

## **Shareholder's Information / Investor's Note**

### **Re : Call options in favor of Foreign partner and Put options in favor of Indian Partner in Insurance JVs**

Erstwhile Bajaj Auto Ltd entered into two Joint Ventures with Allianz SE of Germany in 2001 to engage in Life insurance and General insurance businesses, Bajaj subscribing to 74% and Allianz subscribing to 26% (the maximum permissible for a foreign partner as per applicable Government Policy).

The Hon'ble High Court of Bombay, vide its order dated December 18, 2007 had approved the Scheme of Arrangement of Demerger of Erstwhile Bajaj Auto Limited (now known as Bajaj Holdings & Investment Limited) whereby the manufacturing undertaking of the erstwhile Bajaj Auto Limited has been vested with Bajaj Auto Limited and Strategic Business Undertaking comprising of Financial Services including Wind Farm Undertaking and Investment in Bajaj Auto Finance and Insurance Companies has been vested with Bajaj Finserv Limited.

BFS and Allianz SE have signed agreements to abide by the original agreements executed on March 13, 2001 between Bajaj Auto Ltd and Allianz AG in respect of the 2 Insurance JVs.

Certain call options and put options were agreed to between the partners in the JV agreements entered into and these JV agreements were filed with IRDA. This has been done keeping in mind the long gestation associated with such ventures, especially Life Insurance, the put option & pricing formula ensure safety of investment & assured 16% return on the same in the initial years, after which valuation / market value based price upside becomes available.

The details of the same are as follows:

#### **I. Call options in favor of Allianz:**

##### **A. Bajaj Allianz General Insurance Co Ltd**

Bajaj Finserv Ltd. (hereinafter referred to as "BFS") holds 74% equity in Bajaj Allianz General Insurance Company Ltd (hereinafter referred to as "the Company"), a joint venture between Bajaj Finserv Ltd and Allianz SE (previously known as Allianz AG and hereinafter referred to as "Allianz") from the date of the initial capitalization of the Company on 23<sup>rd</sup> April 2001.

If and as permissible under applicable laws and subject to regulatory approvals required, Allianz SE can exercise call options to increase its holding to 50% from the present 26% in case of Bajaj Allianz General

Insurance Co Ltd at a price per share to be determined on the following basis :

- a) in respect of shares for which call option is exercised by Allianz up to the expiry of 15 years from the Subscription Date (i.e. up to 22<sup>nd</sup> April, 2016), the price per share of Rs 10.00 per share plus interest at 16% per annum compounded annually from 23<sup>rd</sup> April 2001 to the date of payment.
- b) in respect of shares for which call option is exercised by Allianz after 22<sup>nd</sup> April 2016, at the highest of the following:
  - (1) the price per share of Rs 10.00 plus interest @ 16 % per annum compounded annually from 23<sup>rd</sup> April 2001 to 22<sup>nd</sup> April July 2016,or
  - (2) in case the shares are listed at that time, market price per equity share in case the Company is listed in a recognised stock exchange, or
  - (3) in case the shares are not listed, fair value of the Company shares as determined by a mutually accepted accounting firm.

#### **B. Bajaj Allianz Life Insurance Co Ltd**

Bajaj Finserv Ltd (hereinafter referred to as "BFS") holds 74% equity in Bajaj Allianz Life Insurance Company Ltd (hereinafter referred to as "the Company"), a joint venture between Bajaj Finserv Ltd and Allianz SE (previously known as Allianz AG and hereinafter referred to as "Allianz") from the date of the initial capitalization of the company on 31 July 2001.

If and as permissible under applicable laws and subject to regulatory approvals required, Allianz SE can exercise call options to increase its holding to 74% from its current holding of 26% in case of Bajaj Allianz Life Insurance Co Ltd. at a price per share to be determined on the following basis :

- a) in respect of shares for which call option is exercised by Allianz up to the expiry of 15 years from the Subscription Date (i.e up to 30<sup>th</sup> July, 2016), the price per share of Rs 5.42 per share plus interest at 16% per annum compounded annually from 31<sup>st</sup> July 2001 to the date of payment.
- b) in respect of shares for which call option is exercised by Allianz after 30<sup>th</sup> July 2016, at the highest of the following:
  - (1) the price per share of Rs 5.42 plus interest @ 16 % per annum compounded annually from 31<sup>st</sup> July 2001 to 30<sup>th</sup> July 2016, or

- (2) in case the shares are listed at that time, market price per equity share in case the Company is listed in a recognised stock exchange, or
- (3) in case the shares are not listed, fair value of the Company shares as determined by a mutually accepted accounting firm.

**II. Put options in favor of BFS:**

Put options are available to BFS, during the same periods of time, upto the same extent, at the same prices and on the same terms as detailed above.