the remuneration payable to managerial personnel of the company viz. Rahul Bajaj, Madhur Bajaj, Rajiv Bajaj and Sanjiv Bajaj. At this meeting, the remuneration, which had been finalised by erstwhile BAL for the period from 1 April 2005 has been continued unchanged in the new Bajaj Auto consequent upon the demerger.

The remuneration committee met again on 28 March 2008 to revise the remuneration payable to the aforesaid managerial personnel for their remaining tenure.

## Remuneration of directors

### Pecuniary relationship or transactions of non-executive directors

1. J N Godrej who became a director of the company with effect from 30 January 2008, is a director and shareholder of Godrej &

Boyce Manufacturing Company Limited, which is a vendor to Bajaj Auto. Purchases of goods from this company have been in the ordinary course of business and, for the year ended 31 March 2008, amounted to Rs. 29.8 million.

2. Shekhar Bajaj who became a director of the company with effect from 30 January 2008, is a director of Hind Musafir Agency Limited, an accredited travel agency. During the year under review, the total value of services availed of by Bajaj Auto from Hind Musafir Agency Limited amounted to Rs. 44.4 million.
3. The Register of Contracts maintained by the Company under Section 301 of The Companies Act, 1956, contains record of the transactions entered into with the above companies. The register is signed by all the directors present during the respective board meetings.

### Criteria of making payments to non-executive directors

The criteria of making payments to non-executive directors as approved by the board at its meeting held on 30 January 2008 have been put on the company's web-site [www.bajajauto.com](http://www.bajajauto.com)

### Non-executive Directors

Non-executive directors are paid sitting fees after 20 February 2008 as separately stated in this report.

### Executive Directors

Consequent upon the demerger of erstwhile Bajaj Auto Limited, managerial personnel of the said company resigned from their executive positions from that company with effect from





20 February, 2008 and joined the company in same capacities with effect from the same date. Accordingly, Rahul Bajaj was appointed as executive chairman, Madhur Bajaj was appointed as executive vice chairman, Rajiv Bajaj was appointed as managing director and Sanjiv Bajaj was appointed as executive director of the company.

On their appointments, the remuneration payable to the aforesaid managerial personnel was kept unchanged by the board and the same was approved by the shareholders at their extra ordinary general meeting held on 17 March 2008. The board of directors revised the remuneration payable to managerial personnel with effect from 1 April 2008.

On their retirement, all the executive directors are entitled to superannuation benefits payable in the form of an annuity from the Life Insurance Corporation of India — and these form a part of the perquisites allowed to them. No pension is paid by the Company.

The company has no stock option plans and hence it does not form a part of the remuneration package payable to any executive and / or non-executive director. During the year under review, none of the directors was paid any performance-linked incentive. In 2007-08, the Company did not advance any loans to any of the executive and / or non-executive directors. Table 3 gives details of the remuneration paid or payable to directors during 2007-08.

**Table 3:** Remuneration paid / payable to Directors during 2007-08

Name of director	Relationship with other directors	Sitting fees Rs.	Salary & perquisites Rs.	Commission Rs.	Total Rs.
Rahul Bajaj <sup>1</sup>	Father of Rajiv Bajaj and Sanjiv Bajaj, father-in-law of Manish Kejriwal	—	16,462,749	21,600,000	38,062,749
Madhur Bajaj <sup>1</sup>	Brother of Shekhar Bajaj & Niraj Bajaj	—	10,014,973	15,300,000	25,314,973
Rajiv Bajaj <sup>1</sup>	Son of Rahul Bajaj, brother of Sanjiv Bajaj, brother-in-law of Manish Kejriwal	—	6,733,118	13,500,000	20,233,118
Sanjiv Bajaj <sup>1</sup>	Son of Rahul Bajaj, brother of Rajiv Bajaj, brother-in-law of Manish Kejriwal	—	4,925,914	9,900,000	14,825,914
D S Mehta	—	20,000	537,600	150,000	707,600
Kantikumar R Podar	—	20,000	—	250,000	270,000
Shekhar Bajaj	Brother of Madhur Bajaj & Niraj Bajaj	20,000	—	300,000	320,000
D J Balaji Rao	—	40,000	—	550,000	590,000
J N Godrej	—	20,000	—	150,000	170,000
S H Khan	—	40,000	—	550,000	590,000
Suman Kirloskar	—	20,000	—	300,000	320,000
Naresh Chandra	—	40,000	—	500,000	540,000
Nanoo Pamnani	—	20,000	—	400,000	420,000
Manish Kejriwal	Son-in-law of Rahul Bajaj, brother-in-law of Rajiv Bajaj and Sanjiv Bajaj	20,000	—	250,000	270,000
P Murari	—	20,000	—	150,000	170,000
Niraj Bajaj	Brother of Madhur Bajaj & Shekhar Bajaj	—	—	200,000	200,000

<sup>1</sup> Took up executive positions from 20 February 2008

Note to Table 3: Salary and perquisites include all elements of remuneration i.e. salary, allowances and benefits. No bonus, pension or incentive is paid to any of the directors. The company has not issued any stock options to any of the directors. The term of executive directors does not exceed five years.

### Shares held by non-executive Directors

The non-executive directors as on 31 March 2008, who held shares in the company are:

Name of director	Number of shares held as on 3 April 2008
Shekhar Bajaj	794,440
Niraj Bajaj	1,264,238
Manish Kejriwal	100
D S Mehta	8,490

## Management

### Management discussion and analysis

This is given as a separate chapter in the annual report.

### Disclosure of material transactions

Under clause 49, senior management is required to make periodical disclosures to the board relating to all material financial and commercial transactions where they had (or were deemed to have had) personal interest that might have been in potential conflict with the interest of the company. This provision was adhered to during the year.

### Warning against insider trading

Comprehensive guidelines in accordance with the SEBI regulations in this regard are in place. A code of conduct and corporate disclosure

practices framed by the company helps in ensuring compliance with the requirements.

## Shareholders

### Appointment and / or re-appointment of directors

Rahul Bajaj, Rajiv Bajaj and Sanjiv Bajaj are the first directors of the company. Madhur Bajaj was appointed as an additional director on 10 May 2007. Twelve more directors, viz. D S Mehta, Kantikumar R Podar, Shekhar Bajaj, D J Balaji Rao, J N Godrej, S H Khan, Ms Suman Kirloskar, Naresh Chandra, Nanoo Pamnani, Manish Kejriwal, P Murari and Niraj Bajaj were inducted as additional directors with effect from 30 January 2008.

According to the statutes, first directors of the company viz. Rahul Bajaj, Rajiv Bajaj and Sanjiv Bajaj shall retire at the first annual general meeting and being eligible have offered their candidature for re-appointment. The term of thirteen additional directors is expiring on the date of first annual general meeting. The company has received a notice along with requisite deposit amount from the member of the company proposing all the thirteen directors as candidates for the office of directors.

### Communication to shareholders

As the company was not listed on BSE and NSE until 31 March 2008, it was not required to publish its financial statements for the period under review. However, the shareholders of the company were communicated the information on demerger process through leading newspapers such as Times of India and Sakal on 7 September 2007 and through other communications from time to time. The company has its own web-site, [www.bajajauto.com](http://www.bajajauto.com) which contains all important

public domain information, including presentations made to the media, analysts and institutional investors. The web-site also contains information on matters concerning the shareholders and details of the corporate contact persons.

### Information on general body meetings

As the company was incorporated on 30 April 2007, the first annual general meeting of the company is scheduled to be held on 10 July 2008 at the registered office of the company.

So far, the company has not adopted postal ballot for passing any resolution at the general meetings, because there has been no occasion for doing so.

### Material disclosure of related party transactions

Material transactions entered into with related parties have been already disclosed in this chapter. None of these have had any potential conflict with the interests of the company.

### Details of capital market non-compliance, if any

There has been no non-compliance by the company of any legal requirements; nor has there been any penalty, stricture imposed on the company by any stock exchange, SEBI or any statutory authority on any matter related to capital markets during the period under review.

### Shareholders' and investors' grievance committee

The board of directors of Bajaj Auto constituted its shareholders' and investors' grievance committee in its meeting held on 30 January 2008. This committee has been constituted to specifically look into the shareholders' and investors' complaints on matters relating to transfer of shares, non-receipt of annual report, non-receipt of dividend etc. In addition, the committee also looks into matters that can facilitate better investor services and relations.

The committee consisted of the following non-executive independent directors as on 31 March 2008:

1. D J Balaji Rao, Chairman
2. J N Godrej
3. Naresh Chandra
4. S H Khan

During the year under review, the company had not held any shareholders' and investors' grievance committee meeting, as the company was not listed up to 31 March 2008 and was only a wholly owned subsidiary of Bajaj Holdings & Investment Limited until that date. The committee would meet normally once in a year to review the status of the investors' services rendered.

All physical transfers of shares as well as requests for dematerialisation / rematerialisation shall be processed in weekly cycles. Bajaj Auto has not appointed any registrar or share transfer

agent and the work regarding dematerialisation / rematerialisation is handled in-house through connectivities with the National Securities Depository Limited and Central Depository Services (India) Limited. The company being an unlisted company until 31 March 2008, no query / complaint was received during the year under review.

More details have been furnished in the chapter on Additional Shareholder Information.

### **CEO / CFO certification**

The CEO and CFO have certified to the board with regard to the financial statements and other matters as required by clause 49 of the listing agreement. The certificate is contained in this annual report.

### **Report on corporate governance**

This chapter, read together with the information given in the chapters on Management Discussion and Analysis and Additional Shareholder Information, constitute the compliance report on corporate governance during 2007-08.

### **Auditors' certificate on corporate governance**

The company has obtained the certificate from its statutory auditors regarding compliance with the provisions relating to corporate governance laid down in clause 49 of the listing agreement. This report is annexed to the directors' report, and will be sent to the stock exchanges along with the annual return to be filed by the company.

# Additional Shareholder Information

## Annual general meeting

Date : 10 July 2008

Time : 11.30 a.m.

Venue : Registered office at  
Bajaj Auto Limited Complex,  
Mumbai-Pune Road,  
Akurdi, Pune 411 035

## Financial calendar

Audited annual results for year ending 31 March	-	May
Mailing of annual reports	-	June
Annual general meeting	-	July
Unaudited first quarter financial results	-	July
Unaudited second quarter financial results	-	October
Unaudited third quarter financial results	-	January

## Dividend

The board of directors of Bajaj Auto has proposed a dividend of Rs.20 per equity share

(200 per cent) for the financial year 2007-08, subject to approval by the shareholders at the annual general meeting. As the company was incorporated on 30 April, 2007, there was no dividend paid in the previous year.

## Dates of book closure

The register of members and share transfer books of the Company will remain closed from Tuesday, 1 July 2008 to Thursday, 10 July 2008, both days inclusive.

## Date of dividend payment

The payment of dividend, upon declaration by the shareholders at the forthcoming annual general meeting, will be made on or after 14 July 2008 :

- a) to all those beneficial owners holding shares in electronic form, as per the ownership data made available to the company by National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL) as of the end-of-the-day on Monday, 30 June 2008; and

- b) to all those shareholders holding shares in physical form, after giving effect to all the valid share transfers lodged with the company on or before the closing hours on Monday, 30 June 2008.

## Payment of dividend

Dividend will be paid by account payee / non-negotiable instruments or through the electronic clearing service (ECS), as notified by the SEBI through the stock exchanges. In view of the significant advantages and the convenience, the Company will pay dividend through ECS in all major cities to cover maximum number of shareholders, as per applicable guidelines. Shareholders are advised to refer to the notice of the annual general meeting for details of action required to be taken by them in this regard. For additional details or clarifications, shareholders are welcome to contact the registered office of the Company.

## Unclaimed dividends

Not applicable since the company was incorporated on 30 April 2007.

## Registrar and share transfer agent

The company has no external registrar or share transfer agent. All work relating to physical transfer, transmission, splitting of share certificates, dematerialisation and rematerialisation processing, payment of dividend, etc. is done in-house at the registered office of the company.

## Share transfer system

Share transfers received by the company would be registered within 15 days from the date of receipt, provided the documents are complete in all respects. The process will become applicable from the year 2008-09 as the equity shares of the company are getting listed shortly.

## Dematerialisation of shares

During 2007-08, no shares were dematerialized. Distribution of shares as on 31 March 2008 and 3 April 2008 (date of allotment) is given in Table 1.

**Table 1:** Shares held in physical and electronic mode

	Position as on 31 March 2008		Position as on 3 April 2008	
	No. of Shares	% to total shareholding	No. of shares	% to total shareholding
<b>Physical</b>	<b>43,500,000</b>	<b>100.00</b>	<b>59,759,914</b>	<b>41.31</b>
<b>Demat:</b>				
NSDL	—	—	83,313,322	57.58
CDSL	—	—	1,610,274	1.11
Sub Total	—	—	84,923,596	58.69
<b>Total</b>	<b>43,500,000</b>	<b>100.00</b>	<b>144,683,510</b>	<b>100.00</b>

## Allotment of shares

In terms of scheme of arrangement of demerger approved by the Hon'ble High Court of Judicature at Bombay vide its Order dated 18 December 2007, BAL allotted on 3 April 2008 101,183,510 equity shares of Rs.10 each to every shareholder of Bajaj Holdings & Investment Limited (BHIL) in the proportion of 1 equity share of Rs.10 as fully paid up for every 1 equity share of Rs.10 each held in BHIL on 25 March 2008, the record date fixed by BHIL.

## Global depository receipts (GDRs)

BAL issued and allotted Global Depository Receipts (GDRs) on 3 April 2008 to the shareholders of BHIL (formerly BAL) pursuant to the scheme of demerger sanctioned by the Hon'ble High Court of Judicature at Bombay vide its order dated 18 December 2007 and the underlying shares against each GDR were issued in the name of the overseas depository-the Bankers Trust Company (whose name changed to Deutsche Bank Trust Company Americas from 15 April 2002).

GDRs are expected to get listed on the London Stock Exchange in due course of time.

## Stock code

1. Bombay Stock Exchange Ltd. 532977
2. National Stock Exchange of India Ltd. BAJAJ-AUTO
3. Reuters BAJA.BO
4. Bloomberg BJAUT.IN
5. ISIN INE917101010

## Listing on stock exchanges

As on 31 March 2008 the shares of BAL were not listed on any stock exchanges. However, the company is shortly getting its shares listed on the following stock exchanges :

Name	Address
1. Bombay Stock Exchange Ltd, Mumbai (BSE)	1st Floor, Phiroze Jeejeebhoy Towers Dalal Street, Mumbai 400 001
2. National Stock Exchange of India Ltd. (NSE)	Exchange Plaza Bandra-Kurla Complex, Bandra (E) Mumbai 400 051

The company will take necessary steps with London Stock Exchange for the listing of GDRs issued and allotted to the shareholders of BHIL (formerly BAL) pursuant to the Scheme of Demerger sanctioned by the Hon'ble High Court of Judicature at Bombay vide its order dated 18 December 2007.

## Market price data

NIL, since the company was an unlisted company during the year under review.

## Distribution of shareholdings

Table 2 gives details about the pattern of shareholdings among various categories as on 31 March 2008 and 3 April 2008, while Table 3A and 3B gives the data according to size classes as on 31 March 2008 and 3 April 2008.





**Table 2:** Distribution of shareholdings across categories

Categories	31 March 2008		3 April 2008	
	No. of shares	% to total capital	No. of shares	% to total capital
Promoters	43,500,000	100.00	72,747,805	50.28
Friends and associates of promoters	—	—	16,454,136	11.37
GDRs	—	—	1,805,071	1.25
Foreign Institutional Investors	—	—	20,266,586	14.01
Public Financial Institutions	—	—	8,707,469	6.02
Mutual Funds	—	—	1,123,175	0.78
Nationalised & other banks	—	—	251,704	0.17
NRIs & OCBs	—	—	613,745	0.42
Others	—	—	22,713,819	15.70
<b>Total</b>	<b>43,500,000</b>	<b>100.00</b>	<b>144,683,510</b>	<b>100.00</b>

**Table 3A:** Distribution of shareholding according to size class as on 31 March 2008

No of shares	No of shareholders		Shares held in each class	
	Number	%	Number	%
1 TO 100	6	85.71	600	—
101 TO 200	—	—	—	—
201 TO 500	—	—	—	—
501 TO 1000	—	—	—	—
1001 TO 5000	—	—	—	—
5001 TO 10000	—	—	—	—
10001 TO 100000	1	14.29	43,499,400	100.00
100001 AND ABOVE	—	—	—	—
<b>Total</b>	<b>7</b>	<b>100.00</b>	<b>43,500,000</b>	<b>100.00</b>

**Table 3B:** Distribution of shareholding according to size class as on 3 April 2008

No of shares	No of shareholders		Shares held in each class	
	Number	%	Number	%
1 TO 100	64,084	84.76	1,278,620	0.88
101 TO 200	3,779	5.00	587,193	0.41
201 TO 500	3,187	4.22	1,067,092	0.74
501 TO 1000	1,511	2.00	1,105,792	0.76
1001 TO 5000	1,993	2.64	4,508,642	3.12
5001 TO 10000	436	0.58	3,034,320	2.10
10001 TO 100000	4,701	0.62	14,474,822	10.00
100001 AND ABOVE	144	0.19	118,627,029	81.99
<b>Total</b>	<b>75,604</b>	<b>100.00</b>	<b>144,683,510</b>	<b>100.00</b>

## Shareholders' and investors' grievances

During the year under review, the board of directors of BAL constituted a shareholders' / investors' grievance committee consisting of three non-executive independent directors to specifically look into the shareholders'/ investors' complaints on various matters. Since the company was an unlisted company upto 31 March 2008, there was no question of there being any pending issues to be addressed or resolved.

## Nomination

Individual shareholders holding shares singly or jointly in physical form can nominate a person in whose name the shares shall be transferable in the case of death of the registered shareholder(s). The prescribed nomination form will be sent by the company upon such request. Nomination facility for shares held in electronic form is also available with depository participant as per the bye-laws and business rules applicable to NSDL and CDSL.

## Plant locations

Bajaj Auto has plants located at the following places:

1. Mumbai-Pune Road, Akurdi, Pune 411 035 (Maharashtra)
2. Bajaj Nagar, Waluj, Aurangabad 431 136 (Maharashtra)
3. MIDC, Plot No A1, Mahalunge Village, Chakan 410 501 Dist. Pune (Maharashtra)
4. Plot No.2, Sector 10, IIE Panthnagar, Udhamasinghnagar, (Uttarakhand)

## Address for correspondence

Investors and shareholders can correspond with the registered office of the Company at the following address:

Bajaj Auto Limited

Bajaj Auto Limited Complex

Mumbai-Pune Road, Akurdi, Pune 411 035.

Tel : (020) 27472851 (Extn 6063), 27406063

Fax : (020) 27407380

e-mail : [investors@bajajauto.co.in](mailto:investors@bajajauto.co.in)

Web-site : [www.bajajauto.com](http://www.bajajauto.com)

# Directors' Report

## Introduction

The company was incorporated on 30 April 2007 as a wholly owned subsidiary of erstwhile Bajaj Auto Limited and received the Certificate of Commencement of Business on 7 May 2007. The directors present their first annual report and the audited statements of accounts for the year ended 31 March 2008.

## Demerger

During the year under review, the Hon'ble High Court of Judicature at Bombay approved the scheme of arrangement of demerger of the erstwhile Bajaj Auto Ltd. (BAL) vide its order dated 18 December 2007. Accordingly, the manufacturing undertaking of the erstwhile BAL has been vested with the company and the strategic business undertaking consisting of wind farm business and financial services business of the erstwhile BAL has been vested with Bajaj Finserv Limited. The appointed date of this demerger was closing hours of business on 31 March 2007.

Pursuant to the demerger, the company has been vested with the manufacturing undertaking

of the erstwhile Bajaj Auto Ltd. and will focus on auto business. Consequently, the name of the company has changed from Bajaj Holdings & Investment Limited to Bajaj Auto Limited and a fresh certificate of incorporation in the new name of the company has been issued by the Registrar of Companies, Maharashtra, Pune on 5 March 2008.

## Operations & Financials

The operations and financial results of the company are elaborated in the annexed Management Discussion and Analysis Report. The highlights are as under:-

Sales	2007-08 (Nos)	2006-07* (Nos)
Motorcycles	2,139,779	2,379,499
Other two-wheelers	21,316	20,497
<b>Total Two wheelers</b>	<b>2,161,095</b>	<b>2,399,996</b>
Three wheelers	290,312	321,828
<b>Total Two &amp; Three wheelers</b>	<b>2,451,407</b>	<b>2,721,824</b>
Of the above, exports were		
Two wheelers	482,026	301,766
Three wheelers	136,315	140,645
<b>Total Exports</b>	<b>618,341</b>	<b>442,411</b>

\* Figures pertain to the erstwhile Bajaj Auto Ltd.

Since the company was incorporated only on 30 April 2007, and this year being the first financial year, there are no previous year's figures of the company.

	2007-08 Rs. Million
Net sales & other income	91,688
Gross profit before VRS compensation, interest & depreciation	14,162
VRS compensation	1,023
Interest	52
Depreciation	1,740
<b>Profit before taxation</b>	<b>11,347</b>
Provision for taxation	3,788
<b>Profit after tax</b>	<b>7,559</b>
Disposable surplus	7,558
Proposed dividend (inclusive of dividend tax)	3,385
<b>Earnings per share (Rs.)</b>	<b>54.2</b>

## Dividend

The directors recommend for consideration of the shareholders at the ensuing annual general meeting, payment of a dividend of Rs.20/- per share (200 per cent) for the year ended 31 March 2008. The amount of dividend and the tax thereon aggregates to Rs.3,385 million.

Dividend paid by the erstwhile BAL for the year ended 31 March 2007 was Rs.40 per share (400 per cent). The amount of dividend and the tax thereon aggregated to Rs.4,735 million. On account of the demerger, which has taken place during the year under review, the dividend figures for the two years are not comparable.

## New Plants / Projects

**Pantnagar plant**, built on the unique concept of mother plant and its vendors in the same premises, was inaugurated on 9 April 2007.

Starting with Platina and completing 100,000 units of its production in less than six months, the plant also commenced production of XCD-125 from December 2007. Capacity of the plant and supply chain has been enhanced upto 720,000 per annum.

In its first year of operations, the plant produced over 275,000 vehicles of both Platina and XCD-125 and has planned a production of 600,000 vehicles in 2008-09. The achievement of such volumes in the very first year reflects the meticulous care that has been taken during the project planning and execution stage to preclude the problems that are generally faced during plant start up. Capability building of the manufacturing team, ability to carry out continuous improvements, ability to bring out new models, TPM way of thinking and the culture of 'pursuit of excellence' at all levels of the plant are the main strengths of this plant.

**Chakan 4-wheeler plant**, development of 'Lite' cargo vehicle code named "PV1500" is progressing satisfactorily. This model is scheduled for launch in 2009. Company is also in a joint feasibility study with Renault and Nissan for its 'Lite' passenger car project. On conclusion of the feasibility study, further details will be crystalised.

Company has taken possession of a green-field site admeasuring 246.81 acres in Chakan MIDC Industrial Area for its future projects.

## Research & development and technology absorption

The developments in this area are set out in greater detail in the annexed Management Discussion and Analysis Report.

Company continued to invest substantially in R&D facilities for testing and prototyping, as well as for advanced design and analysis.

R&D was primarily involved with the work on the next wave of products to be launched in the year 2008-09. Two important products which demonstrated the technical prowess of the company were launched during this year. These were the XCD 125 cc DTS-Si and the Three-wheeler Direct Injected auto rickshaw.

Company continues to build its research and development infrastructure in all the areas of design, prototyping and validation. These are long term investments and are aimed to give flexibility, speed and insight into every field of interest in creating the product.

The expenditure on research and development during 2007-08 and in the previous year was:

	2007-08 Rs. In Million	2006-07 * Rs. In Million
i. Capital (including technical know-how)	481.4	473.4
ii. Recurring	706.0	676.9
	1,187.4	1,150.3
iii. Total research and development expenditure as a percentage of sales, net of excise duty	1.37	1.24

\* Figures pertain to the erstwhile Bajaj Auto Ltd.

## Conservation of energy

As a part of continuing efforts to conserve various resources, following steps were taken to conserve energy :

- Electrical energy saving was achieved by installation of energy efficient motors, modifying the production processes

by eliminating high power consuming machines / equipments, optimisation of central air conditioning plant, providing for automatic switch off for pump house motors, illumination systems, transparent roof sheets and use of CFL lamps in installation of natural draft air exhaust ventilators.

- Water saving was achieved by installation of PLC controlled auto system, re-routing and reducing the water line size, drip irrigation system for gardening, usage of treated water for bin washing and paint shop process, rain water harvesting and increase in frequency of de-sludge pit water replacement.
- LPG saving was achieved by optimisation of loading pattern in CGC and seal quench furnaces, revamping of canteen bio-gas plant, temperature control of burners in paint and heat treatment shops and stopping use of vaporisers in heat treatment shop.

## Impact of measures taken

As a result of the initiatives taken for conservation of energy and natural resources, the company has effected an overall reduction in consumption of electrical energy and water by 23% and 16% respectively, as compared to 20% and 26% respectively in the previous year.

## Investment / savings

Investment for energy conservation activities      Rs.10.45 million

Saving achieved through above activities      Rs.20.0 million

## Foreign exchange earning & outgo

The company continued to be a net foreign exchange earner during the year.

Total foreign exchange earned by the company during the year under review was Rs. 20,778 million, compared to Rs.17,298 million during the previous year.

Total foreign exchange outflow during the year under review was Rs 3,569 million, as against Rs. 5,647 million during the previous year.

## Industrial relations

Bharatiya Kamgar Sena, the recognised union at Waluj, Aurangabad, was de-recognised by Industrial Court on 24 April 2007. Management thereafter signed the wage settlement on 23 July 2007 with Bajaj Auto Limited Employees Union, the union having the majority following, in conciliation and accordingly, the benefits of the settlement have been given to all daily rated employees at Waluj.

Subsequently, with a view to downsizing the workforce at Waluj, Voluntary Retirement Scheme was floated for the permanent daily rated workmen. 712 workmen availed of the benefit under the scheme.

The management discontinued its vehicle assembly facilities at its Akurdi plant with effect from 3 September 2007 due to the higher cost of manufacturing; as a result of which over 2000 workmen became surplus. Negotiations are on with the newly recognised union viz Vishwa Kalyan Kamgar Sanghatana to find a fair solution.

Relations with staff and workmen across the plants at Akurdi, Waluj, Chakan and Pantnagar remained cordial.

Government of Maharashtra declared 51 Gunwant Kamgars for the year 2007. Out of these, Bajaj Auto received 14 awards; 4 workers from Akurdi and 10 from Waluj Plant.

Two employees from Waluj Plant have received the prestigious Shram Bhushan and Shram Veer awards this year.

## Subsidiaries

**PT. Bajaj Auto Indonesia (PTBAI)**, was incorporated as a subsidiary company in Indonesia with an issued, subscribed & paid up capital of US\$ 12.5 million (Rs.562 million) in 2006-07. Bajaj Auto holds 97.5% shares in this company, with balance being held by a local partner. Semi-knocked down components are currently sent from India for assembly of motorcycles in Indonesia.

During the year under review, sales and service network reach has been expanded substantially covering the major cities of Jawa, Sumatera, Bali and Sulawesi islands. Total showroom strength stands at around 50 numbers, covering 30 cities of Indonesia.

PTBAI assembles and markets Bajaj Pulsar in Indonesia, establishing Bajaj as a high quality tech-savvy brand. The company plans to expand its presence, product range and reach towards becoming a strong player in this market currently dominated by Japanese 2-wheeler majors.

**Bajaj Auto International Holdings BV, Netherlands (BAIHBV)**, was incorporated as a wholly owned subsidiary company in Netherlands with an issued, subscribed & Paid up capital of Euros 200,000 during the year under review. Further capital of Euro 98.2 million was invested in this company during the year, by way of premium, taking the total investment to Euro 98.4 million (Rs.5,692 million). It is proposed to make strategic investments in overseas ventures, by way of equity shares and / or loans and to undertake related activities through this company.

Other highlights of the year 2007-08 are as under :

BAIHBV invested Euro 98.4 million (Rs.5681 million) to acquire 24.45% of outstanding equity capital of KTM Power Sports AG, Austria – the second largest European Motorcycle Manufacturer.

KTM is a strong high-end motorcycle brand, well known in developed country markets of Europe, US and Japan. Synergies in technology, product development, market reach, combined with non-overlapping brand positions between Bajaj and KTM, make for a win-win long term cooperation between the two companies.

Joint product development programs are progressing satisfactorily. Select Metros in India will see launch of KTM bikes in the current fiscal year.

Rajiv Bajaj, managing director of the company joined the Supervisory Board of KTM Power Sports AG on 30 November 2007.

## Corporate social responsibility

### Code of conduct for affirmative action

The company continues to place emphasis on inclusive growth and has put in place certain processes for delivering the intended social outcome in measurable terms. The company has adopted a voluntary code of conduct for affirmative action, which is effective from 1 December 2006 and has placed the same on its website. The company believes strongly that its competitiveness is interlinked with the well being of all sections of Indian society and that equal opportunity for all sections of the society is a component of its growth and competitiveness. The company will constantly endeavour to ensure that no discrimination of any type is shown to the socially disadvantaged sections of the society in the work place. 16% of the fresh employees added during the year belonged to the weaker sections (SC / ST) of the society under the affirmative action drive, and was well above the 6% for the period prior to the drive.

### Centre for AIDS patients

Under the Government of India, Ministry of Health and Family Welfare, National Aids Control Organisation (NACO) at the initiative of CII has come forward for Public Private Partnership (PPP) in order to provide better health care to Aids patients. The company has signed an MoU with NACO to set up an Anti Retroviral Treatment Center (ART Centre) with the co-operation of Yeswantrao Chavan Municipal Hospital, Pimpri, for the benefit of the affected people in the surrounding areas. This will be the first

such Centre in Pimpri Chinchwad Municipal Corporation area. The company will fully equip this Centre and provide necessary medical and paramedical staff at a capital expenditure of around ₹35 lakhs and an annual outgo of ₹15 lakhs. This initiative will bring solace to the 3,000 affected poor families in PCMC area, besides containing the spread of this dreaded disease and helping humanity.

### Other major initiatives

2 SC-ST students were offered the course fee of ₹35,000 per head to train them for IIT Joint Entrance Examination – JEE and financial aid will be extended to cover their full course duration of 4 years on their securing admission to IIT.

For employees who opted for voluntary retirement, the company took a number of steps to develop and implement a new initiative, viz. Guidance and Future Planning Program. The Program was a resounding success, which was reflected in the company receiving the “**Best HR Initiative of the year**” award from Auto Monitor declared on 7 March 2008.

### Rural and community development activities and empowerment of women

The company continued its rural development activities in Pune and Aurangabad districts of Maharashtra through Jankidevi Bajaj Gram Vikas Sanstha (JBGVS). JBGVS aims at integrated development of 44 selected villages, to be carried out by the villagers under their own leadership and through unified efforts forged by local organisations with JBGVS acting as a catalyst.

During the year, JBGVS conducted a number of development programmes including

watershed development, sanitation, health care, dairy development, education, women empowerment etc.

JBGVS continued supporting 104 Self Help Groups (SHG) and organised training programmes for SHGs. Out of 28 Gram Panchayats in JBGVS area, 14 have lady Sarpanch, one of whom has been felicitated as the Best Lady Tribal Sarpanch by Zilla Parishad, Pune.

Five of the villages, where JBGVS had worked in the past, received “**Nirmal Gram Abhiyan**” award. JBGVS has withdrawn from these villages as they attained 80% development as per its laid down indicators. It continues to give them guidance when necessary.

Samaj Seva Kendra (SSK) as part of JBGVS provides facilities for social development of the residents of Akurdi, Nigdi and adjoining townships, with the aim of improving their quality of life, through skill development training, hobby centre, nursery education, health care, sports, music, dance, cultural programmes etc.

The Rotary Club of Enshede Netherlands and the Rotary Club of Poona North together through JBGVS donated one cow each to 164 poor farmers. These 164 families are now additionally earning ₹2200 per family per month, to supplement their family income.

### Directors

The board of directors appointed Madhur Bajaj, D S Mehta, Kantikumar R Podar, Shekhar Bajaj, D J Balaji Rao, J N Godrej, S H Khan, Ms Suman Kirloskar, Naresh Chandra, Nanoo Pamnani, Manish Kejriwal, P Murari and Niraj Bajaj as additional directors during the period under review. All these directors hold office till the date of ensuing annual general meeting and are to



be appointed directors in that meeting. With this, the total number of directors has become sixteen.

During the period under review, Rahul Bajaj was appointed as executive chairman, Madhur Bajaj was appointed as executive vice chairman, Rajiv Bajaj was appointed as managing director and Sanjiv Bajaj was appointed as executive director with effect from 20 February 2008, the effective date of the scheme of arrangement of demerger.

Rahul Bajaj, Rajiv Bajaj and Sanjiv Bajaj, first directors of the company retire from the board at the ensuing annual general meeting and being eligible, offer themselves for re-appointment.

## Directors' responsibility statement

As required by sub-section (2AA) of section 217 of the Companies Act, 1956, directors state :

- that in the preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- that the directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit of the company for that period.
- that the directors have taken proper and sufficient care 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.

- that the annual accounts have been prepared on a going concern basis.

## Consolidated financial statements

The directors also present the audited consolidated financial statements incorporating the duly audited financial statements of the subsidiaries, viz. PT. Bajaj Auto Indonesia and Bajaj Auto International Holdings BV, Netherlands and as prepared in compliance with the accounting standards and listing agreement as prescribed by SEBI.

Information in aggregate for each subsidiary company is disclosed in one page of the consolidated balance sheet.

## Statutory disclosures

The company has received an exemption from the central government under section 212 (8) of the Companies Act, 1956 with regard to attaching of the balance sheet, profit and loss account and other documents of its subsidiary companies, viz. PT Bajaj Auto Indonesia and Bajaj Auto International Holdings BV, Netherlands for the year 2007-08. The summary of the key financials of the company's subsidiaries is included in this annual report.

The annual accounts of the subsidiary companies and the related detailed information will be made available to the members of the company and its subsidiary companies, seeking such information at any point of time. The annual accounts of the subsidiary companies will be kept for inspection by any member of the company at its registered

office and also at the registered office of the concerned subsidiary company.

As required under the provisions of sub-section (2A) of section 217 of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975 as amended, particulars of the employees are set out in the Annexure to the Directors Report. As per provisions of section 219 (1)(b)(iv) of the said Act, these particulars will be made available to any shareholder on request.

Particulars regarding technology absorption, conservation of energy and foreign exchange earning and outgo required under section 217(1)(e) of the Companies Act, 1956 and Companies (Disclosure of Particulars in the report of board of directors) Rules, 1988 have been given in preceding paragraphs.

Directors' Responsibility Statement as required by section 217(2AA) of the Companies Act, 1956 appears in a preceding paragraph.

Certificate from auditors of the company regarding compliance of conditions of corporate governance is annexed to this report as Annexure 1.

## Corporate governance

Pursuant to clause 49 of the listing agreement with stock exchanges, a separate section titled 'Corporate Governance' has been included in this annual report, along with the reports on Management Discussion and Analysis and Additional Shareholder Information.

All board members and senior management personnel have affirmed compliance with the code of conduct for the year 2007-08. A declaration to this effect signed by the

Chief Executive Officer (CEO) of the company is contained in this annual report.

The CEO and Chief Financial Officer (CFO) have certified to the board with regard to the financial statements and other matters as specified in clause 49 of the listing agreement and the said certificate is contained in this annual report.

## Auditors' report

The observations made in the Auditors' Report, read together with the relevant notes thereon are self-explanatory and hence, do not call for any comments under section 217 of the Companies Act, 1956.

## Auditors

The members are requested to note that Messrs Dalal & Shah, Chartered Accountants, are the first auditors of the company and hold office until the conclusion of first annual general meeting.

The members are requested to appoint auditors for the period from the conclusion of the ensuing annual general meeting till the conclusion of the next annual general meeting and to fix their remuneration.

Your company has applied for government order to conduct the audit of cost accounts, maintained by the company for the year ended 31 March 2008. Mr. A P Raman, cost accountant, Pune has been appointed as cost auditor to conduct the said audit, and the government approval in this regard is awaited.

On behalf of the board of directors



**Rahul Bajaj**  
Chairman

22 May 2008

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## Annexure 1

### Certificate by the Auditors on Corporate Governance

To the members of  
Bajaj Auto Limited

We have reviewed the records concerning the Company's compliance of the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement entered into by the Company with the Stock Exchanges of India for the financial year ended on March 31, 2008.

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

We have conducted our review on the basis of the relevant records and documents maintained by the Company and furnished to us for examination and the information and explanations given to us by the Company.

Based on such a review, and to the best of our information and according to the explanations given to us, in our opinion, the Company has complied, to the extent applicable, with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement of the Stock Exchanges of India.

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

For and on behalf of  
**Dalal & Shah**  
Chartered Accountants

**Anish Amin**  
Membership No. 40451  
Partner  
Mumbai: 22 May 2008

## Annexure 2

### Declaration by Chief Executive Officer (CEO)

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I, Rajiv Bajaj, Managing Director of Bajaj Auto Limited hereby declare that all the board members and senior managerial personnel have affirmed for the year ended 31 March 2008 compliance with the code of conduct of the company laid down for them.

**Rajiv Bajaj**  
Managing Director  
Mumbai : 22 May 2008

## Annexure 3

### Certificate by Chief Executive Officer (CEO) and Chief Financial Officer (CFO)

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We, Rajiv Bajaj, Managing Director and Kevin D'sa, Vice President (Finance) of Bajaj Auto Limited, certify :

1. That we have reviewed the financial statements for the year ended 31 March 2008 and that to the best of our knowledge and belief;
  - these statements do not contain any materially untrue statement nor omit any material fact nor contain statements that might be misleading, and
  - these statements present a true and fair view of the company's affairs and are in compliance with the existing accounting standards, applicable laws and regulations.
2. That there are, to the best of our knowledge and belief, no transactions entered into by the company during the year, which are fraudulent, illegal or violative of the company's code of conduct;
3. That we accept responsibility for establishing and maintaining internal controls, we have evaluated the effectiveness of the internal control systems of the company and we have disclosed to the auditors and the audit committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps that we have taken or propose to take to rectify the identified deficiencies and.
4. That we have informed the auditors and the audit committee of:
  - i. significant changes in internal control during the year;
  - ii. significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
  - iii. instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system.

**Rajiv Bajaj**  
Managing Director  
Mumbai : 22 May 2008

**Kevin D'sa**  
Vice President (Finance)

## Report of the Auditors to the Members

We have audited the attached Balance Sheet of BAJAJ AUTO LIMITED, as at 31st March 2008 and also the annexed Profit and Loss Account of the Company for the year ended on that date. 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.

- (1) We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An Audit includes examining, on a test basis, evidence supporting the amounts and disclosures in 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.
- (2) As required by the Companies (Auditor's Report) Order, 2003 (CARO, 2003), issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, we annexe hereto a Statement on the matters specified in paragraphs 4 of the said Order;
- (3) Further to our comments in Annexure referred to in paragraph 2 above, we report that:
  - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the Books of the Company;
  - (c) The Balance Sheet and Profit and Loss Account dealt with by the report are in

agreement with the Books of Account of the Company;

- (d) In our opinion, the Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956, to the extent applicable.
- (e) On the basis of the written representations received from the Directors as at 31st March, 2008, and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on 31st March, 2008 from being appointed as a director in terms of 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 Financial Statements, read together with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and present a true and fair view in conformity with the accounting principles generally accepted in India:
  - (i) In the case of the Balance Sheet, of the state of the affairs of the Company as at 31st March, 2008,
  - (ii) In the case of the Profit and Loss Account, of the Profit for the year ended on that date.

For and on behalf of  
**DALAL & SHAH**  
Chartered Accountants

**Anish Amin**  
Partner  
Membership No: 40451

MUMBAI: 22 May 2008.

## Annexure to the Auditors' Report

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**Statement referred to in Paragraph 2 of the Auditors' Report of even date to the Members of BAJAJ AUTO LIMITED on the Accounts for the year ended 31st March,2008.**

On the basis of the records produced to us for our verification/perusal, such checks as we considered appropriate, in terms of information and explanations given to us on our enquiries and in consideration of the scheme of arrangement detailed in Note No.1 in Schedule "14" to the financial statements, we state that:

- i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
  - (b) As explained to us, considering the nature of the Fixed Assets and to ensure minimum disruptions in production schedules, the fixed assets have been physically verified by the management at reasonable intervals during the year in accordance with the verification policy adopted by the erstwhile Bajaj Auto Ltd prior to the demerger, whereby all the assets are verified, in a phased manner, once in a block of three years. According to the information and explanations given to us and the records produced to us for our verification, discrepancies noticed on such physical verification were not, in our opinion, material and the same have been properly dealt with in the Books of Account.
  - (c) As per the information and explanations given to us on our enquiries the disposal of assets during the year were not substantial and would not have an impact on the operations of the company.
- ii) (a) The inventories have been physically verified by the management at reasonable intervals during the year and partially at the close of the year;
  - (b) The procedures of physical verification of inventories followed by the management as explained to us are, in our opinion, reasonable and adequate in relation to the size of the Company and the nature of its business;
  - (c) According to the records produced to us for our verification, which in our opinion were adequately maintained, the discrepancies noticed on physical verification of inventories referred to above, as compared to book records, though not material, have been properly dealt with in the books of account;
- iii) (a) As per the information and explanations given to us and the records produced to us for our verification, the company has not granted loans, secured or unsecured, to any Company, Firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
  - (b) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- iv) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to the purchase of inventory and fixed assets

## Annexure to the Auditors' Report

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and for the sale of goods and services, if any. As per the information given to us, no major weaknesses in the internal controls have been identified by the management or the internal audit department of the company during the year. During the course of our audit, nothing had come to our notice that may suggest a major weakness in the internal control systems of the company;

- v) (a) On the basis of the audit procedures performed by us and according to the information and explanations given to us and on our enquiries on this behalf and the records produced to us for our verification, the particulars of contracts and arrangements required to be entered into the register in pursuance of section 301 of the Companies Act, 1956 have been so entered.
- (b) The transactions effected in pursuance of such contracts and arrangements, as the case may be, aggregating in excess of Rs.500,000/- in respect of each party during the year, have been, in our opinion, as per the information and explanations given to us, made at prices which are reasonable having regard to prevailing market prices as available with the Company for such transactions or prices at which transactions, if any, for similar goods have been made with other parties at the relevant time;
- vi) In our opinion, the Company has complied with the directives issued by the Reserve Bank of India and the provisions of Section 58A of the Companies Act, 1956, other relevant provisions of the said Act including the Companies (Acceptance of Deposits) Rules, 1975, where applicable, with regard to the deposits accepted by it

from the public. Since the Company has not defaulted in repayments of deposits, compliance of Section 58AA or obtaining any order from the Company Law Board, National Company Law Tribunal or Reserve Bank of India or any other Court or Tribunal, does not arise;

- vii) On the basis of the internal audit reports broadly reviewed by us, we are of the opinion that, the Company has an adequate internal audit system commensurate with the size and nature of its business;
- viii) We have broadly reviewed the Books of Account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of Cost Records under Section 209(1)(d) of the Companies Act, 1956, and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determine whether they are accurate;
- ix) (a) According to the records of the Company, the company has been regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise duty, Cess and other Statutory dues with the appropriate authorities;
- (b) According to the records of the Company and the information and explanations given to us & upon our enquiries in this regards, disputed dues in respect of Sales Tax, Income-tax, Wealth-tax, Service Tax, Customs Duty,

## Annexure to the Auditors' Report

Excise Duty and Cess unpaid as at the last day of the financial year, are as follows

Statutes	FORUM BEFORE WHOM PENDING				
	Commissioner Appeals	Tribunal	High Court	Supreme Court	Total
	Rs. In million	Rs. In million	Rs. In million	Rs. In million	Rs. In million
Sales Tax	335.33	0.75	63.00	—	399.07
Income Tax	—	—	—	—	—
Wealth Tax	—	—	—	—	—
Service Tax	0.94	—	—	—	0.94
Customs Duty	—	2.40	38.45	—	40.85
Excise	7.52	130.83	2.53	1.25	142.13
Octroi	6.95	—	—	16.19	23.14

- x) The Company has not defaulted in repayment of dues to banks. The company has not borrowed any sums from Financial Institutions nor through debentures;
- xi) The Company has, not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other investments;
- xii) The Company, in our opinion, has maintained proper records and contracts with respect to its investments wherein timely entries of transactions are made. Investments at the close of the year are in the process of being transferred in the name of the company as detailed in Note No. 12 to schedule "14" to the financial statements.
- xiii) The terms and conditions at which guarantees have been given by the company for loans taken from financial institutions and/or banks by others, are, in our opinion, not prejudicial to the interest of the company;
- xiv) The company has raised working capital funds, which are used for the purpose as and when needed. Internal generations have been mainly deployed in investments and partially ploughed back into the business.
- xv) As per the information and explanations given to us and on our enquiries on this behalf there were no frauds on or by the company which have been noticed or reported during the year,

In view of the nature of business carried on by the company clause no (xiii) of CARO, 2003 is not applicable to the company. Further in view of the absence of conditions prerequisite to the reporting requirement of clauses (iii) (b), (c), (d), (f) and (g), (x), (xvi), (xviii), (xix) and (xx) the said clauses are, at present, not applicable.

For and on behalf of  
**DALAL & SHAH**  
Chartered Accountants

**Anish Amin**  
Partner  
Membership No: 40451

MUMBAI: 22 May 2008.



## Balance Sheet as at 31 March, 2008

	Schedule	Rs. In Million	Rs. In Million
<b>I. Sources of Funds</b>			
1. Shareholders' Funds			
a) Share Capital	1	1,446.8	
b) Reserves & Surplus	2	14,429.1	15,875.9
2. Loan Funds			
a) Secured Loans	3	69.5	
b) Unsecured Loans	4	13,273.9	13,343.4
3. Deferred Tax Adjustments [See note 17]			
a) Deferred Tax Liabilities		1,419.4	
b) Deferred Tax Assets		(1,309.6)	
			109.8
	<b>Total</b>		<b>29,329.1</b>
<b>II. Application of Funds</b>			
1. Fixed Assets			
a) Gross Block		29,841.5	
b) <b>Less:</b> Depreciation and write downs		17,260.7	
c) Net Block	5	12,580.8	
d) Capital Work in progress, expenditure to date		347.4	12,928.2
2. Technical Know-how	6		105.3
3. Investments	7		18,571.4
4. Current Assets, Loans and Advances	8		
a) Inventories		3,496.1	
b) Sundry Debtors		2,753.1	
c) Cash and Bank Balances		560.7	
d) Other Current Assets		799.5	
e) Loans and Advances		8,887.7	
		16,497.1	
<b>Less:</b> Current Liabilities and Provisions	9		
a) Liabilities		10,432.5	
b) Provisions		8,340.4	
		18,772.9	
Net Current Assets			(2,275.8)
	<b>Total</b>		<b>29,329.1</b>
Notes forming part of the Financial Statements	14		

As per our attached report of even date  
For and on behalf of Dalal and Shah  
Chartered Accountants

Anish Amin  
Partner  
Membership No. 40451  
Mumbai: 22 May 2008

J. Sridhar  
Company Secretary

Rahul Bajaj  
Madhur Bajaj  
Rajiv Bajaj  
Sanjiv Bajaj

D.S. Mehta  
Kantikumar R. Podar  
Shekhar Bajaj  
D. J. Balaji Rao  
J. N. Godrej  
S.H. Khan

Chairman  
Vice Chairman  
Managing Director  
Executive Director

Suman Kirloskar  
Naresh Chandra  
Nanoo Pamnani  
Manish Kejriwal  
P. Murari  
Niraj Bajaj

Directors

## Profit and Loss Account for the financial year ended 31 March, 2008

	Schedule	Rs. In Million	Rs. In Million
<b>Income</b>			
Sales		96,899.5	
<b>Less:</b> Excise Duty		10,266.6	
Net Sales		86,632.9	
Other Income	10	5,055.5	
			91,688.4
<b>Expenditure</b>			
Materials	11	66,203.7	
Other Expenses	12	11,553.0	
Interest	13	51.6	
Depreciation and write downs		1,739.6	
		79,547.9	
<b>Less:</b> Expenses, included in above items, capitalised		230.4	
		79,317.5	
Compensation Paid Under Voluntary Retirement Scheme		1,023.6	
			80,341.1
Profit for the period before taxation			11,347.3
<b>Taxation</b>			
Current Tax [including Rs. 7.5 million for Wealth tax]		3,927.5	
Deferred Tax [See note 17]		(173.2)	
Fringe Benefit Tax		33.5	
			3,787.8
Profit for the period			7,559.5
Prior Period Expenses			1.7
			7,557.8
Transfer to General Reserve			4,172.3
Proposed Dividend			2,893.7
Corporate Dividend Tax thereon			491.8
Balance Carried to Balance Sheet			—
Notes forming part of the Financial Statements	14		
<b>Basic and diluted Earnings Per Share (Rs.)</b>			54.2
Nominal value per share (Rs.)			10.0
<b>Net Profit (Rs. In Million)</b>			7,557.8
Weighted average number of Shares (In Million)			139.5

As per our attached report of even date  
For and on behalf of Dalal and Shah  
Chartered Accountants

Anish Amin  
Partner  
Membership No. 40451

Mumbai: 22 May 2008

J. Sridhar  
Company Secretary

Rahul Bajaj  
Madhur Bajaj  
Rajiv Bajaj  
Sanjiv Bajaj  
D.S. Mehta  
Kantikumar R. Podar  
Shekhar Bajaj  
D. J. Balaji Rao  
J. N. Godrej  
S.H. Khan

Chairman  
Vice Chairman  
Managing Director  
Executive Director  
Suman Kirloskar  
Naresh Chandra  
Nanoo Pamnani  
Manish Kejriwal  
P. Murari  
Niraj Bajaj

Directors

Schedules No 1-14 annexed to and forming part of the Balance Sheet as at and the Profit and Loss Account for the financial year ended 31st March, 2008

### Schedule 1 - Share Capital

	As at 31st March, 2008
	Rs. In Million
<b>Authorised</b>	
150,000,000 Equity Shares of Rs. 10 each	1,500.0
<b>Issued,Subscribed and Paid up</b>	
*144,683,510 Equity Shares of Rs. 10 each	1,446.8
<b>Total</b>	<b>1,446.8</b>

#### Notes

\*Of the above:-

- 43,500,000 Equity Shares of Rs. 10 each were issued, subscribed and allotted to erstwhile Bajaj Auto Ltd. and its nominees, now known as Bajaj Holdings & Investment Ltd.
- 101,183,510 Equity Shares of Rs. 10 each are deemed to be issued, subscribed and fully paid up in terms of the scheme of arrangement, detailed in Note No. 1 in Schedule 14 to the Financial Statements, becoming operative from 20th February 2008 (Effective Date), since allotted on 3rd April 2008.

1,805,071 Equity Shares thereof are deemed to be issued by way of Euro Equity Issue represented by Global Depository Receipts (GDR) evidencing Global Depository Shares outstanding on the record date i.e. 25th March 2008, in terms of scheme of arrangement.

### Schedule 2 - Reserves and Surplus

	Rs. In Million	As at 31st March, 2008 Rs. In Million
<b>General Reserve</b>		
As computed in terms of the scheme of arrangement, detailed in Note No. 1	11,160.4	
<b>Less:</b> Diminution in the value of Fixed Income securities, Net of deferred tax, See Note No. 13	903.6	
	10,256.8	
Set aside this financial year	4,172.3	
<b>Total</b>		<b>14,429.1</b>
		<b>14,429.1</b>

### Schedule 3 - Secured Loans

	As at 31st March, 2008 Rs. In Million
From Banks, against hypothecation of Stores, Raw Materials Finished Goods, Stock in Process and Book Debts	
Cash Credit	69.5
<b>Total</b>	<b>69.5</b>

## Schedule 4 - Unsecured Loans

	As at 31st March, 2008	
	Rs. In Million	Rs. In Million
Sales tax deferral Liability / Loan, an incentive under Package Scheme of Incentives 1983,1988,1993 and 1998 - Interest free	13,480.6	
<b>Less:</b> deferral attached to the Wind Farm Business, assigned to and availed by the company, passed on to Bajaj Finserv Ltd. under an arrangement. See Note No. 15	207.2	13,273.4
Fixed Deposits, unclaimed		0.5
<b>Total</b>		<b>13,273.9</b>

## Schedule 5 - Fixed Assets

Particulars	Gross Block (a)				Depreciation				Net Block
	As at 1st April, 2007 (f)	Additions	Deductions and Adjustments	As at 31st March, 2008	As at 1st April, 2007 (f)	Deductions and Adjustments	For the Year (c) & (e)	As at 31st March, 2008	As at 31st March, 2008
	Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million
Land Freehold	99.7	212.1	—	311.8	—	—	—	—	311.8
Land Leasehold	564.3	—	6.5	557.8	—	—	—	—	557.8
Buildings (b) & (d)	3,412.8	1,302.9	6.3	4,709.4	857.3	5.3	104.4	956.4	3,753.0
Waterpumps, Reservoirs and Mains	71.0	56.6	—	127.6	35.4	—	5.4	40.8	86.8
Plant & Machinery	16,777.2	609.4	655.5	16,731.1	11,715.2	591.0	1,076.9	12,201.1	4,530.0
Dies & Jigs	3,457.2	244.0	128.0	3,573.2	2,409.1	109.6	309.0	2,608.5	964.7
Electric Installations	611.6	86.3	61.8	636.1	266.1	56.3	25.1	234.9	401.2
Factory Equipments	1,638.5	351.0	150.1	1,839.4	766.1	135.2	154.8	785.7	1,053.7
Furniture & Fixtures	357.1	90.3	35.6	411.8	174.7	30.0	21.8	166.5	245.3
Electric Fittings	126.4	34.2	22.3	138.3	72.5	20.9	4.8	56.4	81.9
Vehicles & Aircraft	509.4	279.1	51.5	737.0	135.0	30.0	37.4	142.4	594.6
Wind Energy Generators	—	—	—	—	—	—	—	—	—
Leased Assets :-	—	—	—	—	—	—	—	—	—
Plant & Machinery	—	—	—	—	—	—	—	—	—
Dies & Moulds	72.5	—	4.5	68.0	72.5	4.5	—	68.0	—
<b>Total</b>	<b>27,697.7</b>	<b>3,265.9</b>	<b>1,122.1</b>	<b>29,841.5</b>	<b>16,503.9</b>	<b>982.8</b>	<b>1,739.6</b>	<b>17,260.7</b>	<b>12,580.8</b>

(a) At cost, except leasehold land which is at cost, less amounts written off.

(b) Includes Premises on ownership basis in Co-operative Society Rs. 58.4 million and cost of shares therein Rs. 1,750/-

(c) Refer Para 3(A) & (B) of Statement on Significant Accounting Policies annexed to the Accounts.

(d) Includes premises purchased during the year, pending registration amounting to Rs.183.7 million.

(e) Depreciation for the year includes assets written down to the realisable value by Rs. 81.7 million being marked for disposal.

(f) See Note No. 1

## Schedule 6 - Technical Know- How

	As at 31st March, 2008
	Rs. In Million
(i) Acquired	
Transferred and vested with the company under the scheme of arrangement, See Note No. 1	2.2
<b>Less:</b> Written off during the year	2.2
	—
(ii) Developed by the company	
Transferred and vested with the company under the scheme of arrangement, See Note No. 1	11.7
<b>Add:</b> Expenses incurred on development completed during the year (incurred during the year Rs. 9.2 million)	25.6
	37.3
<b>Less:</b>	
Written off / amortised upto date of transfer	8.4
Written off / amortised during the period	10.2
	18.6
	18.7
Development in Progress	86.6
<b>Total</b>	<b>105.3</b>

## Schedule 7 - Investments, at Cost (Unless otherwise stated)

	As at 31st March, 2008	
	Rs. In Million	Rs. In Million
<b>Long Term Investments :</b>		
<b>In Government and Trust Securities :</b>		
<b>Quoted :</b>		
- 5.69% Government of India Stock 2018 of face value of Rs.1,300,000,000	1,191.7	
- 7.40% Government of India Stock 2035 of face value of Rs.550,000,000	553.7	
- 7.50% Government of India Stock 2034 of face value of Rs.150,000,000	149.3	
- 7.95% Government of India Stock 2025 of face value of Rs.50,000,000	48.3	
- 8.33% Government of India Stock 2036 of face value of Rs.50,450,000	54.3	
- 10.71% Government of India Stock 2016 of face value of Rs.1,550,000,000	2,229.7	
- 11.83% Government of India Stock 2014 of face value of Rs.303,500,000	450.1	
	<u>4,677.1</u>	
<b>Less:</b> Amortisation of Premium / Discount on acquisition	<u>143.1</u>	
		4,534.0
<b>Unquoted :</b>		
6 Years National Saving Certificates of the face value of Rs.11,500		—
<b>In Fully Paid Preference Shares :</b>		
<b>Unquoted :</b>		
1,130,000      12.50% Redeemable Cumulative Preference Shares of Rs.10 each in Durovalves India Private Limited.		11.3
Carried over		<u>4,545.3</u>

**Schedule 7 - Investments, at Cost (Unless otherwise stated) (Contd.)**

		As at 31st March, 2008	
		Rs. In Million	Rs. In Million
	Brought over	—	4,545.3
<b>In Fully Paid Equity Shares :</b>			
<b>In Subsidiary Company :</b>			
<b>Unquoted :</b>			
	2,000 Shares of Euro 100 each in Bajaj Auto International Holdings BV Amsterdam, Netherlands	5,692.2	
	121,875 Shares of US \$ 100 each in PT. Bajaj Auto Indonesia	566.8	
			6,259.0
<b>In Fully Paid Equity Shares :</b>			
<b>Other :</b>			
<b>Unquoted :</b>			
	565,000 Shares of Rs.10 each in Durovalves India Private Limited		5.7
<b>In Debentures:</b>			
<b>Fully Paid:</b>			
<b>Other :</b>			
<b>Quoted:</b>			
	200 5.85% Redeemable Non Convertible Debentures of Rs.1,000,000 each of Housing Development Finance Corporation Limited	197.5	
	150 7.15% Redeemable Non Convertible Debentures of Rs.1,000,000 each of Housing Development Finance Corporation Limited	150.0	
	100 7.75% Unsecured, Redeemable, subordinated Bonds in the nature of Debentures of Rs.1,000,000 each of HDFC Bank Limited - Series 5 / 2005	100.0	
	100 10.25% Unsecured, Redeemable, subordinated Bonds in the nature of Debentures of Rs.1,000,000 each of HDFC Bank Limited	100.0	
	25 10.35% Unsecured, Redeemable, subordinated Bonds in the nature of Debentures of Rs.1,000,000 each of HDFC Bank Limited	25.0	
	2,000 6.70% Secured Non Convertible Debentures of Rs.100,000 each of Reliance Energy Limited - Series 3 (NCD-3)	200.4	
	Carried over	772.9	
	Carried over		10,810.0

**Schedule 7 - Investments, at Cost (Unless otherwise stated) (Contd.)**

		As at 31st March, 2008	
		Rs. In Million	Rs. In Million
	Brought over		10,810.0
<b>In Debentures : (Contd.)</b>			
<b>Fully Paid : (Contd.)</b>			
<b>Other : (Contd.)</b>			
<b>Quoted : (Contd.)</b>			
	Brought over	772.9	
250	11.49% Secured Redeemable Non Convertible Debentures (PPD-V) of Rs.1,000,000 each of Reliance Utilities & Power Limited	278.9	
10	10.20% Fixed Rate, Redeemable, Transferable, Secured, Non Convertible Debentures of Rs.10,000,000 each of The Tata Power Company Limited	115.3	
100	6.50% Unsecured Non Convertible Redeemable Debentures of Rs.1,000,000 each of Axis Bank Limited - Series VIII	100.0	
		1,267.1	
	<b>Less:</b> Amortisation of Premium / Discount on acquisition	24.4	
			1,242.7
<b>In Bonds:</b>			
<b>Fully Paid:</b>			
<b>Other :</b>			
<b>Quoted:</b>			
50	7.50% Unsecured Redeemable Non Convertible Subordinated Bonds of Rs.1,000,000 each of Bank of India - Series VIII	50.0	
100	5.85% Secured Taxable, Non Convertible Redeemable Bonds with STRPP Series -II of Rs.1,000,000 each of Gail (India) Limited.	92.5	
100	8.25% Unsecured Redeemable Subordinated Bonds in the nature of Debentures of Rs.1,000,000 each of HDFC Bank Limited - Series 6 / 2005	100.0	
15	13.05% Subordinated Debentures of Rs.10,000,000 each of The Hongkong and Shanghai Banking Corporation Limited	194.5	
100	6.80% Gujarat Punarnirman Special Taxfree Bonds Series IV B of Rs.1,000,000 each of Housing & Urban Development Corporation Limited (2012)	100.0	
100	7.90% Bonds Rs.1,000,000 each of Housing & Urban Development Corporation Limited	107.5	
200	9.25% Gujarat Punarnirman Special Taxfree Bonds Series I of Rs.500,000 each of Housing & Urban Development Corporation Limited	100.0	
200	7.80% Unsecured Redeemable Subordinated Bonds in the nature of Debentures of Rs.1,000,000 each of ICICI Bank Ltd.	200.0	
	Carried over	944.5	
	Carried over		12,052.7



**Schedule 7 - Investments, at Cost (Unless otherwise stated) (Contd.)**

		As at 31st March, 2008	
		Rs. In Million	Rs. In Million
	Brought over		12,052.7
<b>In Bonds : (Contd.)</b>			
<b>Fully Paid : (Contd.)</b>			
<b>Other : (Contd.)</b>			
<b>Quoted : (Contd.)</b>			
	Brought over	944.5	
30,000	7% Omni Bonds of Rs. 5000 each of Industrial Development Bank of India Limited	154.2	
1,000	8% Omni Bonds of Rs.100,000 each of Industrial Development Bank of India Limited	114.7	
350	7.15% Secured Non Convertible Redeemable Bonds in the nature of Debentures (Series-VI) of Rs.1,000,000 each of Indian Oil Corporation Limited	354.3	
200	7.40% Secured Non Convertible Redeemable Bonds in the nature of Debentures (Series-VII) of Rs.1,000,000 each of Indian Oil Corporation Limited	200.0	
150	7.63% Taxable Secured Redeemable Non Convertible Bonds of Rs.1,000,000 each of Indian Railway Finance Corporation Limited - 2012- Series 43JJ	165.4	
50	7.63% Taxable Secured Redeemable Non Convertible Bonds of Rs.1,000,000 each of Indian Railway Finance Corporation Limited - 2013 - Series 43KK	55.3	
50	7.63% Taxable Secured Redeemable Non Convertible Railway Bonds of Rs.1,000,000 each of Indian Railway Finance Corporation Limited - 2014 - Series 43LL	55.4	
50	9% Tax Free Secured Redeemable Non Convertible Bonds of Rs.1,000,000 each of Indian Railway Finance Corporation Limited - Series 17 (2015)	50.0	
100	8.75% Taxable Secured Redeemable Non Convertible Bonds of Rs.1,000,000 each of Indian Railway Finance Corporation Limited	100.1	
50	8.75% Unsecured Redeemable Subordinated Bonds in the nature of Promissory Notes of Rs.1,000,000 each of ING Vysya Bank Limited	50.0	
	Carried over	2,243.9	
	Carried over		12,052.7

**Schedule 7 - Investments, at Cost (Unless otherwise stated) (Contd.)**

		As at 31st March, 2008	
		Rs. In Million	Rs. In Million
	Brought over		12,052.7
<b>In Bonds : (Contd.)</b>			
<b>Fully Paid : (Contd.)</b>			
<b>Other : (Contd.)</b>			
<b>Quoted : (Contd.)</b>			
	Brought over	2,243.9	
500	6.40% Secured Taxable Non Convertible (Central Government Guaranteed) Bonds of Rs.500,000 each of ITI Limited - Series J - Option I	250.0	
2,000	6.35% Redeemable Non Convertible Taxable Bonds in the nature of Debentures of Rs.100,000 each of National Textile Corporation Limited - Series III	200.0	
100	9.50% Capital Gain Bonds of Rs.1,000,000 each of National Bank for Agriculture and Rural Development	101.2	
200	9% Tax Free Secured Redeemable Bonds of Nuclear Power Corporation of India Limited of face value of Rs.100,000 each Series XIV (2015)	20.0	
250	7% Unsecured Redeemable Non Cumulative Taxable Bonds in the nature of Debentures of Rs.1,000,000 each of Power Finance Corporation Limited - Series XXII	250.5	
200	9.22% Unsecured, Redeemable, Non-Convertible, Non-cumulative, Taxable Bonds in the nature of Debentures of Rs.1,000,000 each of Power Finance Corporation Limited	201.2	
40	8.63% Secured Redeemable Non Convertible Bonds in the nature of Debentures of Rs.1,250,000 each of Power Grid Corporation of India Limited - Series 13G-2012	55.8	
40	8.63% Secured Redeemable Non Convertible Bonds in the nature of Debentures of Rs.1,250,000 each of Power Grid Corporation of India Limited - Series 13H-2013	55.9	
80	8.73% Secured, Non Convertible, Non-cumulative, Redeemable, Taxable Bonds XXI-Issue 2006-07 of Rs.1,250,000 each of Power Grid Corporation of India Limited	101.5	
80	10.10% Secured, Non Convertible, Non-cumulative, Redeemable, Taxable Bonds Issue 2006-07 of Rs.1,250,000 each of Power Grid Corporation of India Limited	100.4	
40	10.10% Secured, Non Convertible, Non-cumulative, Redeemable, Taxable Bonds Issue 2006-07 of Rs.1,250,000 each of Power Grid Corporation of India Limited	50.2	
	Carried over	3,630.6	
	Carried over		12,052.7

## Schedule 7 - Investments, at Cost (Unless otherwise stated) (Contd.)

		As at 31st March, 2008	
		Rs. In Million	Rs. In Million
	Brought over		12,052.7
<b>In Bonds : (Contd.)</b>			
<b>Fully Paid : (Contd.)</b>			
<b>Other : (Contd.)</b>			
<b>Quoted : (Contd.)</b>			
	Brought over	3,630.6	
200	7.45% Subordinated Non Convertible Bonds of Rs.1,000,000 each of State Bank of India	200.0	
200	8.96% Subordinated Non Convertible Bonds of Rs.1,000,000 each of State Bank of India	201.4	
300	10.20% Subordinated Non Convertible Bonds of Rs.1,000,000 each of State Bank of India	300.0	
100	9.90% Subordinated Non Convertible Bonds of Rs.1,000,000 each of State Bank of Patiala	106.4	
200	7.45% Unsecured Redeemable Non Convertible Subordinated Bonds of Rs.1,000,000 each of Union Bank of India - Series VIII	200.0	
7,950,100	6.75% Tax Free UTI US 64 Bonds Guaranteed by Government of India of Rs.100 each	914.1	
7,189,170	6.60% Tax Free UTI ARS Bonds Guaranteed by Government of India of Rs.100 each	735.1	
		<u>6,287.6</u>	
	<b>Less: Amortisation of Premium / Discount on acquisition</b>	<u>19.4</u>	
			6,268.2
<b>In Mutual Fund Units:</b>			
<b>Quoted:</b>			
25,000,000.000	Units of Rs.10 each of ABN Amro Fixed Term Plan - Series 8 : Yearly Plan C	250.0	
71,599,728.876	Units of Rs.10 each of DWS Insta Cash Plus Fund - Super IP-Growth	750.0	
77,734.687	Units of Rs.1,000 each of Standard Chartered Mutual Fund under Standard Chartered Liquidity Manager Plus - Growth Option	<u>90.0</u>	
			1,090.0
	Carried over		<u>19,410.9</u>

**Schedule 7 - Investments, at Cost (Unless otherwise stated) (Contd.)**

		As at 31st March, 2008	
		Rs. In Million	Rs. In Million
Brought over			19,410.9
<b>Current Investments :</b>			
<b>In Certificate of Deposit :</b>			
<b>Quoted:</b>			
500	Certificate of Deposit of Rs.100,000 each of Corporation Bank - 20.05.2008	48.8	
	<b>Add:</b> Amortisation of Premium / Discount on acquisition	0.6	49.4
			19,460.3
	<b>Less:</b> Provision for diminution in value of Investments		888.9
			18,571.4

		Book Value as at 31 March 2008 Rs. In Million	Market Value as at 31 March 2008 Rs. In Million
<b>Quoted</b>		12,295.4	*12,565.7
<b>Unquoted</b>		6,276.0	
		18,571.4	

## Schedule 7 - Investments, at Cost (Unless otherwise stated) (Contd.)

### Notes to Investment Schedule :

#### 1 The following investments were purchased and sold during the year

##### (a) Mutual Funds :

Name of the Company	Quantity Nos	Purchase Cost Rs. In Million	Sale Proceeds Rs. In Million
Standard Chartered Mutual Fund under Liquidity Manager Fund Plus - Growth	103,267,321	115,112.5	115,188.6
Standard Chartered Mutual Fund under Liquidity Manager Fund - Growth	32,443,539	360.0	360.1
DWS Insta Cash Plus Fund SIP Growth	82,371,553,925	850.0	850.2
DWS Money Plus Fund	92,525,548	1,000.2	1,006.0
Chola Mutual Fund Freedom Income STP Growth	61,303,880	750.0	751.6
Chola Liquid Institutional Plus Cumulative	16,092,694	250.0	250.0
Birla Cash Plus Institutional Premium Growth Liquid	164,242,046	2,000.0	2,000.4
Birla Sunlife Liquid Plus Institutional Growth	139,359,203	2,000.4	2,003.3
ING Liquid Super Institutional Growth	13,032,146	150.0	150.0
ING Liquid Plus Fund Institutional Growth	14,505,867	150.0	150.6
Principal Cash Management Liquid Institutional Premium Plan Growth	61,458,282	750.0	750.2
Principal Floating Rate Fund FMP Institutional Growth	60,929,653	750.2	754.8
Reliance Liquid Fund	46,792,309	480.0	480.1
Reliance Liquid Fund Growth	12,916,559,000	150.0	150.0
Reliance Liquid Plus Fund Institutional Growth	143,990	150.0	150.6
Sundaram BNP Paribas Liquid Plus Super Institutional Growth	24,221,255	250.1	250.9
Sundaram BNP Paribas Money Fund Super Institutional Growth	15,319,097	250.0	250.1
UTI Liquid Cash Plan Institutional - Growth Option	107,287	134.6	134.6
UTI Fixed Income Interval Fund Quarterly Plan	13,463,993	134.6	143.8
HDFC Cash Management Fund Saving Plan Growth	18,280,241	301.9	302.0
HDFC FMP 90 D Wholesale Plan Growth	30,196,399	302.0	308.7

##### (b) Certificate of Deposits :

Name of the Company	Quantity Nos	Purchase Cost Rs. In Million	Sale Proceeds Rs. In Million
Axis Bank Ltd. - 13.8.2008	1,000	91.6	93.7
HDFC Bank Ltd. - 9.7.2007	1,000	99.8	100.0
Indian Bank - 10.7.2007	3,500	346.7	350.0
ICICI Bank Ltd. - 13.7.2007	1,000	99.7	100.0
Standard Chartered Bank - 12.11.2007	1,000	95.1	97.7
State Bank of Bikaner & Jaipur - 30.11.2007	1,000	95.7	97.6
State Bank of Hyderabad - 13.3.2008	1,000	96.4	97.1
Union Bank of India - 30.4.2008	1,000	94.4	96.8

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## Schedule 7 - Investments, at Cost (Unless otherwise stated) (Contd.)

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**2 The following Government Securities have been purchased and sold during the year, through SGL Account with Citibank N.A., Mumbai :**

Particulars	Purchase Cost Rs. In Million	Sale Proceeds Rs. In Million
5.48% Government of India Loan, 2009	146.1	146.9
7.37% Government of India Loan, 2014	49.6	50.0
7.55% Government of India Loan, 2010	101.5	102.3
7.99% Government of India Loan, 2017	52.0	52.2
8.33% Government of India Loan, 2036	53.9	52.5

**3 National Savings Certificates of the face value of Rs. 11,500 deposited with Government Department.**

**4\* Quoted Investments for which quotations are not available have been included in market value at the face value / paid up value, whichever is lower, except in case of Debentures, Bonds and Government Securities, where the Net Present Value at current Yield to Maturity have been considered.**

**5 See Note '13' in Schedule '14' to the Accounts.**

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## Schedule 8 - Current Assets, Loans and Advances

	As at 31st March, 2008		
	Rs. In Million	Rs. In Million	Rs. In Million
<b>(a) Inventories</b>			
Stores, at cost *		56.2	
Tools, at cost *		78.9	
Stock-in-trade, at cost or market value whichever is lower :			
Raw Materials and Components		924.4	
Work-in-progress (including factory made components Rs. 103.6 million)		179.4	
Finished Goods:			
Vehicles		1,694.8	
Auto Spare parts, etc.		504.7	
As valued and certified by Management		3,438.4	
Goods in transit, at cost to date		57.7	
			3,496.1
<b>(b) Sundry Debtors, Unsecured</b>			
Outstanding for a period exceeding six months :			
Good	4.0		
Doubtful	22.7		
<b>Less:</b> Provision	22.7		
	—		
		4.0	
Others, Good		2,749.1	
			2,753.1
<b>(c) Cash and Bank Balances</b>			
Cash on hand (including cheques on hand Rs. Nil)		0.6	
Bank Balances :			
With Scheduled Banks:			
In current account		546.1	
In margin deposits		10.0	
In fixed deposits		3.2	
Interest accrued on fixed deposits		0.1	
		559.4	
With Other Banks :			
In current account [See note 18]		0.7	560.7
Carried over			6,809.9

## Schedule 8 - Current Assets, Loans and Advances (Contd.)

	As at 31st March, 2008		
	Rs. In Million	Rs. In Million	Rs. In Million
Brought over			6,809.9
<b>(d) Other Current Assets, good</b>			
(Unless otherwise stated)			
Dividend and Interest receivable on Investments		8.0	
Interest receivable on Loans, Deposits etc.		20.2	
Export Incentives Receivable		771.3	
		<u>799.5</u>	
<b>(e) Loans and Advances, unsecured, good</b>			799.5
(Unless otherwise stated)			
Loan to Bajaj Auto Finance Limited		405.0	
Loan to Suppliers		283.8	
Advances Recoverable in Cash or in kind or for value to be received:			
Due from Subsidiaries	—		
@ Others, Good	1,367.2		
Doubtful	42.5		
<b>Less:</b> Provision	42.5		
	<u>—</u>		
		1,367.2	
Advances for capital assets		830.8	
VAT refund receivable		1,310.7	
Balances with Customs and Central Excise Departments		440.3	
Sundry Deposits		263.0	
Tax paid in Advance		3,986.9	
		<u>8,887.7</u>	
<b>Total</b>			<u>16,497.1</u>

\* Except obsolete and slow moving inventory at estimated realisable value

@ Includes amount due from an Officer of the Company Rs. 67,500

Maximum balance outstanding during the year Rs. 82,500



## Schedule 9 - Current Liabilities and Provisions

	As at 31st March, 2008	
	Rs. In Million	Rs. In Million
<b>(a) Liabilities</b>		
Sundry Creditors:		
Dues to Micro and Small enterprises	13.8	
Other than dues to Micro and Small enterprises	9,430.8	
		9,444.6
Advances against Orders		948.4
Investor Education Protection Fund (Rs. 20,260)		—
Deposit from Dealers and others		39.5
		10,432.5
<b>(b) Provisions</b>		
Provision for Warranty Claims	270.0	
Provision for Employee Benefits [See note 16 ]	723.9	
Provision for Taxation	3,961.0	
Proposed Dividend	2,893.7	
Provision for Corporate Dividend Tax on Proposed Dividend	491.8	
		8,340.4
<b>Total</b>		<b>18,772.9</b>

## Schedule 10 - Other Income

	Rs. In Million	Rs. In Million
Royalty		13.7
Interest[Gross-Tax Deducted Rs. 124.2 million]		
On Government Securities	486.1	
On Debentures and Bonds	513.8	
On Loans	33.3	
Other	244.9	
	1,278.1	
<b>Less:</b> Amortisation of premium / discount on acquisition of fixed income securities	16.4	
		1,261.7
Rent		1.8
Insurance Claims		5.5
Export Incentives		1,653.4
Miscellaneous Receipts		1,240.5
Surplus on Sale of Assets		71.6
Profit on Sale of Investments,net *		205.6
Surplus on redemption of Securities *		2.9
Bad Debts Recovered		3.5
Sundry Credit balances appropriated		11.3
Provisions for Doubtful Debts and Advances written back	0.5	
<b>Less:</b> Write backs on account of amounts written off during the year,as per contra	0.1	
		0.4
Provisions no longer required		583.6
<b>Total</b>		<b>5,055.5</b>

\* Including on Current Investments Rs. 13.6 million

## Schedule 11 - Materials

	Rs. In Million	Rs. In Million
<b>(a) Raw materials and components consumed</b>		63,455.9
<b>(b) Finished Goods purchases</b>		
Two Wheelers	—	
Auto Spare-Parts	3,384.6	
Engineering Products, for export	13.2	
		3,397.8
<b>(c) Excise duty on increase / (decrease) in stocks of finished goods, at Plant</b>		28.5
<b>(d) (Increase) / Decrease in Stocks</b>		
Stocks at close		
Work in progress(including factory made components Rs.103.6 million - Opening Rs. 89.6 million)	179.4	
Finished Goods	1,694.8	
Auto Spare Parts	504.7	
	2,378.9	
<b>Less:</b> Stocks at commencement, transferred under the scheme of arrangement, detailed in Note No. 1		
Work in progress(including factory made components Rs. 89.6 million)	195.8	
Finished Goods	1,123.2	
Auto Spare Parts	381.4	
	1,700.4	
		(678.5)
<b>Total</b>		<b>66,203.7</b>

## Schedule 12 - Other Expenses

	Rs. In Million	Rs. In Million
Stores and tools consumed		746.7
Power, fuel and water		692.0
Repairs		
Buildings and Roads	210.1	
Machinery	489.0	
Other	25.8	
		724.9
Employees' Emoluments		
Salaries, wages, bonus etc.	2,726.9	
Contribution to Provident and other funds and schemes	394.4	
Welfare expenses	294.9	
		3,416.2
Rent		56.7
Rates and taxes		11.2
Insurance		16.0
Auditors' Remuneration		7.9
Directors' fees and travelling expenses		0.4
Managing Directors' remuneration		
Salary	4.5	
Commission	13.5	
		18.0
Wholetime Directors' remuneration		
Salary	16.1	
Commission	46.8	
		62.9
Commission to Non Executive Directors		3.8
Miscellaneous expenses		1,329.8
Sales tax / VAT expenses		368.6
Packing, forwarding etc.		1,474.6
Advertisement		1,271.5
Vehicle service charges and other expenses		758.8
Commission and Discount		108.7
Incentives & Sales Promotion		293.6
Royalty		35.8
Donations		52.5
Bad debts and other irrecoverable debit balances written off	0.5	
<b>Less:</b> Provisions made in earlier years in respect of amounts written off during the year, adjusted as per contra	0.1	
		0.4
Loss on assets sold, demolished, discarded and scrapped		63.3
Provision for Doubtful Debts and Advances		8.5
Amount written off against Technical Know-how		12.4
Amount written off against leasehold land		6.6
Preliminary expenses written off		11.2
<b>Total</b>		<b>11,553.0</b>

## Schedule 13 - Interest

	Rs. In Million
<b>Interest:</b>	
On Fixed Loans (Rs. 1,241)	—
Others	51.6
<b>Total</b>	<b>51.6</b>

## Schedule 14 - Notes forming part of financial statements

- 1 The Company was incorporated on 30th April 2007 with the object of carrying out investment activity under the name Bajaj Holdings & Investment Ltd.

Under a scheme of arrangement under Section 391 to 394 of the Companies Act, 1956 between the company and erstwhile Bajaj Auto Ltd., the "Manufacturing Undertaking" of erstwhile Bajaj Auto Ltd. vested with the company retrospectively from 1st April 2007 (The Appointed date)"

The Manufacturing Undertaking comprises of the business of manufacturing of and dealing in two, three and four-wheeled vehicles and spare parts and accessories thereof and comprises of all the assets(whether moveable or immovable, tangible or intangible, real or personal, corporeal or incorporeal, present, future or contingent) and liabilities, which relate thereto or are necessary therefore, including items specifically set out in detail in the scheme of arrangement.

The said scheme became effective from 20th February 2008 ("Effective Date") upon which,

- i) The business of the "Manufacturing Undertaking" together with all related assets, liabilities and employees, including items specifically listed in the scheme were deemed to have been vested and transferred with the company with retrospective effect from 1st April 2007
- ii) The business of the Manufacturing Undertaking was deemed to have been carried out by erstwhile Bajaj Auto Ltd., in trust for the company upto the effective date.
- iii) The name of the company changed to Bajaj Auto Ltd.
- iv) The said transfer and vesting of the business and its assets were deemed to be on a going concern basis.
- v) The accounting treatment and recognition of the above was to be as specified in Part V of the scheme.

Accordingly these financial statements incorporate the results of the activities carried out by the erstwhile Bajaj Auto Ltd. in trust for the company from 1st April 2007 to 20th February, 2008.

The details of the Assets and Liabilities relating to the Manufacturing undertaking transferred and vested with the company with effect from 1st April 2007, the appointed date are as follows:

### Assets

#### Fixed Assets

Gross Block	27,697.7	
Accumulated Depreciation	<u>16,503.9</u>	
Net Block		11,193.8
Capital work in Progress		<u>269.2</u>
Total Fixed Assets		11,463.0

#### Technical Know-how

41.3

#### Investments

In fixed income Securities	16,173.6	
In subsidiaries, associates, joint ventures and others	<u>562.7</u>	
		16,736.3

#### Current Assets, Loans and Advances

a) Inventories	3,097.0	
b) Sundry Debtors	5,298.3	
c) Cash & Bank Balances	568.8	
d) Other Current Assets	299.9	
e) Loans and Advances	<u>3,952.6</u>	
		13,216.6

#### Current Liabilities and Provisions

a) Current Liabilities	14,649.4	
b) Provisions	<u>674.9</u>	
		15,324.3

#### Net working Capital

(2,107.7)

#### Total Assets

26,132.9

Carried over

26,132.9

## Schedule 14 - Notes forming part of financial statements (Contd.)

	Brought over	26,132.9	
<b>Loans</b>			
Secured Loans	224.6		
Unsecured Loans	13,129.3		
	13,353.9		
<b>Deferred Tax Liability (net)</b>	606.8		
		<b>13,960.7</b>	
<b>Net Worth</b>			<b>12,172.2</b>
<b>Represented by:</b>			
Share Capital (To be issued and allotted on the effective date)			1,011.8
General Reserve			11,160.4
Net Worth			<b>12,172.2</b>

As at  
31st March 2008

		Rs. In Million
2	(A) Contingent liabilities not provided for in respect of :	
	(i) Sales Bills Discounted	—
	(ii) Claims against the Company not acknowledged as debts	5,014.1
	(iii) Guarantees given by the Company to Housing Development Finance Corporation Ltd. - for loans to Employees	10.1
	(iv) Excise and Customs demand - matters under dispute and Claims for refund of Excise Duty, if any, against Excise Duty Refund received in the earlier year	792.8
	(v) Income-Tax matters under dispute - Appeal by Company	—
	Appeal by Department	—
	(v) Sales Tax matters under dispute	425.9
	(vi) Sales tax deferral liability devolving upon Bajaj Finserv Limited upon scheme of arrangement	3,107.6
	(vii) Claims made by temporary workmen Pending before various courts in respect of similar matters adjudicated by the Supreme Court in the past. The matter is contingent on the facts and evidence presented before the courts / adjudicating authorities and not necessarily likely to be influenced by the Supreme Courts order	Liability unascertained
	(B) The Company has imported Capital Goods under the Export Promotion Capital Goods Scheme, of the Government of India, at concessional rates of duty on an undertaking to fulfill quantified exports, which have been entirely fulfilled by the close of the year. However, formal discharge from obligation by discharge of license by the appropriate authorities is in progress.	
3	Estimated amounts of contracts remaining to be executed on capital account and not provided for, Net of Advances.	1,942.4
4	Payments to Auditors :	

	Auditors	Cost Auditors
	2007-08 Rs. In Million	2007-08 Rs. In Million
(i) As Auditors	4.2	0.3
(ii) In other capacity:		
For tax audit	0.7	—
For limited review	—	—
Certificates & other matters	2.7	—
	<b>Sub-Total</b>	<b>0.3</b>
(iii) For expenses	7.6	—
	<b>Total</b>	<b>0.3</b>

## Schedule 14 - Notes forming part of financial statements (Contd.)

	As at 31st March 2008
	Rs. In Million
5 C.I.F Value of Imports, Expenditure and Earnings in Foreign Currencies etc:	
(a) C.I.F. Value of Imports *	
(i) Raw materials:	
Steel and Non-Ferrous Material	465.6
Components	2,277.2
	2,742.8
(ii) Machinery Spares	74.2
(iii) Capital Goods	416.8
* Excluding C.I.F. Value of Stores, Tools, etc. Rs. 34.7 million	
(b) Expenditure in foreign currencies:	
(i) Travelling expenses	15.0
(ii) Royalty, net of tax	36.0
(iii) Technical Consultancy, net of tax	115.4
(iv) Commission on Exports	—
(v) Research and Development Expenses	11.4
(vi) Advertisement & publicity	1.9
(vii) Other matters	118.5
(viii) Capital Expenditure at Dubai Office	0.6
(ix) Capital Expenditure at Indonesia Office	—
(x) Capital Expenditure at Sri Lanka Office	1.2
(c) Earnings in foreign currencies:	
(i) F.O.B. Value of exports	20,458.0
(ii) F.O.B. Value of exports - goods traded in	20.1
(iii) Forwarding charges exports recovered	265.6
(iv) Interest	16.3
(v) Royalty	13.7
(vi) Technical Know how	—
(vii) Asset sale	3.4
(viii) Others	0.6
(d) Exchange differences on account of fluctuations in foreign currency rates	
(a) Exchange difference gains / (loss) recognised in the Profit and Loss account.	
(i) relating to Exports during the year as a part of "Sales"	534.5
(ii) on settlement of Export receivables carried forward from the previous accounting period as a part of "Other Income"	(20.6)
(iii) on settlement of other transactions including cancellation of forward contracts as a part of "Other income / (Other Expenses)"	767.7
(iv) on realignment of open forward contracts against exports of the year	(0.1)
(v) on realignment of open forward contracts against future exports	(167.0)
(b) amount of premium / (discount) on open forward contracts	
(i) recognised for the year in the profit and loss account	45.9
(ii) to be recognised in the subsequent accounting period	104.1
(e) Foreign exchange derivatives and exposures outstanding at close of the year: (disclosed in equivalent US Dollars for sake of brevity, uniformity and comparability)	

Nature of Instrument	Aggregate amount in US Dollars (Millions) As at 31st March 2008	Purpose of Hedging / Speculations
(I) Foreign Exchange Derivatives		
(a) Forward contracts		
Forward purchase	Nil	
Forward sale	350.0	Hedging
Option sale	12.0	Hedging
(b) Currency swaps	Nil	
(c) Interest swaps	Nil	
(d) Currency and interest swaps	Nil	
(e) Others	Nil	
(II) Open Foreign Exchange Exposures		
(a) Receivables	4.8	
(b) Payables	19.4	
(c) Loans	—	
(d) Others	—	

Schedule 14 - Notes forming part of financial statements (Contd.)

	2007- 2008	
	Rs. In Million	Rs. In Million
<b>6 Managerial Remuneration:</b>		
(a) Computation of Net Profits in accordance with Section 198(1) and Section 349 of Companies Act, 1956		
(i) Profit as per Profit and loss Account		7,557.8
<b>Add:</b> Managing Directors' Remuneration (including perquisites)	20.3	
Wholetime Directors' Remuneration (including perquisites)	78.7	
Commission to Non-Executive Directors	3.8	
Provision for Taxation	3,787.8	
		3,890.6
<b>Less:</b> Excess of Sales price over cost of assets sold	8.3	
Provision for doubtful debts and advances written back	0.5	
Provisions no longer required	583.6	
		592.4
Profit on which commission is payable		10,856.0
(ii) Commission to Chairman - Shri Rahul Bajaj Commission payable as determined by the Board of Directors to be limited to an amount equal to thrice the annual salary for the year		21.6
(iii) Commission to Wholetime Director - Shri Madhur Bajaj Commission payable as determined by the Board of Directors to be limited to an amount equal to thrice the annual salary for the year		15.3
(iv) Commission to Managing Director - Shri Rajiv Bajaj Commission payable as determined by the Board of Directors to be limited to an amount equal to thrice the annual salary for the year		13.5
(v) Commission to Executive Director - Shri Sanjiv Bajaj Commission payable as determined by the Board of Directors to be limited to an amount equal to thrice the annual salary for the year		9.9
(vi) Commission to Non-Executive Directors Commission @ 1% on Rs. 10,856.0 million Maximum Commission restricted to Rs. 50,000/- per Board meeting or committee thereof attended, per person.		108.6
		3.8



## Schedule 14 - Notes forming part of financial statements (Contd.)

- (b) The Profit & Loss Account includes payments and provisions on account of remuneration to the Managing Director and Wholetime Directors as under

	Managing Director			Wholetime Directors		
	For the period 1st April 2007 to 20th February 2008 (Pre-Effective date)	For the period 20th February 2008 to 31st March 2008 (Post-Effective date)	Total for the financial year	For the period 1st April 2007 to 20th February 2008 (Pre-Effective date)	For the period 20th February 2008 to 31st March 2008 (Post-Effective date)	Total for the financial year
	Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million
(i) Salary	4.0	0.5	4.5	14.3	1.8	16.1
(ii) Commission	12.0	1.5	13.5	41.6	5.2	46.8
(iii) Privilege Leave Entitlement	0.4	0.1	0.5	1.2	0.1	1.3
(iv) Contribution to Provident Fund, Superannuation & Gratuity	1.5	0.2	1.7	5.1	0.6	5.7
(v) Other perquisites	0.1	—	0.1	1.9	0.2	2.1
(vi) Estimated monetary value of perquisite in form of:						
Unfurnished Accommodation	—	—	—	4.4	0.6	5.0
Furniture at Residence	—	—	—	1.5	0.2	1.7
	18.0	2.3	20.3	70.0	8.7	78.7

Note:

- a The executive Directors of erstwhile Bajaj Auto Ltd. have, upto the effective date, performed their functions in executive capacity, predominantly for the business of the Manufacturing Undertaking. Consequently, in terms of the scheme, their executive functions have been transferred alongwith other employees of the said undertaking to this company, retrospectively. Hence the remuneration paid to them during the period the business was conducted in trust by Bajaj Auto Ltd. for the company, has been considered as an expense and accordingly been shown in the above table.
- b The executive function of the above directors of the company, as well as their remuneration, was formally established with effect from 20th February, 2008, the date on which the scheme became effective.

**Schedule 14 - Notes forming part of financial statements (Contd.)**

		2007-2008	
7. Details of raw materials consumption, goods traded in and Machinery Spares Consumption	Unit	Qty.	Rs. In Million
(i) Raw materials (including components) consumed			
(a) Ferrous Metal	M.T.	15,366	568.6
	Mtrs.	1,087	0.1
(b) Non-Ferrous Metal	M.T.	2,688	296.7
(c) Tyres & tubes	Nos.	6,173,713	1,252.3
(d) Other Components			60,928.9
(e) Others			409.3
	<b>Total</b>		<u>63,455.9</u>
(ii) Imported and indigenous raw material consumption (including components)			
		<u>Rs. In Million</u>	<u>Percentage</u>
(a) Imported (including Customs Duty and other related charges )		1,504.2	2.4
(b) Indigenous		61,951.7	97.6
	<b>Total</b>	<u>63,455.9</u>	<u>100.0</u>
(iii) Imported and indigenous Machinery Spares Consumed			
		<u>Rs. In Million</u>	<u>Percentage</u>
(a) Imported (including Customs Duty and other related charges )		20.5	7.4
(b) Indigenous		254.8	92.6
	<b>Total</b>	<u>275.3</u>	<u>100.0</u>
(iv) Details of goods traded in-Purchases			
		<u>Nos.</u>	<u>Rs. In Million</u>
Two Wheelers		—	—
Auto Spare Parts			3,384.6
Engineering products, for export			13.2
	<b>Total</b>		<u>3,397.8</u>

Schedule 14 - Notes forming part of financial statements (Contd.)

		2007-2008	
		Nos.	Rs. In Million
8	Details of Licensed & Installed Capacity, Production, Stocks and Turnover		
	Class of Goods		
	(I) Motorised Two Wheelers & Three Wheelers upto 350 cc Engine capacity		
	(i) Licensed Capacity		
	(including two Wheelers c.k.d packs- 200,000 Nos.) (a)	1,639,350	
	(ii) Installed Capacity (b)	3,960,000	
	(iii) Production	2,477,151	
	(iv) Stocks:		
	At commencement: as transferred under Scheme of Arrangement (See Note 1)		
	Two & Three-Wheelers	36,656	1,123.2
	Goods Traded in:		
	Two Wheelers	—	—
	Auto Spare Parts (c)		381.4
	Engineering Products, for export		—
	<b>Total</b>		<b>1,504.6</b>
	At Close		
	Two & Three-Wheelers	62,396	1,694.8
	Goods Traded in:		
	Two Wheelers	—	—
	Auto Spare Parts (c)		504.7
	Engineering Products, for export		—
	<b>Total</b>		<b>2,199.5</b>
	(iv) Turnover		
	Two & Three-Wheelers	2,451,407	91,108.1
	Goods Traded in:		
	Two Wheelers	—	—
	Auto Spare Parts (including factory made parts)		5,776.3
	Engineering Products, for export		15.1
	<b>Total</b>		<b>96,899.5</b>
	(v) Other:		
	Dismantled, Scrapped, Free of Charge	4	
	(vii) Details of c.k.d.packs included in above		
	Stocks at commencement	5,317	
	Production	291,327	
	Turnover:		
	Maharashtra Scooters Ltd.	—	
	Export	281,706	
	Stocks at Close	14,938	
	(II) Special Purpose Machine Tools		
	(i) Licensed Capacity (a)	80	
	(ii) Installed Capacity (b)	80	
	(iii) Production	66	
	(iv) Capitalised	66	

## Schedule 14 - Notes forming part of financial statements (Contd.)

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### Notes:

- (a) Licensed Capacity is stated as per the Original License held by the erstwhile Bajaj Auto Ltd. (pre-demerger). However, the Company's products are exempt from Licensing requirements under New Industrial Policy in terms of notification no. s.o. 477 (E) dated 25th July, 1991.
- (b) As certified by the Vice President (Engg) and being a technical matter, accepted by the Auditors as correct. Includes capacity installed at Pantnagar, Uttaranchal, which has been put to use during the year on 9th April 2007.
9. The Company has, with effect from 3rd September 2007, discontinued its vehicle assembly facilities at Akurdi Plant. The available infrastructure land, building and some machinery, with suitable modification, would be employed for business purposes including enhancing product and technology development capabilities. Consequently, surplus / redundant machinery, dies, components and spares have been identified in respect of which the company has during the period recognised a provision estimated at Rs. 81.7 million towards assessed losses.
10. Significant Accounting Policies followed by the Company are as stated in the Statement annexed to this schedule.
11. This being the first financial year since incorporation, no statement of cash flows has been drawn up under the indirect method adopted by the company.
12. As the scheme became effective only on 20th February 2008 the titles to the assets vested and arising out of the business conducted thereafter could not, where necessary, be transferred, as at 31st March 2008. Hence the same were held in trust for the company by Bajaj Holdings and Investment Ltd.
13. Investments:
  - a. Fixed Income Securities transferred to and vested with the company, consequent to the demerger of erstwhile bajaj auto ltd. were as per the scheme of arrangement discussed in Note No. 1 above recognised at their fair market values, where the carrying cost on 1st April 2007 was higher. Fair Market values as at 1st April 2007 have been determined with reference to the yield prevailing in the market for similar types of securities. The resulting diminution, net of deferred tax aggregating Rs. 323.7 million, amounting to Rs. 903.6 million, as per the said scheme, is provided for by a debit to the General Reserve.
  - b. Investments made by the Company other than those with a maturity of less than one year, being of long-term nature, diminution in the value of quoted Investments are not considered to be of a permanent nature. However, on an assessment of non-performing investments (quoted and unquoted) as per guidelines adopted by the Company during the period ended 31st March 2008, the management has not determined any further provisions for possible diminution / losses.
14. The Windfarm business transferred and vested with Bajaj Finserv Ltd. w.e.f. 1st April 2007, generated power which has been consumed / utilised by the manufacturing undertaking transferred and vested with the company. Accordingly, 90% of the estimated value of benefit availed by the company, payable to Bajaj Finserv Ltd., is recognised as expense in the Profit and Loss account. The said arrangement is pending finalisation of terms and conditions between the two parties.
15. The Sales tax benefit availed by the company by virtue of assignment of incentives attached to the wind farm business, has been passed-on to the Bajaj Finserv Ltd. The obligation to repay could devolve on the company if not settled by Bajaj Finserv Ltd. The said arrangement is pending finalisation of terms and conditions between the two parties.

## Schedule 14 - Notes forming part of financial statements (Contd.)

16. Liability for employee benefits has been determined by an actuary, appointed for the purpose, in conformity with the principles set out in the accounting standard 15 (Revised) the details of which are as hereunder.

(Rs. In Million)

<b>Amount To Be Recognised in Balance Sheet</b>		As at 31 March 2008	
		<b>Gratuity</b>	<b>Compensated Absences</b>
Present Value of Funded Obligations	1,006.3	—	—
Present Value of Unfunded Obligations	—	—	286.7
Fair Value of Plan Assets (managed by insurer)	(569.1)	—	—
<b>Net Liability</b>	<b>437.2</b>	<b>437.2</b>	<b>286.7</b>
Amounts in Balance Sheet			
Liability	437.2	—	286.7
Assets	—	—	—
<b>Net Liability</b>	<b>437.2</b>	<b>437.2</b>	<b>286.7</b>
<b>Expense To Be Recognized in the Statement of P&amp;L</b>			
Current Service Cost	45.2		
Interest on Defined Benefit Obligation	68.9		
Expected Return on Plan Assets	(39.8)		
Net Actuarial Losses / (Gains) Recognized in Year	104.2		
Losses / (Gains) on "Curtailments & Settlements"	13.7		
<b>Total, Included in "Employee Benefit Expense"</b>	<b>192.2</b>		<b>81.6</b>
Actual Return on Plan Assets	45.0		
<b>Reconciliation of Benefit Obligations &amp; Plan Assets For the Period</b>			
<b>Change in Defined Benefit Obligation</b>			
<b>Opening Defined Benefit Obligation</b>	<b>872.9</b>		
Current Service Cost	45.2		
Interest Cost	68.9		
Actuarial Losses / (Gains)	109.4		
Actuarial Losses / (Gains) due to Curtailment	13.7		
Benefits Paid	(103.8)		
<b>Closing Defined Benefit Obligation</b>	<b>1,006.3</b>		
<b>Change in Fair Value of Assets</b>			
<b>Opening Fair Value of Plan Assets</b>	<b>521.2</b>		
Expected Return on Plan Assets	39.8		
Actuarial Gains / (Losses)	5.2		
Contributions by Employer	106.7		
Benefits Paid	(103.8)		
<b>Closing Fair Value of Plan Assets</b>	<b>569.1</b>		
<b>Principal Actuarial Assumptions (Expressed as Weighted Averages)</b>			
Discount Rate (p.a.)	7.65%		7.65%
Expected Rate of Return on Assets (p.a.)	7.50%		
Salary Escalation Rate (p.a.) - Senior Staff	7.00%		7.00%
Salary Escalation Rate (p.a.) - Junior Staff	6.00%		6.00%

## Schedule 14 - Notes forming part of financial statements (Contd.)

17. Deferred Tax adjustments recognised in the financial statements are as under:

(Rs. In Million)

Particulars	Balance assigned on demerger As at 1st April, 2007	Arising against adjustments to General Reserve, on accounting treatment specified in the Scheme	Arising during the period ended 31st March 2008	Balance carried As at 31st March, 2008
<b>Deferred Tax Liabilities:</b>				
On account of timing difference in				
a) Depreciation and Amortisation	1,405.8	—	13.6	1,419.4
<b>Total</b>	1,405.8	—	13.6	1,419.4
<b>Deferred Tax Assets:</b>				
On account of timing difference in				
a) Voluntary Retirement Scheme costs	230.4	—	188.3	418.7
b) Inventory Valuation (Section 145 A of the Income Tax Act ,1956)	92.6	—	92.0	184.6
c) Diminution in the value of investments	9.2	—	—	9.2
d) Provision for bad and doubtful debts, DEPB, ICDs etc.	21.5	—	3.9	25.4
e) Provision for privilege leave etc.	120.4	—	16.3	136.7
f) Taxes, duties etc	124.5	—	—	124.5
g) Amortisation of premium / discount on acquisition of fixed income securities	79.8	—	(16.4)	63.4
h) Adjustments on account of gratuity provisions	120.6	—	28.0	148.6
i) Transitional provision for diminution in value of investments	—	323.7	(125.2)	198.5
<b>Total</b>	799.0	323.7	186.9	1,309.6
<b>Net</b>	606.8	(323.7)	(173.3)	109.8

18. Balances with Non-scheduled foreign banks (Current Accounts):

Name of Bank	Country	Balance as at 31st March	Maximum Balance outstanding during the year
		(Rs. In Million)	(Rs. In Million)
1 CitiBank	Indonesia	0.1	2.2
2 Standard Chartered Bank	Sri Lanka	0.3	1.7
3 Danamon	Indonesia	0.1	0.1
4 Standard Chartered Bank	Dubai	0.2	1.1
<b>Total</b>		0.7	

## Schedule 14 - Notes forming part of financial statements (Contd.)

19. Deposits include a sum of Rs. 80 million against use of premises on a Leave License basis, placed with Directors and their relatives, jointly and severally.
20. The Company during the period, acquired 24.45% equity in KTM Power Sports AG through its wholly owned subsidiary Bajaj Auto International Holdings BV.
21. Future minimum lease rental in respect of assets
- (i) given on operating lease in the form of office premises after April 1, 2001  
Minimum future lease payments as on March 31, 2008:
- (a) Receivable within one year - Rs. 2.3 million
- (b) Receivable between one year and five years - Rs. 6.8 million
- (c) Receivable after five years - Rs. Nil
- (ii) taken on operating lease in the form of office premises after April 1, 2001  
Minimum future lease payments as on March 31, 2008:
- (a) Payable within one year- Rs. 30.1 million
- (b) Payable between one year and five years- Rs. 48.5 million
- (c) Payable after five years - Rs. 113.9 million
22. Segment Information based on the Consolidated Financial Statements attached to the Independent Financial Statements has been disclosed in the Statement annexed to this Schedule.
23. Disclosure of transactions with Related Parties, as required by Accounting Standard 18 'Related Party Disclosures' has been set out in a separate statement annexed to this Schedule. Related parties as defined under clause 3 of the Accounting Standard have been identified based on representations made by key managerial personnel and information available with the Company.
24. Since the company has been extended credit period of 45 days by its vendors and payments being released on a timely basis, there is no liability towards interest on delayed payments under "The Micro, Small and Medium Enterprises Development Act 2006" during the year. There is also no amount of outstanding interest in this regard, brought forward from previous years. The above information is on basis of intimation received, on requests made by the company, with regards to vendors registration under the said Act.
25. Amounts less than Rs. 50,000 have been shown at actual against respective line items statutorily required to be disclosed.
26. This being the first financial year of the company, previous years figures have not been disclosed.

### Signature to Schedules "1" to "14"

As per our attached report of even date  
For and on behalf of Dalal and Shah  
Chartered Accountants

Anish Amin  
Partner  
Membership No. 40451  
Mumbai: 22 May 2008

J. Sridhar  
Company Secretary

Rahul Bajaj

Madhur Bajaj  
Rajiv Bajaj  
Sanjiv Bajaj

D.S. Mehta  
Kantikumar R. Podar  
Shekhar Bajaj  
D. J. Balaji Rao  
J. N. Godrej  
S.H. Khan

Chairman

Vice Chairman  
Managing Director  
Executive Director

Suman Kirloskar  
Naresh Chandra  
Nanoo Pamnani  
Manish Kejriwal  
P. Murari  
Niraj Bajaj

} Directors

## **Annexure referred to in Note No. 10 in Schedule 14 to the Financial Statements for the financial year ended 31st March 2008**

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### **Statement of Significant Accounting Policies**

#### **1) System of Accounting**

- i) The Company follows the mercantile system of accounting and recognises income and expenditure on an accrual basis except in case of significant uncertainties.
- ii) Financial Statements are prepared under the Historical cost convention. These costs are not adjusted to reflect the impact of changing value in the purchasing power of money.
- iii) Estimates and Assumptions used in the preparation of the financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the Financial Statements, which may differ from the actual results at a subsequent date.

#### **2) Revenue recognition:**

##### **a) Sales:**

- i) Domestic Sales are accounted for on despatch from the point of sale.
- ii) Export sales are recognised on the basis of the dates of the Mate's Receipt and initially recorded at the relevant exchange rates prevailing on the date of the transaction.

##### **b) Income:**

The Company recognises income on accrual basis. However, where the ultimate collection of the same lacks reasonable certainty, revenue recognition is postponed to the extent of uncertainty.

- (1) Interest income is accrued over the period of the loan / investment and net of amortisation of premium / discount with respect to fixed income securities, thereby recognising the implicit yield to maturity.
- (2) Dividend is accrued in the year in which it is declared whereby a right to receive is established.
- (3) Profit / loss on sale of investments is recognised on the contract date.
- (4) Benefit on account of entitlement to import goods free of duty under the "Duty Entitlement Pass Book Scheme" is accounted in the year of export if the same can be measured with reasonable accuracy.

#### **3) Fixed Assets and Depreciation**

##### **(A) Fixed Assets**

Fixed Assets except freehold land are carried at cost of acquisition, construction or at manufacturing cost, as the case may be, including pre-operative expenses in the case of self manufactured assets / plants / undertakings, less accumulated depreciation and amortisation.

##### **(B) Depreciation and Amortisation:**

- (a) Leasehold land:

Premium on leasehold land is amortised over the period of lease.



## Annexure referred to in Note 10 in Schedule 14 to the Financial Statements for the financial year ended 31st March 2008

(b) On Plant & Machinery given on Lease:

Depreciation on Plant & Machinery and Dies and Moulds given on lease is being provided at the rates worked out on Straight Line Method over the primary period of lease as stated in the Lease Agreement or at the rates specified in Schedule XIV to the Companies Act, 1956 whichever is higher, on Pro-rata basis with reference to the month of commencement of lease period.

Assets	Rate on Straight Line Method		Status As at 31st March, 2008
	Over the primary Period of lease %	As Specified in Schedule XIV %	
Dies and Moulds			
Primary period 3 years	33.33	11.31	Fully Provided for
Primary period 5 years	20.00	11.31	Fully Provided for

(c) On Pressure Die Casting (PDC) Dies:

Depreciation on certain PDC Dies is provided over the estimated economic life of the dies or at the rates specified in Schedule XIV to the Companies Act, 1956, whichever is higher, proportionate from the month they are put to use.

(d) On other Fixed Assets

Depreciation on all assets is provided on 'Straight Line basis' in accordance with the provisions of Section 205 (2) (b) of the Companies Act 1956, in the manner and at the rates specified in Schedule XIV to the said Act.

- i. Depreciation on additions is being provided on prorata basis from the month of such additions.
- ii. Depreciation on assets sold, discarded or demolished during the year is being provided at their rates upto the month in which such assets are sold, discarded or demolished.

#### 4) Intangible Assets

a) Technical know-how acquired

Expenditure on technical know-how acquired (including Income-tax and R& D cess) is being amortised equally over a period of six years.

b) Technical know-how developed by the company

- i) Expenditure incurred on know-how developed by the company, post research stage, is recognised as an intangible asset, if and only if the future economic benefits attributable are probable to flow to the company and the costs can be measured reliably.
- ii) The cost of Technical Know-how developed is amortised equally over its estimated life i.e. generally three years.

#### 5) Investments

- a) Investments transferred to and vested with the company consequent to the demerger of erstwhile bajaj auto ltd. discussed in Note No. 1 above, are carried at their fair market values with reference to the yield prevailing in the market for similar types of securities as at 1st April 2007 where the carrying cost of such investments are higher than the so arrived fair market value, less amortisation of premium / discount thereafter, as the case may be. The provision for such diminution has been debited to the General Reserve as per the said scheme.

## **Annexure referred to in Note 10 in Schedule 14 to the Financial Statements for the financial year ended 31st March 2008**

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- b) Other Fixed income securities are carried at cost, less amortisation of premium / discount, as the case may be, and provision for diminution, if any, as considered necessary.
- c) Investments other than fixed income securities are valued at cost of acquisition, less provision for diminution as necessary.
- d) Investments made by the Company are of a long-term nature, hence diminutions in value of quoted Investments are generally not considered to be of a permanent nature. However, current investments representing fixed income securities with a maturity less than 1 year are stated at cost adjusted for amortisation and diminution as considered necessary.
- e) The management has laid out guidelines for the purpose of assessing likely impairments in investments and for making provisions based on given criteria. Appropriate provisions are accordingly made, which in the opinion of the management are considered adequate.

### **6) Inventories**

Cost of inventories have been computed to include all costs of purchases, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

- a) Finished stocks, Auto spare parts and Work-in-progress are valued at cost or net realisable value whichever is lower. Finished stocks lying in the factory premises, Branches, Depots are valued inclusive of excise duty.
- b) Stores and Tools are valued at cost arrived at on weighted average basis. However, obsolete and slow moving items are valued at cost or estimated realisable value whichever is lower.
- c) Raw materials and components are valued at cost arrived at on weighted average basis or net realisable value, whichever is lower. However, obsolete and slow moving items are valued at cost or estimated realisable value whichever is lower.
- d) Machinery spares and Maintenance materials are charged out as expense in the year of purchase. However Machinery spares forming key components specific to a machinery and held as insurance spares are capitalised along with the cost of the Asset.
- e) Goods in transit are stated at actual cost incurred upto the date of Balance Sheet.

### **7) Foreign Currency Transactions**

- a) Current Assets and Liabilities in foreign currency outstanding at the close of financial year are revalored at the appropriate exchange rates prevailing at the close of the year.
- b) The gain or loss on decrease / increase in reporting currency due to fluctuations in foreign exchange rates, in case of current assets and liabilities in foreign currency, are recognised in the profit and loss account in the manner detailed in Note No. 5 (d) in Schedule 14 to the accounts.
- c) Fixed Assets purchased at Overseas Branches in foreign exchange are recorded at their historical cost computed with reference to the average rate of foreign exchange remitted to the Branch.
- d) Foreign Exchange Contracts / Derivatives (as Hedging instruments):
  - i) Premium / Discounts are recognised over the life of the contract.
  - ii) Profits and losses arising from either cancellation or utilisation of contracts and on revalorising contracts to cover foreign exchange receivables and liabilities at the close of the year are recognised in the profit and loss account as detailed in Note No. 5 (d) in Schedule 14 to the accounts.

## **Annexure referred to in Note 10 in Schedule 14 to the Financial Statements for the financial year ended 31st March 2008**

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- iii) Outstanding foreign Exchange Contracts / Derivatives to cover future receivables / liabilities resulting, under each category, in an aggregate loss at the close of the year due to revalorisation are provided for as a matter of prudence and recognised in the profit and loss account. Gains, if any, are carried forward for future recognition either on utilisation or cancellation.

### **8) Research & Development Expenditure**

Research & Development Expenditure is charged to revenue under the natural heads of account in the year in which it is incurred. Payments for R&D work by contracted agency are being expensed out upto the stage of completion. However, expenditure incurred at development phase, where it is reasonably certain that outcome of research will be commercially exploited to yield economic benefits to the company, is considered as an Intangible asset and accounted in the manner specified in clause 4 b) above.

### **9) Employee Benefits**

#### **a) Privilege Leave entitlements**

Privilege leave entitlements are recognised as a liability, in the calendar year of rendering of service, as per the rules of the company. As accumulated leave can be availed and / or encashed at any time during the tenure of employment the liability is recognised at the actuarially determined value by an Appointed Actuary.

#### **b) Gratuity**

Payment for present liability of future payment of gratuity is being made to approved Gratuity Fund, which fully covers the same under Cash Accumulation Policy of the Life Insurance Corporation of India. However, any deficit in Plan Assets managed by LIC as compared to the actuarial liability is recognised as a liability immediately.

#### **c) Superannuation**

Defined Contribution to Superannuation fund is being made as per the Scheme of the Company.

- d) Provident Fund Contributions** are made to Company's Provident Fund Trust. Deficits, if any, of the fund as compared to aggregate liability is additionally contributed by the company and recognised as an expense.

- e) Defined Contribution to Employees Pension Scheme 1995** is made to Government Provident Fund Authority.

### **10) Taxation**

- a) Provision for Taxation is made for the current accounting period (reporting period) on the basis of the taxable profits computed in accordance with the Income Tax Act, 1961.
- b) Deferred Tax resulting from timing difference between book profits and taxable profits are accounted for to the extent deferred tax liabilities are expected to crystallise with reasonable certainty. However, in case of deferred tax assets (representing unabsorbed depreciation or carried forward losses) are recognised, if and only if there is virtual certainty that there would be adequate future taxable income against which such deferred tax assets can be realised. Deferred tax is recognised on adjustments to revenue reserves to the extent the adjustments are allowable as deductions in determination of taxable income and they would reverse out in future periods.

### **11) Provisions**

Necessary provisions are made for present obligations that arise out of events prior to the balance sheet date entailing future outflow of economic resources. Such provisions reflect best estimates based on available information.

## Disclosure of Transactions with Related Parties as required by the Accounting Standard - 18

		2007-08	
Name of related party and Nature of relationship	Nature of transaction	Transaction Value	Outstanding amounts carried in the Balance Sheet
		Rs. In Million	Rs. In Million
<b>[a] Subsidiaries:</b>			
Bajaj Auto International Holding BV Amsterdam Netherlands (Fully owned subsidiary)	Contribution to Equity and Share Premium (2,000 Shares of Euro 100 each)	5,692.2	5,692.2
PT. Bajaj Auto Indonesia (97.5 % shares held by Bajaj Auto Ltd.)	Contribution to Equity [121,875 shares of USD 100 each] Sale of Spare Parts & Vehicles SKD Interest Received Warranty Paid Sale of capital goods & other material	12.8 474.3 12.6 2.3 3.6	566.8 227.9 — — —
<b>[b] Associates, Joint Ventures and investing parties:</b>			
Bajaj Holdings & Investment Ltd. [BHIL] (Enterprise controlling Bajaj Auto Limited)	Contribution made to Equity by BHIL [43,500,000 shares of Rs. 10 each] Preliminary expenses incurred by Bajaj Holdings & Investment Ltd. Sale of securities against inter company borrowing	435.0 10.6 1,528.2	435.0 — —
<b>[c] Directors &amp; Relatives:</b>			
Mr. Rahul Bajaj - Chairman (Also key management personnel)	Remuneration Commission Rent paid for premises Deposit paid against premises taken on lease Deposit refunded against premises taken on lease	16.5 21.6 0.2 9.0 4.3	— 21.6 — 9.0 —
Mr. Madhur Bajaj - Wholetime Director (Also key management personnel)	Remuneration Commission Rent paid for premises Deposit paid against premises taken on lease Deposit refunded against premises taken on lease	10.0 15.3 0.2 8.8 4.1	— 15.3 — 8.8 —
Mr. Rajiv Bajaj - Managing Director (Also key management personnel)	Remuneration Commission Rent paid for premises Deposit paid against premises taken on lease Deposit refunded against premises taken on lease	6.7 13.5 0.2 9.0 4.3	— 13.5 — 9.0 —
Mr. Sanjiv Bajaj - Executive Director (Also key management personnel)	Remuneration Commission	4.9 9.9	— 9.9

## Disclosure of Transactions with Related Parties as required by the Accounting Standard - 18

Name of related party and Nature of relationship	Nature of transaction	2007-08	
		Transaction Value	Outstanding amounts carried in the Balance Sheet
		Rs. In Million	Rs. In Million
Rahul Kumar Bajaj (HUF)	Rent paid for premises	0.2	—
	Deposit paid against premises taken on lease	9.0	9.0
	Deposit refunded against premises taken on lease	4.3	—
Rahul Kumar Bajaj Jt. (A/c Kamalnayan Bajaj (HUF))	Rent paid for premises	0.2	—
	Deposit paid against premises taken on lease	9.0	9.0
	Deposit refunded against premises taken on lease	4.3	—
Shekhar Bajaj - Non Executive Director	Commission	0.3	0.3
	Sitting fees (Rs. 20,000)	—	—
	Rent paid for premises	0.2	—
	Deposit paid against premises taken on lease	8.8	8.8
	Deposit refunded against premises taken on lease	4.1	—
Shekhar Bajaj (A/c Shekhar Bajaj (HUF))	Rent paid for premises	0.2	—
	Deposit paid against premises taken on lease	8.8	8.8
	Deposit refunded against premises taken on lease	4.1	—
Ramkrishna Bajaj (HUF)	Rent paid for premises	0.2	—
	Deposit paid against premises taken on lease	8.8	8.8
	Deposit refunded against premises taken on lease	4.1	—
Niraj Bajaj - Non Executive Director	Commission	0.2	0.2
	Sitting fees	—	—
Mr. Manish Kejriwal - Non Executive Director	Commission	0.3	0.3
	Sitting Fees (Rs. 20,000)	—	—
Niraj Bajaj (HUF)	Rent paid for premises	0.2	—
	Deposit paid against premises taken on lease	8.8	8.8
	Deposit refunded against premises taken on lease	4.1	—
<b>[d] Key Management Personnel:</b>			
Mr. D. S. Mehta (Key management personnel upto 31.07.2007)	Remuneration	0.5	—
	Commission	0.2	0.2
	Sitting fees (Rs. 20,000)	—	—

Disclosure of Transactions with Related Parties as required by the Accounting Standard - 18

Name of related party and Nature of relationship	Nature of transaction	2007-08	
		Transaction Value Rs. In Million	Outstanding amounts carried in the Balance Sheet Rs. In Million
<b>[e] Enterprise over which any person described in (c) or (d) above is able to exercise significant influence:</b>			
Mukand Ltd.	Scrap Sale	4.3	0.2
	Other Debits	0.2	—
Bajaj Electricals Ltd.	Rent paid	0.1	—
	Purchases	1.3	—
	Other Credits	0.6	—
Hind Musafir Agency Pvt. Ltd.	Services received	44.4	(0.7)
Varroc Engg Ltd.	Purchases	8,819.8	(604.0)
	Sale of Material	121.5	—
	Other debits	44.1	—
	Other Credits	3.5	—
	Advance Recovered	150.0	—
	Interest received	9.4	—
	Warranty debits	25.7	—
Varroc Lighting Pvt. Ltd.	Purchases	803.7	(29.0)
	Sale of Material	4.7	—
	Other Debits	0.2	—
	Tooling advance recovered	1.5	—
	Warranty debits	9.5	—
	Other Credits	0.3	—
Endurance Systems (India) Pvt. Ltd.	Equity Shares sold [300,000 shares of Rs. 10 each]	(3.0)	—
	Purchases	3,640.0	(229.8)
	Sale of Material	83.1	—
	Other debits	0.1	—
	Warranty debits	2.2	—

Disclosure of Transactions with Related Parties as required by the Accounting Standard - 18

Name of related party and Nature of relationship	Nature of transaction	2007-08	
		Transaction Value	Outstanding amounts carried in the Balance Sheet
		Rs. In Million	Rs. In Million
Endurance Technologies	Purchases	10,315.1	(428.1)
	Sale of Material	2,462.0	—
	Sale of DEPB License	58.6	—
	Other Debit	11.1	—
	Warranty Debits	1.7	—
	Other Credits	1.1	—
Durovalves (I) Pvt. Ltd.	Contribution to Equity [565,000 shares of Rs. 10 each]	—	5.7
	Contribution to 12.5% Preference Shares [1,130,000 Shares of Rs. 10 each]	—	11.3
	Purchases	277.6	(28.0)
	Warranty debits	0.2	—
	Other Debit	0.3	—
Varroc Polymers (Previously Mouldcraft)	Purchases	424.4	(42.9)
	ED on Loan Materials	1.5	—
	Chakan plant land sale	50.2	—
	Other Debit	0.1	—
	Sale of Materials	0.6	—
	Interest received	3.8	—
High Technology Transmissions	Purchases	1,444.6	(92.8)
	Sale of Materials	298.4	—
	Sale of DEPB License	1.1	—
	Warranty	0.7	—
	Other Debits	1.2	—
	Other Credits	7.3	—
Varroc Exhaust Systems P Ltd.	Purchases	450.2	(19.8)

**Disclosure of Transactions with Related Parties as required by the Accounting Standard - 18**

Name of related party and Nature of relationship	Nature of transaction	2007-08	
		Transaction Value	Outstanding amounts carried in the Balance Sheet
		Rs. In Million	Rs. In Million
Varroc Elastomers P Ltd.	Purchases	17.9	(1.8)
Bajaj Ventures Ltd.	Purchases	—	—
KTM Power Sports AG	Nil	—	—
KTM Sportmotorcycle AG	Purchase of Motorcycles	0.7	—

**Following is the list of related parties coming under (e) above with whom Bajaj Auto Ltd. does not have any transaction during 2007-08:**

Anant Trading Co.  
 Bachhraj & Co. Pvt. Ltd.  
 Bachhraj Factories Pvt. Ltd.  
 Bachhraj Trading Co.  
 Bajaj Hindusthan Ltd.  
 Bajaj International Pvt. Ltd.  
 Bajaj Sevashram Pvt. Ltd.  
 Bajaj Trading Co.  
 Baroda Industries Pvt. Ltd.  
 Catalyst Finance Ltd.  
 Conquest Investments & Finance Ltd.  
 Econium Investments & Finance Ltd.  
 Fusion Investments & Financial Services Ltd.  
 Hercules Hoists Ltd.  
 Hospet Steels Ltd.  
 Jammalal Sons Pvt. Ltd.  
 Kamalnayan Investments & Trading Pvt. Ltd.  
 Lineage Investments Ltd.  
 Madhur Securities Pvt. Ltd.  
 Mukand Engineers Ltd.  
 Mukand International Ltd.  
 Niraj Holdings Pvt. Ltd.  
 Primus Investments & Finance Ltd.  
 Rahul Securities Pvt. Ltd.  
 Rishabh Trading Co.  
 Shekhar Holdings Pvt. Ltd.  
 Shishir Holdings Pvt. Ltd.  
 Sikkim Janseva Pratisthan Pvt. Ltd.



**Segment wise Revenue, Results and Capital employed for the period ended March 31, 2008**

**(a) Primary Segment : Business Segment**

	<b>Automotive</b>	<b>Investments</b>	<b>Consolidated</b>
	Rs. In Million	Rs. In Million	Rs. In Million
<b>Revenue</b>			
External Sales and Other Income	90,413.1	1,226.9	91,640.0
Inter segment Sales and Other Income	–	–	–
<b>Total Revenue</b>	<b>90,413.1</b>	<b>1,226.9</b>	<b>91,640.0</b>
<b>Segment Result</b>	9,999.7	1,226.9	11,226.6
Interest Expense	51.6	–	51.6
Income Taxes	–	–	3,684.2
<b>Net Profit</b>	<b>9,948.1</b>	<b>1,226.9</b>	<b>7,490.8</b>
Segment Assets	32,020.0	12,504.0	44,524.0
Unallocated Corporate Assets	–	–	3,986.9
<b>Total Assets</b>	<b>32,020.0</b>	<b>12,504.0</b>	<b>48,510.9</b>
Segment Liabilities	11,491.8	–	11,491.8
Unallocated Corporate Liabilities	–	–	7,346.5
<b>Total Liabilities</b>	<b>11,491.8</b>	<b>–</b>	<b>18,838.3</b>
<b>Capital Employed</b>	<b>20,528.2</b>	<b>12,504.0</b>	<b>29,672.6</b>
<b>Capital Expenditure</b>	3,286.0	–	3,286.0
<b>Depreciation and write downs</b>	1,746.1	–	1,746.1
<b>Non Cash Expenses other than Depreciation</b>	19.0	–	19.0

Business segments of the consolidated group have been identified as distinguishable components that are engaged in a group of related product or services and that are subject to risks and returns different from other business segments. Accordingly Automotive and Investments have been identified as the business segments.

**(b) Secondary Segment: Geographic Segment**

	<b>India</b>	<b>Rest of the world</b>	<b>Consolidated</b>
Segment revenue			
External Sales and Other Income	71,210.3	20,429.7	91,640.0
Segment assets	41,591.1	6,919.8	48,510.9
Capital expenditure	3,264.0	22.0	3,286.0

**Statement showing particulars as prescribed in the amendment to Schedule VI to the Companies Act, 1956 vide Notification No.G.S.R.388 (E) dated 15 May 1995:**

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE (PART IV)**

<b>I REGISTRATION DETAILS</b>		
Registration No.		U65993PN2007PLC130076
State Code		25
Balance Sheet date		31st March,2008
<b>II CAPITAL RAISED DURING THE YEAR ENDED 31ST MARCH, 2008</b>		<b>Rs. in Thousands</b>
Public Issue		—
Rights Issue		—
Bonus Issue		—
Private Placement		—
Others		1,446,835
		<u>1,446,835</u>
<b>III POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS AS AT 31ST MARCH,2008</b>		<b>Rs. in Thousands</b>
Total liabilities		29,329,176
Total assets		29,329,176
<b>SOURCES OF FUNDS:</b>		
Paid-up capital		1,446,835
Reserves and surplus		14,429,185
Secured loans		69,427
Unsecured loans		13,273,916
Deferred Tax Adjustments		109,813
		<u>29,329,176</u>
<b>APPLICATION OF FUNDS:</b>		
Net Fixed Assets		12,928,198
Investments		18,571,427
Net Current Assets		(2,275,779)
Misc.Expenditure-Technical Know-how		105,330
		<u>29,329,176</u>
<b>IV PERFORMANCE OF THE COMPANY FOR THE YEAR ENDED MARCH 31, 2008</b>		<b>Rs. in Thousands</b>
i) Turnover (sale of products and other income)		91,688,473
ii) Total Expenditure		80,341,233
iii) Profit before tax and extraordinary items		11,347,240
iv) Profit after tax		7,559,505
v) Expenses for earlier years		1,674
vi) Net Profit		7,557,831
vii) Earning per share Rs. (See Note 2)(Face Value Rs.10/-)		54.2
viii) Dividend Rate (%)		200%
<b>V. PRODUCTS OF THE COMPANY</b>		
Item Code No.		
(ITC Code)	: 8711	
Product Description	: Scooters, Autorickshaws, Motorcycles and Mopeds	

**Notes :**

- The above particulars should be read along with the balance sheet as at 31st March, 2008, the profit and loss account for the year ended on that date and the schedules forming part thereof.
- Earning per share is arrived at by dividing the Net Profit by weighted average number of shares.

	Rahul Bajaj	Chairman	
	Madhur Bajaj	Vice Chairman	
	Rajiv Bajaj	Managing Director	
	Sanjiv Bajaj	Executive Director	
	D.S. Mehta	Suman Kirloskar	} Directors
	Kantikumar R. Podar	Naresh Chandra	
	Shekhar Bajaj	Nanoo Pamnani	
	D. J. Balaji Rao	Manish Kejriwal	
	J. N. Godrej	P. Murari	
	S.H. Khan	Niraj Bajaj	
Mumbai: 22 May 2008	J. Sridhar Company Secretary		

Statement pursuant to Section 212 of the Companies Act, 1956 relating to Subsidiary Companies

1	Name of the Subsidiary	PT. Bajaj Auto Indonesia	Bajaj Auto International Holdings BV.
2	Financial year of the Subsidiary ended on	31st March 2008	31st March 2008
3	Holding Company's interest : Equity Share Capital	97.5%	100%
4	Profit or Loss for the current financial year so far as concern the Members of the Holding Company, not dealt with or provided for in the Accounts of the Holding Company	Loss Rs. 254.6 million	Profit Rs. 32.3 million
5	Net aggregate Profits or Losses for the previous financial years since becoming subsidiary so far as concern the Members of the Holding Company,not dealt with or provided for in the Accounts of the Holding Company	Loss Rs. 74.6 million	Nil
6	Net aggregate amounts received as dividends for previous financial years since becoming subsidiary dealt with in the accounts of the Holding Company in relevent years	Nil	Nil

As per our attached report of even date  
For and on behalf of Dalal and Shah  
Chartered Accountants

Anish Amin  
Partner  
Membership No. 40451  
Mumbai: 22 May 2008

J. Sridhar  
Company Secretary

Rahul Bajaj  
Madhur Bajaj  
Rajiv Bajaj  
Sanjiv Bajaj

D.S. Mehta  
Kantikumar R. Podar  
Shekhar Bajaj  
D. J. Balaji Rao  
J. N. Godrej  
S.H. Khan

Chairman  
Vice Chairman  
Managing Director  
Executive Director

Suman Kirloskar  
Naresh Chandra  
Nanoo Pamnani  
Manish Kejriwal  
P. Murari  
Niraj Bajaj

} Directors

## Report of the Auditors on the Consolidated Financial Statements.

To the Board of Directors  
**Bajaj Auto Limited**

We have examined the attached Consolidated Balance Sheet of Bajaj Auto Ltd. and its Subsidiaries as at 31st March, 2008, and the Consolidated Profit and Loss account for the year then ended.

These financial statements are the responsibility of Bajaj Auto Limited's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in 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. We believe that our audit provides a reasonable basis for our opinion.

The financial statements of PT. Bajaj Auto Indonesia, a subsidiary, whose financial statements for the year ended 31st March, 2008 reflect total assets of IDR 33877 million and total revenues of IDR 113,549 million, have been audited by an independent firm of Registered Public Accountants. Our opinion, in so far as it relates to the amounts included in respect of this subsidiary is based on their report.

The financial statements of Bajaj Auto International Holdings BV, a subsidiary, whose financial statements for the period 25th October, 2007 to 31st March, 2008 reflect total assets of Euro 102.08 million and total

revenues of Euro 3.66 million, which have been consolidated for the first time, have been audited by us.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standards issued by the Institute of Chartered Accountants of India viz. Accounting Standard (AS) 21, Consolidated Financial Statements, (AS) 23, the Accounting Standard Interpretations and amendments issued thereto, to the extent applicable for the year ended 31st March 2008 and on the basis of the separate audited statements of Bajaj Auto Limited and its subsidiaries included in the consolidated financial statements.

On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of Bajaj Auto Ltd. and its aforesaid subsidiaries:

- a) The Consolidated Balance sheet read together with notes thereon, gives a true and fair view of the consolidated state of affairs of Bajaj Auto Ltd. and its subsidiaries as at 31st March 2008; and
- b) The Consolidated Profit & Loss account read together with notes thereon, gives a true and fair view of the consolidated results of operations of Bajaj Auto Ltd and its subsidiaries for the year then ended.

For and on behalf of  
**Dalal & Shah**  
Chartered Accountants

**Anish Amin**  
Partner  
Membership No. 40451

Mumbai : 22 May 2008.

## Consolidated Balance Sheet as at 31 March, 2008

	Schedule	Rs. In Million	Rs. In Million
<b>I. Sources of Funds</b>			
1. Shareholders' Funds			
a) Share Capital	1	1,446.8	
b) Reserves & Surplus	2	14,788.9	16,235.7
2. Minority Interest			4.2
3. Loan Funds			
a) Secured Loans	3	69.5	
b) Unsecured Loans	4	13,394.3	
4. Deferred Tax liability (net)			13,463.8
			109.8
	<b>Total</b>		<b>29,813.5</b>
<b>II. Application of Funds</b>			
1. Fixed Assets			
a) Gross Block		29,895.8	
b) <b>Less:</b> Depreciation and write downs		17,267.9	
c) Net Block	5	12,627.9	
d) Capital Work in progress,expenditure to date		347.4	
			12,975.3
2. Goodwill on investments in associates			3,117.2
3. Technical Know-how	6		105.3
4. Investments	7		15,632.6
5. Deferred tax asset (net)			140.9
6. Current Assets, Loans and Advances	8		
a) Inventories		3,661.3	
b) Sundry Debtors		2,528.5	
c) Cash and Bank Balances		712.4	
d) Other Current Assets		799.5	
e) Loans and Advances		8,978.8	
		16,680.5	
<b>Less:</b> Current Liabilities and Provisions	9		
a) Liabilities		10,497.0	
b) Provisions		8,341.3	
Net Current Assets		18,838.3	(2,157.8)
	<b>Total</b>		<b>29,813.5</b>
Notes forming part of the Financial Statements	14		

As per our attached report of even date  
For and on behalf of Dalal and Shah  
Chartered Accountants

Anish Amin  
Partner  
Membership No. 40451

Mumbai: 22 May 2008

J. Sridhar  
Company Secretary

Rahul Bajaj

Madhur Bajaj  
Rajiv Bajaj  
Sanjiv Bajaj

D.S. Mehta  
Kantikumar R. Podar  
Shekhar Bajaj  
D. J. Balaji Rao  
J. N. Godrej  
S.H. Khan

Chairman

Vice Chairman  
Managing Director  
Executive Director

Suman Kirloskar  
Naresh Chandra  
Nanoo Pamnani  
Manish Kejriwal  
P. Murari  
Niraj Bajaj

Directors

## Consolidated Profit and Loss Account for the financial year ended 31 March, 2008

	Schedule	Rs. In Million	Rs. In Million
<b>Income</b>			
Sales including excise duty		96,925.8	
<b>Less:</b> Excise Duty		10,266.6	
Net Sales		86,659.2	
Other Income	10	4,980.8	
			91,640.0
<b>Expenditure</b>			
Materials	11	66,192.9	
Other Expenses	12	11,912.4	
Interest	13	51.6	
Depreciation and write downs		1,746.1	
		79,903.0	
<b>Less:</b> Expenses, included in above items, capitalised		230.4	
		79,672.6	
Compensation Paid Under Voluntary Retirement Scheme		1,023.6	
			80,696.2
Profit for the year before income from associate & taxation			10,943.8
Income from associate of subsidiary			231.2
Profit for the year before taxation			11,175.0
Taxation			
Current Tax [ including Rs. 7.5 million for Wealth tax]		3,927.5	
Deferred Tax		(276.8)	
Fringe Benefit Tax		33.5	
			3,684.2
Profit for the year			7,490.8
Prior Period Expenses			1.7
			7,489.1
Minority Interest			(6.5)
			7,495.6
Transfer to General Reserve			4,110.1
Proposed Dividend			2,893.7
Corporate Dividend Tax thereon			491.8
Balance Carried to Balance Sheet			—
Notes forming part of the Financial Statements	14		
<b>Basic and diluted Earnings Per Share (Rs.)</b>			53.7
Nominal value per share (Rs.)			10.0
Net Profit (Rs. In Million)			7,489.1
Weighted average number of Shares (In Million)			139.5

As per our attached report of even date  
For and on behalf of Dalal and Shah  
Chartered Accountants

Anish Amin  
Partner  
Membership No. 40451  
Mumbai: 22 May 2008

J. Sridhar  
Company Secretary

Rahul Bajaj  
Madhur Bajaj  
Rajiv Bajaj  
Sanjiv Bajaj  
D.S. Mehta  
Kantikumar R. Podar  
Shekhar Bajaj  
D. J. Balaji Rao  
J. N. Godrej  
S.H. Khan

Chairman  
Vice Chairman  
Managing Director  
Executive Director  
Suman Kirloskar  
Naresh Chandra  
Nanoo Pamnani  
Manish Kejriwal  
P. Murari  
Niraj Bajaj

} Directors

Schedules No 1-14 annexed to and forming part of the Balance Sheet as at and the Profit and Loss Account for the financial year ended 31st March, 2008

### Schedule 1 - Share Capital

	As at 31st March, 2008
	Rs. In Million
<b>Authorised</b>	
150,000,000 Shares of Rs. 10 each	1,500.0
<b>Issued,Subscribed and Paid up</b>	
144,683,510 Equity Shares of Rs. 10 each	1,446.8
<b>Total</b>	<b>1,446.8</b>

#### Notes

Of the above:-

- 43,500,000 Equity Shares of Rs. 10 each were issued, subscribed and allotted to erstwhile Bajaj Auto Ltd. and its nominees, now known as Bajaj Holdings & Investment Ltd.
- 101,183,510 Equity Shares of Rs. 10 each are deemed to be issued, subscribed and fully paid up in terms of the scheme of arrangement, detailed in Note No. 1 in Schedule 14 to the Stand alone Financial Statements, becoming operative from 20th February 2008 (Effective Date), since allotted on 3rd April 2008.

1,805,071 Equity Shares thereof are deemed to be issued by way of Euro Equity Issue represented by Global Depository Receipts (GDR) evidencing Global Depository Shares outstanding on the record date i.e. 25th March 2008, in terms of scheme of arrangement.

### Schedule 2 - Reserves and Surplus

	Rs. In Million	As at 31st March, 2008 Rs. In Million
Foreign exchange difference on paid-up capital of subsidiary		(10.8)
<b>General Reserve</b>		
As computed in terms of the scheme of arrangement	11,085.8	
<b>Less:</b> Diminution in the value of Fixed Income securities, Net of deferred tax	903.6	
	10,182.2	
<b>Add:</b> Adjustments on account of change in share of net assets of associate	22.0	
<b>Add:</b> Set aside this financial year	4,110.1	
		14,314.3
Foreign currency translation reserve		485.4
<b>Total</b>		<b>14,788.9</b>

### Schedule 3 - Secured Loans

	As at 31st March, 2008 Rs. In Million
From Banks, against hypothecation of Stores, Raw Materials Finished Goods, Stock in Process and Book Debts Cash Credit	69.5
<b>Total</b>	<b>69.5</b>

## Schedule 4 - Unsecured Loans

	As at 31st March, 2008	
	Rs. In Million	Rs. In Million
Sales tax deferral Liability / Loan, an incentive under Package Scheme of Incentives 1983,1988,1993 and 1998 - Interest free	13,480.6	
<b>Less:</b> deferral attached to the Wind Farm Business, assigned to and availed by the company, passed on to Bajaj Finserv Ltd. under an arrangement.	207.2	
Fixed Deposits, unclaimed		13,273.4
Short term bank loan		0.5
		120.4
<b>Total</b>		<b>13,394.3</b>

## Schedule 5 - Fixed Assets

Particulars	Gross Block (a)				Depreciation				Net Block
	As at 1st April, 2007	Additions	Deductions and Adjustments	As at 31st March, 2008	As at 1st April, 2007	Deductions and Adjustments	For the Year (c) & (e)	Upto 31st March, 2008	As at 31st March, 2008
	Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million
Land Freehold	99.7	212.1	—	311.8	—	—	—	—	311.8
Land Leasehold	564.3	—	6.5	557.8	—	—	—	—	557.8
Buildings (b) & (d) Waterpumps, Reservoirs and Mains	3,412.8	1,302.9	6.3	4,709.4	857.3	5.3	104.4	956.4	3,753.0
Plant & Machinery	71.0	56.6	—	127.6	35.4	—	5.4	40.8	86.8
Dies & Jigs	16,801.3	615.5	655.5	16,761.3	11,715.4	591.0	1,080.7	12,205.1	4,556.2
Electric Installations	3,457.2	244.0	128.0	3,573.2	2,409.1	109.6	309.0	2,608.5	964.7
Factory Equipments	614.4	88.4	61.8	641.0	266.1	56.3	25.6	235.4	405.6
Furniture, Fixtures, Office equipment etc	1,638.6	355.9	150.1	1,844.4	766.1	135.2	155.4	786.3	1,058.1
Electric Fittings	357.6	92.1	35.6	414.1	174.7	30.0	22.1	166.8	247.3
Vehicles & Aircraft	126.4	34.2	22.3	138.3	72.5	20.9	4.8	56.4	81.9
Leased Assets :- Dies & Moulds	516.1	284.3	51.5	748.9	135.5	30.0	38.7	144.2	604.7
	72.5	—	4.5	68.0	72.5	4.5	—	68.0	—
<b>Total</b>	<b>27,731.9</b>	<b>3,286.0</b>	<b>1,122.1</b>	<b>29,895.8</b>	<b>16,504.6</b>	<b>982.8</b>	<b>1,746.1</b>	<b>17,267.9</b>	<b>12,627.9</b>
Share of fixed assets of joint ventures	—	—	—	—	—	—	—	—	—

- (a) At cost, except leasehold land which is at cost, less amounts written off.
- (b) Includes Premises on ownership basis in Co-operative Society Rs. 58.4 million and cost of shares therein Rs. 1,750/-
- (c) Refer Para 3(A) & (B) of Statement on Significant Accounting Policies annexed to the Stand alone Accounts.
- (d) Includes premises purchased during the year, pending registration amounting to Rs.183.7 million.
- (e) Depreciation for the year includes assets written down to the realisable value by Rs. 81.7 million being marked for disposal.



## Schedule 6 - Technical Know- How

	As at 31st March, 2008	
	Rs. In Million	
(i) Acquired by the company		
Transferred and vested with the company under the scheme of arrangement		2.2
<b>Less:</b> Written off during the year		2.2
		—
(ii) Developed by the company		
Transferred and vested with the company under the scheme of arrangement		11.7
<b>Add:</b>		
Expenses incurred on development completed during the year (incurred during the year <b>Rs. 9.2 million</b> )		25.6
		37.3
<b>Less:</b>		
Written off / amortised upto date of transfer		8.4
Written off / amortised during the year		10.2
		18.6
		18.7
Development in Progress		86.6
<b>Total</b>		<b>105.3</b>

## Schedule 7 - Investments, at Cost (Unless otherwise stated)

	As at 31st March, 2008	
	Rs. In Million	Rs. In Million
In Government and Trust Securities		4,534.2
In fully Paid Preference Shares		11.3
In Equity Shares		
Long Term: Associate Company	3,320.2	
Others	5.7	
		3,325.9
In Debentures, Bonds and Secured Premium Notes		1,242.7
In Bonds		6,268.0
In Mutual Fund Units		1,090.0
In Certificate of Deposits		49.4
		16,521.5
<b>Less:</b> Provision for diminution in value of Investments		888.9
<b>Total</b>		<b>15,632.6</b>

## Schedule 8 - Current Assets, Loans and Advances

	As at 31st March, 2008		
	Rs. In Million	Rs. In Million	Rs. In Million
<b>(a) Inventories</b>			
Stores, at cost *		56.2	
Tools, at cost *		78.9	
Stock-in-trade, at cost or market value whichever is lower :			
Raw Materials and Components		1,038.1	
Work-in-progress (including factory made components Rs. 103.6 million)		179.4	
Finished Goods:			
Vehicles		1,673.7	
Auto Spare parts, etc.		504.7	
As valued and certified by Management		3,531.0	
Goods in transit, at cost to date		130.3	
			3,661.3
<b>(b) Sundry Debtors, Unsecured</b>			
Outstanding for a period exceeding six months :			
Good	4.0		
Doubtful	22.7		
<b>Less:</b> Provision	22.7		
	—		
		4.0	
Others, Good		2,524.5	
			2,528.5
<b>(c) Cash and Bank Balances</b>			
Cash on hand (including cheques on hand Rs. Nil)		0.7	
Bank Balances :			
With Scheduled Banks:			
In current account		546.1	
In margin deposits		10.0	
In fixed deposits		3.2	
Interest accrued on fixed deposits		0.1	
		559.4	
With Other Banks :			
In current account		152.3	
			712.4
Carried over			6,902.2

## Schedule 8 - Current Assets, Loans and Advances (Contd.)

	As at 31st March, 2008		
	Rs. In Million	Rs. In Million	Rs. In Million
Brought over			6,902.2
<b>(d) Other Current Assets, good</b>			
(Unless otherwise stated)			
Dividend and Interest receivable on Investments		8.0	
Interest receivable on Loans, Deposits etc.		20.2	
Export Incentives Receivable		771.3	
			799.5
<b>(e) Loans and Advances, unsecured, good</b>			
(Unless otherwise stated)			
Loan to Bajaj Auto Finance Limited		405.0	
Loan to Suppliers		283.8	
Advances Recoverable in Cash or in kind or for value to be received:			
Due from Subsidiaries	—		
@ Others, Good	1,411.5		
Doubtful	42.5		
<b>Less: Provision</b>	42.5		
	—		
		1,411.5	
Advances for capital assets		830.8	
VAT refund receivable		1,335.6	
Balances with Customs and Central Excise Departments		440.3	
Sundry Deposits		265.7	
Tax paid in Advance		4,006.1	
			8,978.8
<b>Total</b>			<b>16,680.5</b>

\* Except obsolete and slow moving inventory at estimated realisable value

@ Includes amount due from an Officer of the Company Rs. 67,500

Maximum balance outstanding during the year Rs. 82,500

## Schedule 9 - Current Liabilities and Provisions

	As at 31st March, 2008	
	Rs. In Million	Rs. In Million
<b>(a) Liabilities</b>		
Sundry Creditors:		
Dues to Micro and Small enterprises	13.8	
Other than dues to Micro and Small enterprises	9,495.3	
		9,509.1
Advances against Orders		948.4
Investor Education Protection Fund (Rs. 20,260)		—
Deposit from Dealers and others		39.5
		10,497.0
<b>(b) Provisions</b>		
Provision for Warranty Claims	270.9	
Provision for Employee Benefits	723.9	
Provision for Taxation	3,961.0	
Proposed Dividend	2,893.7	
Provision for Corporate Dividend Tax on Proposed Dividend	491.8	
		8,341.3
<b>Total</b>		<b>18,838.3</b>

## Schedule 10 - Other Income

	For the Financial Year ended 31st March 2008	
	Rs. In Million	Rs. In Million
Royalty		13.7
Interest		
On Government Securities	486.1	
On Debentures and Bonds	513.8	
On Loans	33.3	
Other	248.1	
	1,281.3	
<b>Less:</b> Amortisation of premium / discount on acquisition of fixed income securities	16.4	
		1,264.9
Rent		1.8
Insurance Claims		5.5
Export Incentives		1,653.4
Miscellaneous Receipts		1,162.6
Surplus on Sale of Assets		71.6
Profit on Sale of Investments,net		205.6
Surplus on redemption of Securities		2.9
Bad Debts Recovered		3.5
Sundry Credit balances appropriated		11.3
Provisions for Doubtful Debts and Advances written back	0.5	
<b>Less:</b> Write backs on account of amounts written off during the year,as per contra	0.1	
		0.4
Provisions no longer required		583.6
<b>Total</b>		4,980.8

## Schedule 11 - Materials

	For the Financial Year ended 31st March 2008	
	Rs. In Million	Rs. In Million
<b>(a) Raw materials and components consumed</b>		63,424.0
<b>(b) Finished Goods purchases</b>		
Two Wheelers	—	
Auto Spare-Parts	3,384.6	
Engineering Products, for export	13.2	
		3,397.8
<b>(c) Excise duty on increase / (decrease) in stocks of finished goods, at Plant</b>		28.5
<b>(d) (Increase) / Decrease in Stocks</b>		
Stocks at close		
Work in progress(including factory made components Rs.103.6 million - Opening Rs. 89.6 million )	179.4	
Finished Goods	1,673.7	
Auto Spare Parts	504.7	
	2,357.8	
<b>Less:</b> Stocks at commencement, transferred under the scheme of arrangement		
Work in progress (including factory made components Rs. 89.6 million)	195.8	
Finished Goods	1,123.2	
Auto Spare Parts	381.4	
	1,700.4	
		(657.4)
<b>Total</b>		66,192.9

## Schedule 12 - Others Expenses

	For the Financial Year ended 31st March 2008	
	Rs. In Million	Rs. In Million
Stores and tools consumed		753.1
Power, fuel and water		692.6
Repairs		
Buildings and Roads	210.9	
Machinery	499.3	
Other	26.9	
		737.1
Employees' Emoluments		
Salaries, wages, bonus etc.	2,775.3	
Contribution to Provident and other funds and schemes	395.1	
Welfare expenses	296.9	
		3,467.3
Rent		73.1
Rates and taxes		11.2
Insurance		19.3
Auditors' Remuneration		7.9
Directors' fees and travelling expenses		0.5
Managing Directors' remuneration		
Salary	4.5	
Commission	13.5	
		18.0
Wholtime Directors' remuneration		
Salary	16.1	
Commission	46.8	
		62.9
Commission to Non Executive Directors		3.8
Miscellaneous expenses		1,398.8
Sales tax / VAT expenses		368.6
Packing, forwarding etc.		1,487.9
Advertisement		1,399.1
Vehicle service charges and other expenses		767.1
Commission and Discount		108.7
Incentives & Sales Promotion		344.7
Royalty		35.8
Donations		52.5
Bad debts and other irrecoverable debit balances written off	0.5	
<b>Less:</b> Provisions made in earlier years in respect of amounts written off during the year, adjusted as per contra	0.1	
		0.4
Loss on assets sold, demolished, discarded and scrapped		63.3
Provision for Doubtful Debts and Advances		8.5
Amount written off against Technical Know-how		12.4
Amount written off against leasehold land		6.6
Preliminary expenses written off		11.2
<b>Total</b>		<b>11,912.4</b>

## Schedule 13 - Interest

	Rs. In Million
<b>Interest:</b>	
On Fixed Loans (Rs. 1,241)	—
Others	51.6
<b>Total</b>	<b>51.6</b>

## Schedule 14 - Notes forming part of the Accounts

- 1 The Consolidated Financial Statements include results of all the Subsidiaries, Associates and Joint Ventures of Bajaj Auto Ltd.

Name of the Company	Country of incorporation	% Shareholding of Bajaj Auto Ltd.	Consolidated as
PT. Bajaj Auto Indonesia	Indonesia	97.5%	Subsidiary
Bajaj Auto International Holdings BV	Netherlands	100%	Subsidiary

- The Consolidated Financial Statements of Bajaj Auto International Holdings BV (which include 24.45% interest in KTM PowerSports AG as an associate) are for the period 25th October 2007 (date of incorporation) to 31st March 2008.
2. Notes to these Consolidated Financial Statements are intended to serve as a means of informative disclosure and a guide to better understanding of the consolidated position of the companies. Recognising this purpose, the Company has disclosed only such Notes from the individual financial statements, which fairly present the needed disclosures.
3. The accounting policies of the parent are best viewed in its independent financial statements, Note no 10 of schedule 14). Differences in accounting policies followed by the other entities consolidated have been reviewed and no adjustments have been made, since the impact of these differences is not significant.
4. Consolidated Contingent Liability is same as contingent liability of stand alone Bajaj Auto Limited.
5. Consolidated capital commitments are same as capital commitments of stand alone Bajaj Auto Limited.
6. Deferred Taxes

Particulars	As at 31st March, 2008 (Rs. In Million)
Liabilities	1,419.4
Assets	1,450.5
Net	(31.1)

7. This being the first financial year since incorporation, no statement of cash flows has been drawn up under the indirect method adopted by the company.
8. Consolidated related party transactions are same as related party transactions of stand alone Bajaj Auto Limited.
9. Statement of additional financial information, directed to be disclosed as a condition put forth by the ministry of company affairs for grant of exemption from the applicability of section 212(1) of the Companies Act, 1956, is attached hereto.
10. This being the first financial year of the company, previous years figures have not been disclosed.

### Signature to Schedules "1" to "14"

For and on behalf of Dalal and Shah  
Chartered Accountants

Anish Amin  
Partner  
Membership No. 40451

Mumbai: 22 May 2008

J. Sridhar  
Company Secretary

Rahul Bajaj  
Madhur Bajaj  
Rajiv Bajaj  
Sanjiv Bajaj

D.S. Mehta  
Kantikumar R. Podar  
Shekhar Bajaj  
D. J. Balaji Rao  
J. N. Godrej  
S.H. Khan

Chairman  
Vice Chairman  
Managing Director  
Executive Director

Suman Kirloskar  
Naresh Chandra  
Nanoo Pamnani  
Manish Kejriwal  
P. Murari  
Niraj Bajaj

Directors



## Financial information of Subsidiaries for the year ended March 31, 2008

Particulars	PT. Bajaj Auto Indonesia	Bajaj Auto International Holdings BV.
	Rs. In Million	Rs. In Million
(a) Paid -Up Share Capital	509.0	12.7
(b) Share Premium	—	6,229.6
Other reserves	(341.0)	35.4
(c) Total Assets	582.3	6,277.7
(d) Total Liabilities	582.3	6,277.7
(e) Investments*	—	6,239.8
(f) Turnover	498.9	51.4
(g) Profit Before Taxation	(364.7)	32.3
(h) Provision for Taxation	(103.6)	—
(i) Profit After Taxation	(261.1)	32.3
(j) Proposed Dividend	—	—

### Closing exchange rates

1 Euro = Rs. 63.4375

1 USD = Indonesian Rupiah 9217

1 USD = Rs. 40.12

\* For details of investments refer schedule 7 of the consolidated financial statement.



**BAJAJ**

Bajaj Auto Limited

*Distinctly Ahead*

Bajaj Auto Limited

Akurdi Pune 411 035 India

[www.bajajauto.com](http://www.bajajauto.com)



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