



**BAJAJ**

*Distinctly Ahead*

Sixty Second  
Annual Report  
2006-07



**BAJAJ**

*Distinctly Ahead*

Innovation

Perfection

Speed



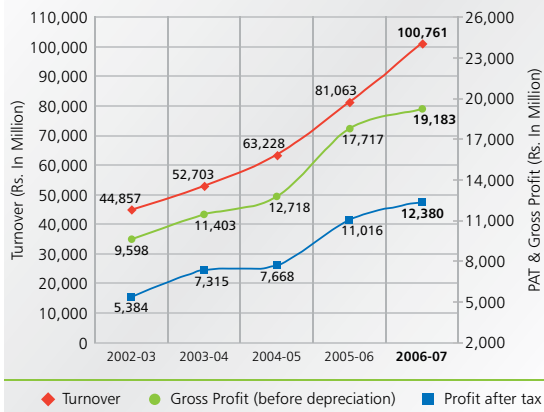




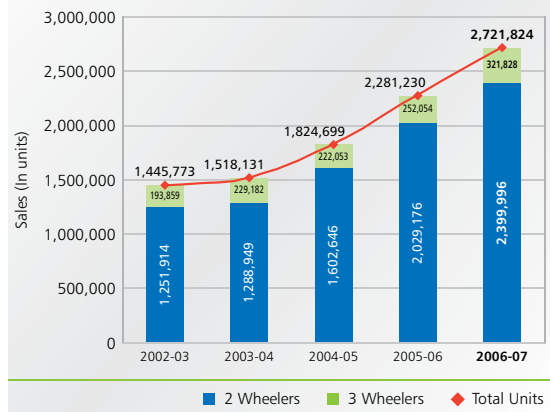
Bajaj Pantnagar Plant  
*Distinctly Ahead*



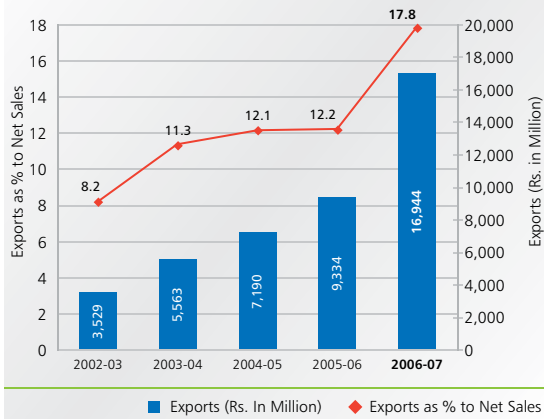
### Turnover, Gross Profit (before depreciation) & Profit after tax



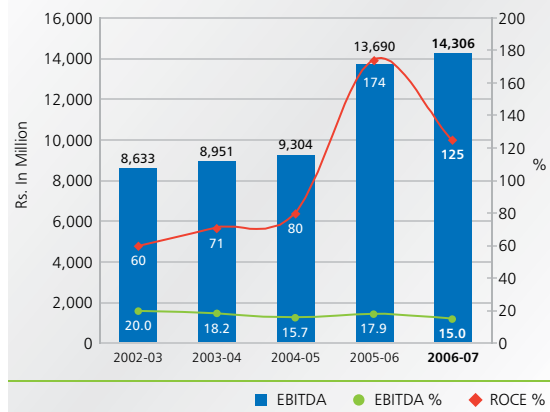
### Sales (in units)



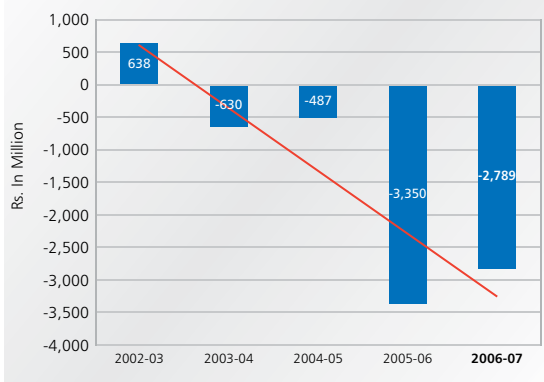
### Exports



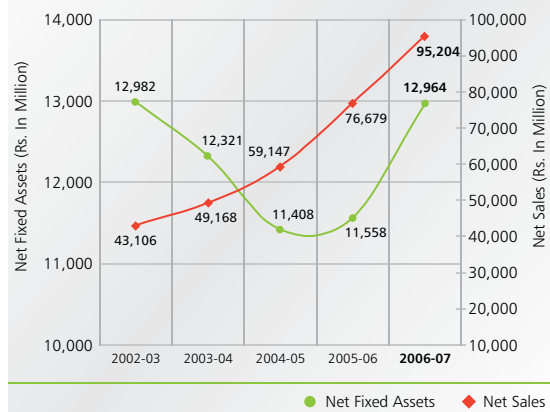
### Operating EBITDA & Pre Tax Operating ROCE



### Operating Working Capital

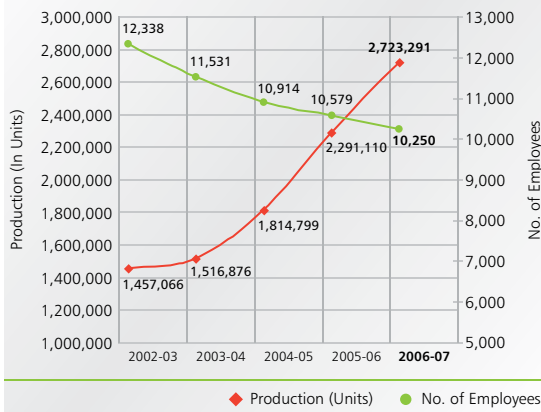


### Net Fixed Assets vis-a-vis Net Sales & Operating Income





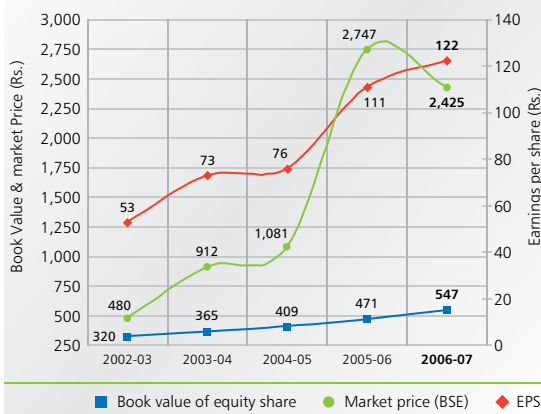
### Production vis-a-vis Employee Strength



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### Book Value, Market Price & Earnings per share



### Dividend Payout











## Management Team

Rahul Bajaj | Madhur Bajaj | Rajiv Bajaj | Sanjiv Bajaj

Ranjit Gupta | C.P. Tripathi | Pradeep Shrivastava | Kevin D'sa | N.H. Hingorani

Abraham Joseph | K. Srinivas | V.S. Raghavan | S. Sridhar | S. Ravikumar

## Board of Directors

**Rahul Bajaj**  
Chairman

**Madhur Bajaj**  
Vice Chairman

**Rajiv Bajaj**  
Managing Director

**Sanjiv Bajaj**  
Executive Director

**D S Mehta**  
Whole-time Director

**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**  
(w.e.f. 9 September 2006)

**Niraj Bajaj**  
(w.e.f. 9 September 2006)

## Management

**Rahul Bajaj**  
Chairman

**Madhur Bajaj**  
Vice Chairman

**Rajiv Bajaj**  
Managing Director

**Sanjiv Bajaj**  
Executive Director

**Ranjit Gupta**  
Vice President (Insurance)

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

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

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

**Pradeep Shrivastava**  
Vice President (Engineering)

**S Sridhar**  
Vice President  
(Mktg & Sales-2Wh.)

**V S Raghavan**  
Vice President  
(Corporate Finance)

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

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

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

## Company Secretary

**J Sridhar**

## Auditors

**Dalal & Shah**  
Chartered Accountants

## International Accountants

KPMG

## 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, 1913

## 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,

Over two years have passed since I handed over the management of your Company to Rajiv Bajaj as the Managing Director, Sanjiv Bajaj as the Executive Director, and their team. I am happy to say that the team has continued to perform well - as I expected they would. The management has unveiled a challenge - that of being 'Distinctly Ahead', and their philosophy has been outlined in this year's Management Discussion and Analysis.

As always, I shall begin by highlighting the key elements of your Company's performance.

- Bajaj Auto sold over 2.72 million vehicles in 2006-07 - a record in itself, and 19 per cent higher than the previous year.
- Your Company sold 2.38 million motorcycles in 2006-07 - an increase of over 24 per cent compared to the previous year, versus an overall market growth of 14.5 per cent.
- Consequently, for the seventh successive year, Bajaj Auto raised its market share in motorcycles: this time from under 31 per cent in 2005-06 to over 33 per cent in 2006-07.
- Gross sales increased by 24 per cent to an all time high in excess of Rs.106 billion.

- Operating EBITDA (earnings before interest, taxes, depreciation and amortisation) increased from Rs.13.7 billion in 2005-06 to Rs.14.3 billion in 2006-07. Your Company's operating EBITDA margin of 15 per cent of operating income continues to be the highest in the industry.
- Profit after tax (PAT) increased by over 12 per cent to Rs.12.38 billion in 2006-07; and earnings per share (EPS) grew from Rs.111 in 2005-06 to Rs.122 in 2006-07.

These are good results - especially so in a market that was beset by high input costs in the first half and then slowed down considerably in the last quarter of the year. The first three quarters of 2006-07 showed buoyant growth, much in line with what the industry experienced over the last four years. Thereafter, because of the sharp tightening of non-food credit by the Reserve Bank of India and all commercial banks and non-banking finance companies, demand growth slackened.

I think of this slow down as a temporary aberration. India has grown in excess of 9 per cent over the last two years; the compound annual GDP growth over the last four is well over 8 per cent; and I expect the country to continue growing equally rapidly over the foreseeable future. Thus, as inflation eases off, non-food credit growth will



performer bounce back to its 30 per cent annual growth rates. And your Company with its brand new 1 million motorcycles per annum capacity at Pantnagar (Uttarakhand) will be ideally placed to ride this growth.

In my letter to you last year, I had outlined my vision for Bajaj Auto by 2010. 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 players in two wheelers.
- **Financing India** - by ramping up Bajaj Auto Finance's operations.
- **De-Risking India** - by expanding the group's insurance business across the land.


Let me share with you how far we have progressed on each of these.

In 2006-07, your Company sold over 2.38 million motorcycles. We have to, therefore, significantly ramp up sales to achieve the 4 million target in the next few years. I believe that it can be done. Bajaj Auto has an excellent portfolio of products - from the 100 cc Platina, to the 125 cc and 135 cc Discover, to the 150 cc, 180 cc, 200 cc and 220 cc Pulsar - to name some. A new bike will be launched shortly which the management believes could well be a block-buster. My kudos to the R&D team for having created a portfolio of well accepted products that allows your Company to occupy key positions at all price points. And, with the Pantnagar plant, it now has the capacity to substantially increase production.

I need to share with you my admiration for the management team in the way in which it has set up your Company's Pantnagar plant. With an investment of only Rs.1.5 billion (Rs.150 crore), Bajaj Auto set up a state-of-the-art 1 million motorcycle per year unit in just eleven months' time. Moreover, in a pioneering manufacturer vendor relationship, the Pantnagar plant is being supported by a cluster of 16 key vendors who are wholly integrated with the manufacturing process. Consequently, Pantnagar will operate as a zero-inventory plant. I compliment your Company's process engineering team to have conceived such an excellently integrated project, and to have implemented it in record time.

Regarding 'Globalising India', I am truly proud of your Company's international achievements. Exports, which formed a mere 4 per cent of sales in 1999-2000 have now grown to 18 per cent, or Rs.16.9 billion. Your Company continues to be India's largest exporter of two- and three-wheelers. In volume terms, Bajaj Auto's motorcycle exports grew by 82 per cent to 300,656 in 2006-07; and three-wheelers increased by 87 per cent to 140,645 vehicles. There have been many firsts: sales of over 150,000 two- and three-wheelers in Sri Lanka; and of over 100,000 vehicles within a single financial year in Latin America. Moreover, in addition to an assembly plant in Nigeria, Bajaj Auto has established a 95 per cent owned joint venture in Indonesia which, in the coming years, will play a key role in expanding the Company's footprint in South-East Asia. Exports will continue to grow, and I am confident of the management achieving the target for 2010 that I had set out last year.

As far as 'Financing India' is concerned, I believe that the group is yet to adequately leverage the enormous business opportunities in the retail and consumer lending space. Towards the end of this letter, I will share with you how this value can be



unlocked in the years ahead, and what is needed to enable Bajaj Auto Finance to substantially widen its operations in the country.

Insofar as 'De-Risking India' goes, I am very happy with the performance of the group insurance companies. Both Bajaj Allianz Life and Bajaj Allianz General have grown rapidly, and occupy the number two position in the industry within the private sector. Bajaj Allianz General has been earning profits. My compliments to the two CEOs for their excellent performance, along with my exhortation that they must do even better in the years to come.

That brings me to something that I have been occasionally thinking aloud over the last few years - separation of your Company's financial assets from its auto business. The case for doing so rests on three linked propositions:

- First, that there is substantial additional value to be unlocked in having a lean and purely focused auto business.
- Second, in today's economic environment, that there are significant upsides in having a pure-play consumer finance business which, in addition to the traditional auto loans, also operates in other parts of the growing retail financing space.
- Third, that the sum of the values of de-merged entities will be greater than that of the whole.

On 17 May 2007, your Board of Directors concurred with all the three propositions and recommended a de-merger subject to the approval of shareholders and the Bombay High Court.

The gist of the de-merger is as follows:

1. The auto business with all its assets will be hived off as a separate listed entity. This pure play auto company will retain the name Bajaj Auto Limited.
2. There will be a new financing business, which will have in its portfolio Bajaj Auto's holdings of the two insurance companies as well as Bajaj Auto Finance and few other assets like the wind power project. This company is going to be called Bajaj Finserv Limited.
3. The existing company - minus its de-merged auto and finance assets - will coexist and retain most of your Company's surplus cash and investments to either financially support the auto and / or finance businesses, or explore newer business opportunities. The company will be named Bajaj Holdings and Investment Limited.

Full details of the proposed de-merger and scheme of arrangement will be made available to you shortly, for you to express your opinions at the appropriate shareholders' meeting.

On your behalf, allow me to once again congratulate your Company's management team and all its employees for achieving good results. But, as I always do, let me also remind them that their self-stated task of being 'Distinctly Ahead' has just begun.



Rahul Bajaj  
Chairman

# Management Discussion and Analysis

From 2000, Bajaj Auto Limited ('Bajaj Auto', 'BAL' or 'the Company') has been at the forefront of bringing about major changes in its products, technologies and processes to create more exciting and distinctive offerings for its customers. In the process, the Company has gone through two overlapping processes of transformation. The first was creating, communicating and executing basic processes of change - of the way it looked at products and design, at markets, at engineering and manufacturing, and at the organisational structure for delivering mind-set change.

By 2003-04, understanding of the change processes became ingrained in Bajaj Auto's DNA and formed a part of everything that it did. It was time to bring about the second transformation of the Company - one in which it created products and a brand that inspired confidence in the hearts and minds of its customers. 'Inspiring Confidence' became the leitmotif of Bajaj Auto: in its new logo and branding; its exciting new look, high performance motorcycles; its use of new technologies that gave consumers greater power and more riding comfort without sacrificing economy; in its high quality engineering and R&D; and in its speed and transparency.

'Inspiring Confidence' has yielded great results. Between 2003-04 and 2006-07, several exciting new models were introduced at different price

points; product innovations have been the order of the day; and Bajaj Auto has clearly dominated the 150+ cc segment, and been a major player at all other price points of the motorcycle market. In the process, the Company's gross sales has increased from Rs.47.4 billion in 2002-03 to over Rs.106 billion in 2006-07 - a growth of 124 per cent in four years.

It is now time for the next phase of transformation - that of being 'Distinctly Ahead'. What does Bajaj Auto mean by this phrase?

It means that every offering to the customer should be distinctly ahead of the competition. To be ahead is important; but to be distinctly ahead even more so. Bajaj Auto's strategy is to be 'Distinctly Ahead' through innovation, perfection and speed. In a market place that forgets nothing and forgives little, it is the only way to ensure consistent growth and profitability.

The task will be harder than bringing about change or inspiring confidence. It is all of that and much more. But it has to be done. For being 'Distinctly Ahead' is the only way to delight - and thus be truly ahead in everything that Bajaj Auto does.

The Company's initiatives over the years have led to sustained growth since 2000-01, which has also been the case for the year under review.





Given below are the highlights of Bajaj Auto's performance for 2006-07.

## Highlights for 2006-07

- Sales increased by 24 per cent to an all-time high of Rs.106.06 billion.
- Net sales (net of excise duty) grew by 24.4 per cent to Rs.92.92 billion.
- Motorcycle sales by volume was 2.38 million in 2006-07 - an increase of 24.4 per cent over the previous year, versus overall market growth of 14.5 per cent. Thus, Bajaj Auto's market share in motorcycles grew from 30.8 per cent in 2005-06 to 33.5 per cent in 2006-07.
- Operating EBITDA (earnings before interest, taxes, depreciation and amortisation) increased from Rs.13.69 billion in 2005-06 to Rs.14.31 billion in 2006-07. This translates to an operating EBITDA margin of 15 per cent of operating income, which is the highest operating margin in the industry.
- Profit before tax (PBT) increased by 9.3 per cent - from Rs.15.81 billion in 2005-06 to Rs.17.28 billion in 2006-07.
- Profit after tax (PAT) increased by 12.3 per cent - from Rs.11.02 billion in 2005-06 to Rs.12.38 billion in 2006-07.
- Earnings per share (EPS) grew from Rs.111 in 2005-06 to Rs.122.3 in 2006-07.

As in the previous Annual Reports, the Management Discussion and Analysis for 2006-07 begins with markets, moves on to the Company's sales across segments, then operations, and finally to the financial.

## Markets

### Two-wheelers: domestic

The domestic two-wheeler market is dominated by motorcycles. Its growth in 2006-07 needs to be viewed in two clearly distinct phases. For the first three quarters of the year, the two-wheelers witnessed very healthy growth, and it was a part of the continuing growth story of the previous few years. In the last three months of the year, however, 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.

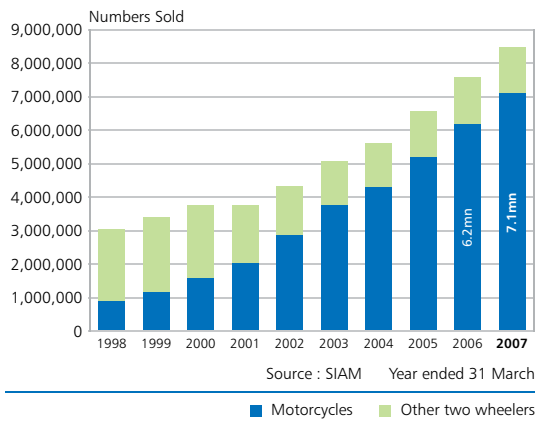
However, this credit squeeze is, at worst, a short term phenomenon. The fact is that over the last four years, India has achieved a compound annual GDP growth rate well in excess of 8 per cent - something that is expected to continue over the future. Over the last decade, household incomes have increased significantly in urban as well rural India and, with it, consumer spends - especially on non-food items and durables. Two-wheeler penetration still remains very low by any standard. Therefore, the longer term story for two-wheelers is an extremely good one, where the country is bound to see healthy double-digit market expansion in the years to come.

In 2006-07, the industry's overall sales of two wheelers grew by 12 per cent from 7.57 million to 8.47 million units. Motorcycles sales grew by 14 per cent from 6.2 million to 7.1 million. The share of motorcycles in the two-wheelers segment for the industry as a whole increased from 82 per cent in 2005-06 to 84 per cent in 2006-07.



Chart A depicts the industry sale of two-wheelers over the years.

**Chart A : Industry's sale of Two-Wheelers**



## Motorcycles

Bajaj Auto's sale of motorcycles by volume grew by 24.4 per cent in 2006-07 - which was significantly

greater than that of the industry. Consequently, the Company has continued to increase its market share in motorcycles, which stands at 33.5 per cent in 2006-07, compared to 30.8 per cent in 2005-06. Table 1 gives the data for the last five years.

As in the previous year, this Management Discussion and Analysis analyses the performance of Bajaj within different broad segments of the motorcycle industry:

1. The high performance segment: This includes motorcycles in the engine class of 150 cc and above. Bajaj Auto competes here with the Pulsar range and Avenger DTS-i.
2. The 125 cc segment: Bajaj Auto competes in this category with Discover DTS-i 125 and the recently launched Discover DTS-i 135.
3. The 100 cc segment: Here, Bajaj Auto competes with the Discover 110, Platina and the CT-100.

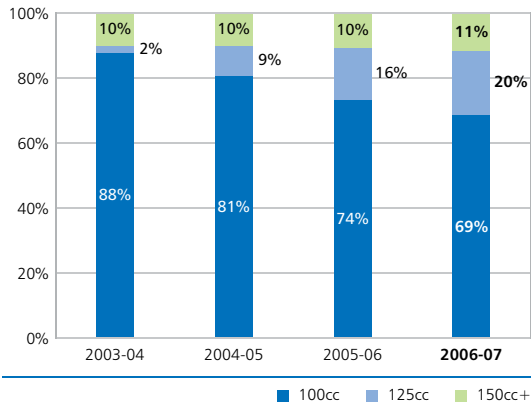
**Table 1 :** Bajaj Auto's growth in market share for motorcycles (in numbers)

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%



Chart B : depicts industry-wise sales across these three segments.

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



### The High Performance Segment (≥ 150cc)

With several variants of its Pulsar DTS-i and the Avenger DTS-i, Bajaj Auto has a dominating share (61%) in this segment. In 2006-07, the Pulsar DTS-i (the 150 cc and 180 cc models) was upgraded with sportier looks and industry-first features like digital speedometer console, LED tail lamps and self cancelling direction indicators. Despite launches by the competition, Bajaj continues its domination in this category due to these and other product initiatives. It is a case of being 'Distinctly Ahead' - the Pulsar range effectively sets the benchmark for the rest of the industry to follow.

Some other initiatives include a new variant, the Pulsar 200 DTS-i, which was launched in January 2007 entirely through Bajaj Auto's own

Pro-biking showrooms. It has been received very well by the consumers. Yet another upgrade, the Pulsar 220 DTS-Fi, was pilot launched in April 2007. The Pulsar DTS-Fi (fuel injection) sets a new benchmark in the high performance segment with a fuel injected engine and features like projector headlamp, clip on handle bars and rear disc brake.

Due to these upgrades and new launches, sale of the Pulsar range has grown to 40,000 vehicles per month - an increase of 24 per cent over last year.

### The 125cc Segment

Bajaj Auto is the pioneer in this segment through its Discover DTS-i. Its success has spawned a host of introductions from competitors. Despite heightened competition, Bajaj Auto's share in this segment has grown, and stands at 32 per cent with a volume growth of 28 per cent in 2006-07 over last year. To create greater play in this space, a newer version of the Discover DTS-i with a 135 cc engine has been launched in April 2007. This, along with a styling upgrade on the existing 125 cc Discover DTS-i, is expected to continue the Company's momentum in this growing segment.

Bajaj Auto will demonstrate what 'Distinctly Ahead' means with the introduction of an all-new engine platform in the second quarter of 2007-08. This will be a model that has great style as well as a robust design; it will show how customers can enjoy low emissions at low costs; and demonstrate that there can be both good performance and great fuel economy.



## 100cc Segment

Although the largest segment in the motorcycle market, it has been falling in percentage terms over the last few years (see Chart B). Moreover, it has been beset with intense competition from all players, accompanied by aggressive pricing initiatives and promotions. It is no secret that with heightened price sensitivity and competition, this segment is becoming increasingly commoditised.

While the domestic 100 cc segment accounts for 41 per cent of the company's motorcycle sales (numbers) it contributes less than a quarter of the Company's revenues. Hence, reduced margins here affect Bajaj Auto far less than the competition, for whom this is a more dominant play.

However, Bajaj Auto will continue to aggressively play in this segment and expand both markets as well as its market share. Equally, at the top end of the 100 cc space, it will encourage consumers to migrate to the 125 cc and 135 cc Discover DTS-i and even the Pulsar 150 cc variants. This migration to higher value is expected to intensify with the Company's launch of new motorcycles in the upper end.

## Other Two-Wheelers

With motorcycles accounting for 84 per cent of the two-wheeler market, most of the other segments like geared scooters, mopeds and step-thru's have shrunk during 2006-07. Sale of geared scooters for the industry has fallen by 47 per cent, from 198,600 in 2005-06 to 104,000 in 2006-07. The un-geared segment has registered a growth of

11 per cent, from 791,676 in 2005-06 to 878,829 in 2006-07. Bajaj Auto introduced its un-geared Kristal DTS-i towards the end of the year. This vehicle has scored well on customer satisfaction and, within three months, has recorded an average monthly volume of 2,700 vehicles.

## Three-Wheelers

Domestic demand for autorickshaws is being driven by the regulatory need to replace earlier vehicles with clean fuel models. In earlier years, Delhi, Mumbai and Ahmedabad had legislated in favour of CNG/LPG vehicles. 2006-07 saw the addition of a number of cities, including Hyderabad, Bangalore, Chennai, Lucknow, Kanpur, Agra, Kolkata, Gurgaon, Faridabad and Ghaziabad. Bajaj Auto's sales in these cities contributed significantly to its growth in the small passenger segment.

The large diesel passenger autorickshaw segment has been enjoying fairly rapid growth. Bajaj Auto is in this space with its model, the Mega - which has been upgraded in the current year, and has been well received in the market. The Company will also be launching a CNG-based Mega in the second quarter of 2007-08, and looks forward to a more aggressive presence in this market in 2007-08.

The sub-1 ton cargo segment also has shown a robust growth at 15 per cent, and Bajaj Auto has grown in line with the industry, with its market share remaining at a little over 26 per cent. Like the Mega, the Company has launched the CNG version of its cargo vehicle in cities where diesel vehicles are now banned. Table 2 gives the data for three wheeler sales.

**Table 2 :** Three-wheeler sales and share of Bajaj Auto (in numbers)

	2006-07	2005-06
<b>Passenger vehicles</b>		
<b>3-seater</b>		
Industry sales	358,585	269,209
Bajaj Auto sales	279,341	215,993
Bajaj Auto market share	77.9%	80.2%
<b>6-seater</b>		
Industry sales	10,795	11,958
Bajaj Auto sales	NA	NA
<b>Total passenger vehicles</b>		
Industry sales	369,380	281,167
Bajaj Auto sales	279,341	215,993
Bajaj Auto market share	75.6%	76.8%
<b>Goods carriers</b>		
Industry sales	159,417	138,688
Bajaj Auto sales	42,487	36,061
Bajaj Auto market share	26.7%	26.0%
<b>Total 3-wheelers</b>		
Industry sales	528,797	419,855
Bajaj Auto sales	321,828	252,054
Bajaj Auto market share	60.9%	60.0%

In its efforts at being 'Distinctly Ahead', Bajaj Auto has introduced a first of its kind two-stroke digital direct injection three-wheeler, which offers customers 30 per cent higher fuel efficiency and superior operating performance.

Moreover, the Company has been able to de-risk the vagaries of the domestic market by having around 45 per cent of its total three-wheeler sales in 2006-07 coming from exports - up from 30 per cent in the previous year.

## Exports

During 2006-07, Bajaj Auto exported an all-time high of 442,411 two- and three-wheelers, which represented a growth of 77 per cent over the

previous year. Export of two-wheelers increased by 73 per cent (to 301,766 vehicles); and three wheelers grew by 87 per cent (to 140,645). The total value of exports was Rs.16.9 billion - representing a growth of 82 per cent. The Company continued to be the country's largest exporter of two- and three-wheelers. Table 3 summarises the product-wise exports.

**Table 3 :** Product-wise exports of Bajaj Auto (in numbers)

Product	2006-07	2005-06	Growth
Motorcycles	300,656	165,288	82%
Total two-wheelers	301,766	174,907	73%
Three-wheelers	140,645	75,297	87%
Total vehicles	442,411	250,204	77%

Bajaj Auto entered into a joint venture in Indonesia with a local partner and formed PT. Bajaj Auto Indonesia, where the Company has 95 per cent equity ownership. Its three-wheeler, the RE-4S (CNG), was launched in Jakarta in August 2006 to introduce a comfortable, fuel efficient, environment friendly and low cost public transportation vehicle in the country. Soon afterwards, the upgraded Pulsar 180 DTS-i was launched in the Jakarta Motor Show in November 2006.

The Company's operations in Nigeria started assembling the Boxer-S from June 2006. In 2006-07, over 7,000 vehicles were assembled and sold in Nigeria. The Company sees good potential for the sale of its RE-2S three-wheeler in this region.

The third new market that was opened up during 2006-07 was Iran, where Bajaj Auto started selling to its partner M/s. FARS Motors towards the end of the year. Pulse 180, a variant of the Pulsar 180 DTS-i, was introduced in the first phase to build a high performance brand image.

Bangladesh Colombia Dubai Egypt Guatemala India Indonesia

Iran Mexico Nigeria Peru Philippines Srilanka Sudan



Bajaj Auto continues to be the country's largest exporter of two and three wheelers. Export constitutes 18% of sales.



In 2006-07, Sri Lanka continued to be a strong market. Bajaj Auto sold over 150,000 two- and three-wheelers, compared to 110,000 in 2005-06. In Bangladesh, too, the Company is the leader - and sold over 32,000 vehicles in 2006-07, versus 16,000 a year earlier. Philippines also witnessed strong sales of Bajaj motorcycles, crossing the 25,000 mark for the first time.

The most impressive growth during the year has been in Latin America, where Bajaj Auto has exported over 100,000 vehicles within a single financial year - a first in history of the Indian automobile industry. The biggest driver of this growth has been motorcycles (particularly the Pulsar): the Company sold over 126,000 vehicles, achieving 80 per cent growth over the previous year. The main markets are Colombia, Guatemala, Peru and Mexico.

Through Bajaj Auto's distributor in Dubai, the Company has penetrated many small countries in Africa and the Middle East with its reliable, fuel efficient and price competitive products. Total sales in Africa and Middle East (including Nigeria and Iran) was close to 100,000 vehicles. Major growth came from Egypt, Sudan and Nigeria.

## Operations

### Research and Development

R&D forms the core of the Company. It is all about being 'Distinctly Ahead' through excitement engineering. Bajaj Auto's R&D comprise talented and motivated young engineers with high energy levels, who combine individual creativity with teamwork. The average age is below 30 years. This team has been instrumental in many new products and launches, and has dramatically increased the Company's speed from design to market. Thanks to a cooperative and creative culture in R&D, the

attrition rate is lowest - this in a company whose attrition rates are significantly lower than the industry average.

2006-07 year saw a flurry of launches, each demonstrating the 'Distinctly Ahead' technological advantage the Company is trying to build. The Company launched the third upgrade of the best-selling Pulsar 150 cc / 180 cc. These motorcycles were fitted with new technologies as LED taillights, digital LCD speedometers, non-contact and back lit switches in a completely new stylish form. The upgrades have been runaway successes.

Bajaj Auto also launched the oil-cooled Pulsar 200 cc with improved performance and style. This model is showcased in the Company's Pro-Biking showrooms, and has been received very well. The stylish new Pulsar 220 cc DTS-Fi - the first fuel injected motorcycle from Bajaj - was also launched during the year. It has port fuel injection, fixed fairing with stacked head lamps, diagnostic functions which are displayed on the speedometer, front and back disc brakes, high rigidity frame and a high performance front and back suspension system. It has been hailed by all auto magazines as the best sporting motorcycle in India.

The Company has also introduced the Kristal - an automatic scooter which has many convenience features, along with a very fuel efficient DTS-i engine.

In three-wheelers, Bajaj has started selling its direct fuel injected three-wheeler. This uses advanced fuel injection technology which leads to low emission along with almost 30 per cent improvement in fuel consumption with enhanced power and pick up. The vehicle also has features like twin headlamps and an electric start.

In addition to new launches, the Company has also made substantial investments in its R&D facilities for testing and prototyping, as well as for advanced design and analysis.

## Plants and Manpower Productivity

In 2006-07, Bajaj Auto's three plants produced a total of 2,723,291 two and three-wheelers (Pantnagar was commissioned in April 2007). Table 4 gives the plant-wise capacities.

**Table 4 :** Plant wise capacities

Plant	2006-07	2005-06
Akurdi	720,000	720,000
Waluj	1,860,000	1,500,000
Chakan	960,000	960,000
Pantnagar (new plant)	510,000	—
Total	4,050,000	3,180,000

### The Chakan Plant

Bajaj Auto's state-of-the art plant at Chakan (Maharashtra) manufactures the Company's Pulsar and Discover models. It won the Super Platinum Award for Manufacturing Excellence in 2006, Awarded by Frost and Sullivan, it is the highest award of all categories. Bajaj Auto won it after competing against 260 participating companies.

### The Pantnagar Plant

On 9 April 2007, Bajaj Auto inaugurated its greenfield plant with a planned capacity of one million motorcycles per year at Pantnagar, Uttarakhand. Built on a total area of 65 acres with

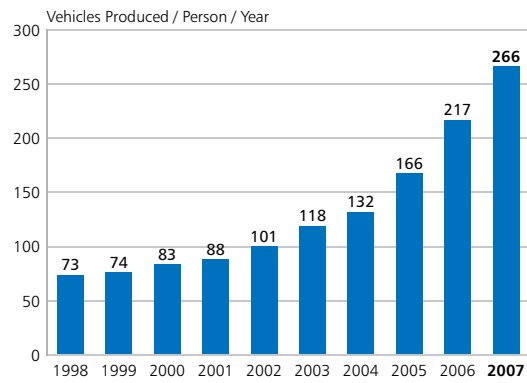
the balance 155 acres allocated to a vendor cluster, the Pantnagar facility is the Company's fourth plant, and the first outside Maharashtra. The unit has a plant area of 40,000 sq. metres, and will employ some 600 line engineers, who have been trained at Chakan for three months.

Set up with an investment of just Rs.1.5 billion (Rs.150 crore), the Pantnagar plant represents the lowest cost capital outlay on a plant that will have an annual capacity of a million vehicles. It has also been structured around a unique vendor cluster concept. 155 acres of the plant area has been taken up by 16 vendors to set up dedicated facilities - and thus ensure seamless integration with the mother plant. These clusters will meet 75 per cent of Pantnagar's component needs; and because of the proximity of the vendors, the plant will essentially operate on the basis of zero inventory.

### Manpower Productivity

Chart C plots the improvement in manpower productivity - measured in terms of vehicles produced per person per year. There has been major improvements since 2003-04: productivity having doubled in four years. This number will further improve in 2007-08 and thereafter, with the Pantnagar unit getting on-stream.

**Chart C :  
Manpower Productivity**



## Total Productive Maintenance (TPM)

Six years ago, like many other automobile manufacturers, Bajaj Auto's TPM initiatives began with the manufacturing processes. Today, it has extended beyond the Company's own plants and facilities. TPM techniques have been extended to the vendors, and then to Bajaj Auto's other non-manufacturing processes. To the Company, TPM is a key tool for achieving excellence. It is another element in Bajaj Auto's armoury to be 'Distinctly Ahead'.

Beginning with the Akurdi plant six years ago, TPM has spread to all the plants. In 2005, the Japan Institute of Plant Maintenance (JIPM) gave the TPM certification (the TPM Excellence Category, Grade 1 Award) to the Akurdi plant. In March 2007, Bajaj Auto's Waluj and Chakan plant received the same award from JIPM at a ceremony at Yokohama, Japan. Thus, in 2006-07, Bajaj Auto has become the first automobile manufacturer in India whose every manufacturing facility was not only certified by JIPM, but awarded such a high honour.

The Company has extended TPM activities to its vendor base. By March 2007, 33 vendors had kicked-off their TPM activities. In addition to consultants from JIPM and the TPM Club (India), a special group of managers have been created within Bajaj Auto to assist vendors in TPM implementation.

Throughout 2006-07, there was satisfactory progress of the TPM process in the vendors' facilities, and these contributed to higher vendor profits through better utilisation of raw-material, plant capacities and reduction in plant rejections and other wastage.

## Information Technology (IT)

Bajaj Auto has a very well functioning, end-to-end IT and ERP system built around the SAP R/3 platform. During 2006-07 there have been several achievements in the IT and ERP front.

A 'Distinctly Ahead' initiative in IT has been the management of the dedicated vendor cluster at Pantnagar for Just in Time (JIT) supply and inventory. The cluster comprising 16 vendor plants is closely networked to the Bajaj Auto system by a single LAN, so that vendors can use the Bajaj SAP system to supply materials through common master data files. The supply is triggered by E-Kanbans, or electronic tokens indicating quantity and time of supply. Stock creation and subsequent consumption at the Bajaj Auto end is based on the number of vehicles and engines produced. Hence, the vendor is accountable for both quantity & quality of the supply, directly on the assembly line. Subsequent bill-passing & payment to the vendors is thus error free and fully automated - resulting in significant reduction of lead time in the procure to pay cycle.







## Supply Chain

For Bajaj Auto, the supply chain encompasses the process from vendors to the final customers via manufacturing. Therefore, the Company's supply chain involves as much the vendors and the procurement-to-payment logistics, as it does the manufacturing to selling process, or the order to cash system. Given below are some of the key supply chain initiatives of Bajaj Auto.

## Vendors

Most of the Company's vendor initiatives, including the Pantnagar operations and TPM have been discussed earlier. What needs to be emphasised is that the 16 vendors clustered within the campus of Bajaj Auto's Pantnagar plant were a part of a planned process of project development - where the vendors were fully integrated with the plant, starting with basic raw materials, automated paint, plating and powder coating plants. This has ensured that the maximum possible value addition is done within Uttarakhand, so as to maximise the tax advantage and make Bajaj Auto's motorcycles even more cost competitive. Initial facilities created by vendors at Pantnagar at an aggregate investment of Rs.5 billion (Rs.500 crore) are for half million motorcycles per year, which will be increased with balancing investments to produce one million motorcycles per year to synchronise with the Company's plans.

## Dealers

Bajaj Auto has adopted a channel policy approach which is unique in the automobile industry. This policy and its linked initiatives are guided by the requirements of specific sets of the Company's final customers.

1. The Primary Channel : This comprises 408 exclusive two-wheeler dealers, 75 exclusive three-wheeler dealers, and 98 dealers who deal in both product categories. Bajaj Auto has followed a policy of systematic network consolidation, in which the primary dealerships have been given a larger scale and scope to operate based on their strengths.
2. The Secondary Channel : Much of Bajaj Auto's recent success can be attributed to policy of rapidly adding to the number of secondary outlets, which provide sales, service and spares support in the vast hinterland of India. These are in the form of 1,500 Authorised Service Centres (ASC), 4,500 Rural Service Outlets (RSO), and 750 Young Engineer Service (YES) centres in the towns and cities.
3. The Rural India Foray : The Company has been aggressively pursuing initiatives to increase two-wheeler penetration in rural India. A large number of rural outlets were added to the network during the year, which not only increased hinterland sales but also gave additional employment in the rural sector.
4. Pro-biking : This initiative sits far away from the rural India play but is no less important. Bajaj Auto believes that young India doesn't pay to buy motorcycles; it pays to buy excitement and exhilaration. The Pro-biking initiative, which was kicked off with the inauguration of first store in Pune in August 2005, aims precisely at creating this thrill. Owned and operated by Bajaj Auto, Pro-biking showrooms are now operational in Mumbai, Kolkata, Chennai, Hyderabad and Ahmedabad.

## Financials

Table 5 : Summarised profit and loss account, 2006-07

In Rs. million	2006-07	2005-06
<b>Operations</b>		
Sales	106,061	85,499
Less: excise duty	13,139	10,805
Net sales	92,922	74,694
Other operating income	2,282	1,985
<b>Total operating income</b>	<b>95,204</b>	<b>76,679</b>
Cost of materials consumed, net of expenditures capitalised	68,690	52,998
Share of material cost	72.2%	69.1%
Stores and tools	772	742
Share of stores and tools	0.8%	1.0%
Labour cost	3,015	2,741
Share of labour cost	3.2%	3.6%
Factory and administrative expenses	3,195	2,845
Share of factory and administrative expenses	3.4%	3.7%
Sales and after sales expenses	5,226	3,663
Share of sales and after sales expenses	5.5%	4.8%
<b>Total expenditure</b>	<b>80,898</b>	<b>62,989</b>
Operating profit	14,306	13,690
Operating profit as a share of total operating income	15.0%	17.9%
Voluntary Retirement Scheme	386	226
Export incentives accrued in previous year written off	104	
<b>Revised operating profit</b>	<b>13,816</b>	<b>13,464</b>
<b>Revised operating profit as a share of total income</b>	<b>14.5%</b>	<b>17.6%</b>
Interest	53	3
Depreciation	1,609	1,616
<b>Net operating profit</b>	<b>12,154</b>	<b>11,845</b>
<b>Non-operating income</b>		
Income	5,226	4,168
Expenses	67	61
<b>Non-operating income, net</b>	<b>5,159</b>	<b>4,107</b>
<b>Windfarm operations</b>		
Income	330	216
Expenses	69	67
Depreciation	294	294
<b>Windfarm operations, net</b>	<b>-33</b>	<b>-145</b>
<b>Profit before taxation</b>	<b>17,280</b>	<b>15,807</b>
Provision for taxation	4,901	4,791
<b>Profit after taxation</b>	<b>12,379</b>	<b>11,016</b>

The fall in operating profit margin compared to 2005-06 needs explanation. In the first half of the year, sales boomed; yet profit margins were lower due to huge pressure on raw material costs. While the raw material prices stabilised in the second half, the industry as a whole was hit by slackening demand growth - thanks to tightening of non-food credit and successive hikes in interest rates on consumer loans. Thus, in a milieu of lower sales growth and tighter credit, the Company offered subventions to finance companies to make its vehicles affordable to consumers - especially so in the lower-end models. This disproportionately increased sales and after sales costs. Together, these two forces reduced operating EBITDA margin to 15 per cent. Even so, it needs to be emphasised that Bajaj Auto's EBITDA margin continues to be by far the highest in the industry.

Given the hardening of input prices (which we expect to continue in the near future), the competitive scenario, the possibility of lower overall demand growth at least in the first half of 2007-08, and Bajaj Auto's ambitious growth targets, any operating margin in the region of 13 per cent to 15 per cent should be considered as par for the course.

## Analysis of Sales

The analysis of sales across product groups is given

**Table 6 :** Sales break-up (units and Rs. million)

Product	2006-07		2005-06		% to total units		% to total value	
	Units	Value	Units	Value	2006-07	2005-06	2006-07	2005-06
Motorcycles	2,379,499	78,162	1,912,306	61,084	87.4%	83.8%	73.7%	71.4%
Other two wheelers	20,497	537	116,870	2,670	0.8%	5.1%	0.5%	3.1%
<b>Total two-wheelers</b>	<b>2,399,996</b>	<b>78,699</b>	<b>2,029,176</b>	<b>63,754</b>	<b>88.2%</b>	<b>89.0%</b>	<b>74.2%</b>	<b>74.6%</b>
Three wheelers	321,828	22,278	252,054	17,485	11.8%	11.0%	21.0%	20.5%
<b>Total vehicles</b>	<b>2,721,824</b>	<b>100,977</b>	<b>2,281,230</b>	<b>81,239</b>	<b>100.0%</b>	<b>100.0%</b>	<b>95.2%</b>	<b>95.0%</b>
Spare parts & Others	N.A.	5,084	N.A.	4,260	—	—	4.8%	5.0%
<b>Total sales</b>	<b>2,721,824</b>	<b>106,061</b>	<b>2,281,230</b>	<b>85,499</b>	<b>—</b>	<b>—</b>	<b>100.0%</b>	<b>100.0%</b>

in Table 6. Motorcycles continue to dominate the product portfolio with higher than industry rates growth in value and volume.

## Materials, stores and tools

The share of materials to net sales and other operating income in 2006-07 was 72.2 per cent, as against 69.1 per cent in 2005-06. This is entirely due to the factor stated earlier - a disproportionate rise in raw materials and intermediates prices in the first half of 2006-07.

Stores and tools was 0.8 per cent of net sales and other operating income in 2006-07.

## Labour, factory and administration costs

Labour costs as a share of sales and other operating income reduced from 3.6 per cent in 2005-06 to 3.2 per cent in 2006-07. This has been driven by productivity improvements, which has doubled labour productivity from 132 vehicles per person per year in 2003-04 to 266 in 2006-07 - without a doubling of the wages and salaries bill. This has been a huge improvement compared to the recent past, where labour cost was close to 7 per cent of net sales. Factory and administration costs were 3.4 per cent of sales and other operating income in 2006-07, versus 3.7 per cent last year.

## Sales and after sales expenses

In spite of intense competition in the industry, in the last quarter of 2006-07, the company has been able to limit its sales and after sales expenses to 5.5 per cent of sales and other operating income in 2006-07, as against 4.8 per cent in 2005-06. As mentioned earlier, the 70 basis point increase in expenses was due to greater sales and after sales costs in the second half of the year due to the subvention schemes.

## Operating working capital

Table 7 gives the details of operating working capital. As evident, Bajaj Auto continues to be efficient by enjoying negative working capital. In 2006-07, the negative capital was Rs.2.79 billion, versus Rs.3.35 billion in the previous year. Even so, negative operating capital of Rs.2.79 billion is among the best in the automobile industry.

**Table 7 :** Operating working capital (Rs. million)

	As at 31st March 2007	As at 31st March 2006
<b>Current assets</b>		
Inventories	3,097	2,729
Sundry debtors	5,298	3,015
Cash and bank balances	625	811
Other current assets	3,682	2,861
Sub-total	12,702	9,416
<b>Less: Current liabilities</b>		
Sundry creditors	13,745	11,558
Advance against orders	953	449
Other current liabilities	793	759
Sub-total	15,491	12,766
<b>Working capital</b>	<b>-2,789</b>	<b>-3,350</b>

## Return on operating capital employed

As Table 8 shows, the Company's return on operating working capital reduced from 174 per cent in 2005-06 to 125 per cent in 2006-07. The reason for this fall is due to a substantial increase in gross block and advances to machinery manufacturers, arising out of major capital outlays in 2006-07 - whose benefits will flow only from 2007-08.

**Table 8 :** Return on operating capital (Rs. million)

	As at 31st March 2007	As at 31st March 2006
Fixed assets	11,663	9,963
Capital Advances	807	192
Technical know-how	41	14
Working capital	-2,789	-3,350
<b>Total</b>	<b>9,722</b>	<b>6,819</b>
Operating profit after interest and depreciation	12,154	11,845
<b>Pre-tax return on operating capital employed</b>	<b>125%</b>	<b>174%</b>

## Treasury operations

The guiding principle of Bajaj Auto's investment strategy is prudence. A significant portion of the accretion to surplus funds was invested in secured and fixed investment securities. Table 9 gives the details.



**Table 9 :** Income from investment of surplus funds (Rs. million)

	2006-07	2005-06
Dividends	373	321
Interest on debentures and bonds	831	713
Interest on government securities	1,741	1,944
Interest on inter-corporate deposits and other loans	31	142
Income from mutual fund units	37	225
Profit on sale of investments - net	2,372	1,172
Others	129	6
Amortisation of premium / (discount) on acquisition of fixed income securities	-288	-355
<b>Total Non-operating income</b>	<b>5,226</b>	<b>4,168</b>
Non-operating expenses	67	61
<b>Net non-operating income</b>	<b>5,159</b>	<b>4,107</b>

The composition of Bajaj Auto's investment profile is given in Table 10. The market value of the portfolio is higher than cost by Rs.21.79 billion.

**Table 10 :** Bajaj Auto's investment of surplus funds (Rs. million)

	As at 31 March 2007	% to total	As at 31 March 2006	% to total
Government securities and bank deposits	22,843	35.3	29,271	49.9
Mutual funds including UTI	1,989	3.1	3,736	6.4
Debentures and bonds	13,498	20.9	12,685	21.6
Certificate of Deposits	3,209	5.0	1,047	1.8
Preference shares	235	0.3	249	0.4
Inter-corporate deposits	16	0.0	133	0.2
<b>Fixed income investments</b>	<b>41,790</b>	<b>64.6</b>	<b>47,121</b>	<b>80.3</b>
Equity shares and equity based mutual funds	22,901	35.4	11,582	19.7
<b>Total cost</b>	<b>64,691</b>	<b>100.0</b>	<b>58,703</b>	<b>100.0</b>
<b>Market Value</b>	<b>86,482</b>	<b>-</b>	<b>75,739</b>	<b>-</b>

## Wind power project

The Company had set up a total of 138 windmills with an installed capacity of 65.2 MW at a capital expenditure of Rs.2.94 billion. During the year, these windmills generated 103 million units of power valued at Rs.330 million. No fresh investments were made in wind power during the year.



## Awards & Recognition

The Company, Products and Management & Staff have received various prestigious awards during the year. To name a few –

### Company:

- |   |   |  |
|---|---|--|
| a) Bike Maker of the year 2007  | - | NDTV Profit – Car & Bike                               |
| b) Bike Maker of the year 2007  | - | ICICI Bank Overdrive                                   |
| c) Brand Excellence   | - | Amity School of Business Leadership                    |
| d) A 'Fabulous 50' Asian company  | - | Forbes Asia  |
| e) Chakan Plant – India Manufacturing Excellence Award 2006   | - | Frost & Sullivan                                       |
| f) Most Customer Responsive company Category - Automobiles  | - | ET Avaya Global Connect Customer Responsive Award 2005 |
| g) Star Performer in Engineering Exports as largest enterprise in product group of motorcycles, bicycles etc. | - | Engineering Exports Promotion Council Western Region   |

### Products:

- |   |   |  |
|---|---|--|
| a) Platina – Bike of the Year upto 100cc                            | - | NDTV Profit - Car & Bike                     |
| b) Pulsar 220 DTS-Fi – Bike of the Year                             | - | CNBC TV18, Autocar                           |
| c) Boxer S awarded – “West Africa’s Best Strongest Motorcycle 2007” | - | The Institute of Direct Marketing of Nigeria |

### Employees:

Mr. Rahul Bajaj, Chairman -

- |  |   |                                     |
|--|---|-------------------------------------|
| a) JRD Tata Corporate Leadership Award | - | All India Management Association    |
| b) Doctor of Letters (Honorary)        | - | Devi Ahilya Vishwavidyalaya, Indore |
| c) D. Litt Degree                      | - | Tilak Maharashtra University, Pune  |

Mr. Rajiv Bajaj, Managing Director -

- |                               |   |                      |
|-------------------------------|---|----------------------|
| a) Man of the Year award      | - | Bike India & NDTV    |
| b) Automotive Man of the Year | - | Autocar Professional |

Mr. Abraham Joseph, VP (R&D) -  
FIE Foundation Award

- |   |                |
|---|----------------|
| - | FIE Foundation |
|---|----------------|

Mr. Subhash R Chavan, Operator  
Mr. Prakash V Birajdar, Operator  
Mr. Sampatrao B Mahadik, Operator  
Mr. Mahesh Y Sewlikar, Operator

- |   |             |  |
|---|-------------|--|
| - | Shram Vir   | } Ministry of Labour and Employment, Government of India |
| - | Shram Vir   |  |
| - | Shram Vir   |  |
| - | Shram Shree |  |



## Subsidiaries, Associates, Joint Venture

### Insurance

Bajaj Allianz Life Insurance Company Limited (BALICL) and Bajaj Allianz General Insurance Company Limited (BAGICL) continued their excellent performance in the current year and occupy the number two position in the industry within the private sector. BALICL stands 'first' on the basis of number of policies.

BALICL wrote new business of Rs.42.7 billion compared to Rs.27.17 billion in the previous year and registered a market share of 5.7%. The gross premium for the financial year 2006-07 was Rs.53.1 billion, registering a growth of 69% over the previous year.

The company has the largest distribution network in the private sector and has its presence in 876 offices across the country. Strength of agents doubled in the year from 109,000 to 213,000.

The Company has successfully developed a comprehensive product range covering individual life and group business by introducing a number of products during the year.

BAGICL recorded a gross premium of Rs.18.03 billion compared to Rs.12.84 billion in the previous year, reflecting a growth of 40%. The net premium for the year rose to Rs.10.4 billion,

an increase of 49% over the previous year figure of Rs.6.99 billion, reflecting the company's strong retention policy. The number of policies sold grew significantly to 4.90 million policies as against 3.90 million policies.

The geographical reach and further enhancement of efficient customer service were the twin areas of focus for the year. The total number of offices of the company exceeded 150.

The profit after tax for the year increased to Rs.754 million from Rs.516 million in the previous year, reflecting an increase of 46%. The last quarter of the fiscal, when the industry was partially freed of tariff controls, had a marginal impact on the gross premium income and net profits. It is significant to note that BAGICL is the only general insurance company within the private sector to have generated underwriting profits in a competitive and difficult market.

### Retail finance

During the year, the gross disbursements of Bajaj Auto Finance Limited (BAFL) stood at Rs.26.31 billion – a growth of 35% as against Rs.19.55 billion in the previous year. Assets under Finance and Receivables as on 31 March 2007 were Rs.27.61 billion as against Rs.19.81 billion in the previous year.

The profit after tax for the year grew by 25% to Rs.472 million from Rs.377 million.



To strengthen the capital base and augment its long term resources, the company made a simultaneous but unlinked Rights Issue of 12,596,076 equity shares of Rs.10 each at a premium of Rs.315 per equity share aggregating to Rs.4093 million and 5,248,365 non convertible debentures (NCD's) of Rs.500 each aggregating to Rs.2624 million with detachable warrants optionally convertible into equity shares. The issues were fully subscribed.

During the year under review, BAFL has opened 11 new branch offices. With the opening of these branches, the total number of branches has gone up to 113. The company now covers 280 towns through its branch network.

The company also has 24 retail stores across the country which will enhance direct marketing activity and brand awareness and also provide easy availability of finance and customer convenience.

### Consolidation of accounts and segment reporting

Bajaj Auto has consolidated the financial statements of subsidiaries, associates and

joint ventures 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 11.

**Table 11 :** Segment Revenue and Segment Results (Rs. million)

Segment Revenue		Segment Results-Profit/(loss) from each segment before interest and tax	
	2006-07		2006-07
Automotive	95,256	Automotive	12,018
Insurance	66,232	Insurance	453
Investment and others	5,592	Investment and others	5,366
<b>Total</b>	<b>167,080</b>	<b>Total</b>	<b>17,837</b>
Less: Intersegment Revenue	520	Less: Interest	55
<b>Total</b>	<b>166,560</b>	<b>Profit before tax</b>	<b>17,782</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 Auto Limited ('Bajaj Auto', 'BAL' or 'the Company') 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 Company and its Board of Directors.

Given below are the company's corporate governance policies and practices for 2006-07.

## Board of directors

Bajaj Auto had obtained approval of the central government to increase the number of directors from 15 to 18. Recognising the importance of having a broad-based board, the company has appointed two additional directors during the year — P. Murari and Niraj Bajaj. Their details are given in the notice to the annual general meeting. Tarun Das, a non-executive independent director, resigned from the board on 9 April 2006.

## Composition

As on 31 March 2007, the board of Bajaj Auto consisted of 16 directors, of whom 11 were non-executive, and five were whole-time executives. Eight out of the 11 non-executive directors were independent. The board has no institutional nominee directors.

According to clause 49, if the Chairman is an executive, at least 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, at least two-third of the board should consist of retiring directors. Of these, a third are required to retire every year and, if eligible, may seek re-appointment by the shareholders. Eleven of the 16 directors of Bajaj Auto as on 31 March 2007 were retiring directors. This year, the retiring directors are J N Godrej, Shekhar Bajaj and Ms Suman Kirloskar who, being eligible, have offered their candidature for re-appointment.

## Non-executive directors' compensation

A sitting fee of Rs.20,000 per meeting is paid to non-executive directors, including independent directors, for every meeting of the board or committees of the board attended. This has been fixed by the board of directors.

Based on the attendance at the board and the committee meetings, non-executive directors are also paid commission within the overall ceiling of 1 per cent on net profits. This is currently distributed at the rate of Rs.50,000 per meeting of the board and its committees attended by them. Payment of such commission has been approved by the shareholders at their meeting held on 15 July 2006 for an additional period of five years with effect from 1 April 2006.

The Company currently does not have a stock option programme.

## Board procedures

During 2006-07, the board of directors met six times: on 19 May 2006, 15 July 2006, 9 September 2006, 18 October 2006, 16 January 2007 and 17 March 2007. The gap between any two meetings has been less than three months.

## Attendance record of directors

**Table 1 :** Composition of the board and attendance record of directors for 2006-07

Name of director	Category	Meetings attended	Whether attended last AGM on 15 July 2006
Rahul Bajaj	Chairman, executive	6/6	Yes
Madhur Bajaj	Vice Chairman, executive	6/6	Yes
Rajiv Bajaj	Managing Director, executive	6/6	Yes
Sanjiv Bajaj	Executive Director, executive	6/6	Yes
D S Mehta	Whole-time Director, executive	5/6	Yes
Kantikumar R Podar	Non-executive, independent	6/6	Yes
Shekhar Bajaj	Non-executive	4/6	Yes
D J Balaji Rao	Non-executive, independent	6/6	Yes
J N Godrej	Non-executive, independent	3/6	Yes
S H Khan	Non-executive, independent	6/6	Yes
Ms Suman Kirloskar	Non-executive, independent	5/6	Yes
Naresh Chandra	Non-executive, independent	6/6	Yes
Nanoo Pamnani	Non-executive, independent	5/6	Yes
Tarun Das *	Non-executive, independent	-	-
Manish Kejriwal	Non-executive	4/6	Yes
P Murari **	Non-executive, independent	4/4	-
Niraj Bajaj **	Non-executive	4/4	-

\* Resigned with effect from 9 April 2006

\*\* Appointed with effect from 9 September 2006.

## 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 Bajaj Auto 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 2007

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

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

During the year, the board periodically reviewed compliance reports with respect to the various laws applicable to the Company, as prepared and placed before it by the management.

### Code of conduct

The board at its meeting on 16 July 2005 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](http://www.bajajauto.com). All directors and senior management personnel have affirmed compliance with the code for 2006-07. A declaration to this effect signed by the CEO is given in this annual report.



## Audit committee

### Constitution and composition

Bajaj Auto set up its audit committee in 1987. Since then, the company has been reviewing and making appropriate changes in the composition and working of the committee from time to time to bring about greater effectiveness, and comply with various requirements under the Companies Act, 1956 and clause 49 of the listing agreement. 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 2006-07, the audit committee met four times: 18 May 2006, 15 July 2006, 18 October 2006 and 16 January 2007. The meetings were scheduled well in advance. In addition to the members of the audit committee, these meetings were 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.

During the year, S H Khan, Naresh Chandra and D J Balaji Rao were present at each of the four meetings. Nanoo Pamnani attended three of the four meetings, while J N Godrej was present at two.

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

During the year, the audit committee reviewed the financial statements (in particular, the investments made) of each unlisted Indian subsidiary company - Bajaj Auto Holdings Ltd. (BAHL), Bajaj Allianz General Insurance Company Ltd. (BAGICL) and Bajaj Allianz Life Insurance Company Ltd. (BALICL). Minutes of the board meetings of these subsidiary companies were regularly placed before the board of Bajaj Auto. So too was a statement of the significant transactions and arrangements entered into by these subsidiary companies.

### Disclosures

A summary statement of transactions with related parties was placed periodically before the audit committee during the year. 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 16 July 2005, 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.

There were no public issues, right issues, preferential issues etc. during the year.

## Remuneration committee

Bajaj Auto constituted a remuneration committee of the board on 16 January 2002. For 2006-07, the committee consisted of the following non-executive independent directors :

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

## Remuneration of directors

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

1. J N Godrej 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 2007, amounted to Rs.14.8 million.
2. Shekhar Bajaj 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.35 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 19 May 2006 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 and commission on net profits as separately stated in this report.

## Executive directors

There was no change in the terms of remuneration paid to Rahul Bajaj, Madhur Bajaj, Rajiv Bajaj, Sanjiv Bajaj and D S Mehta during the year under review. On their retirement, all the executive directors, excluding D S Mehta, 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.

Bajaj Auto 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 2006-07, 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 2006-07.

**Table 3 :** Remuneration paid / payable to directors during 2006-07

Name of director	Relationship with other directors	Sitting fees Rs.	Salary & perquisites Rs.	Commission Rs.	Total Rs.
Rahul Bajaj	Father of Rajiv Bajaj, Sanjiv Bajaj & father-in-law of Manish Kejriwal	—	17,945,541	21,600,000	39,545,541
Madhur Bajaj	Brother of Shekhar Bajaj & Niraj Bajaj	—	12,249,525	15,300,000	27,549,525
Rajiv Bajaj	Son of Rahul Bajaj, brother of Sanjiv Bajaj & brother-in-law of Manish Kejriwal	—	6,651,607	13,500,000	20,151,607
Sanjiv Bajaj	Son of Rahul Bajaj, brother of Rajiv Bajaj & brother-in-law of Manish Kejriwal	—	4,892,114	9,900,000	14,792,114
D S Mehta	—	—	1,617,278	—	1,617,278
Kantikumar R Podar	—	120,000	—	300,000	420,000
Shekhar Bajaj	Brother of Madhur Bajaj & Niraj Bajaj	80,000	—	200,000	280,000
D J Balaji Rao	—	220,000	—	550,000	770,000
J N Godrej	—	120,000	—	300,000	420,000
S H Khan	—	220,000	—	550,000	770,000
Ms Suman Kirloskar	—	100,000	—	250,000	350,000
Naresh Chandra	—	220,000	—	550,000	770,000
Nanoo Pamnani	—	160,000	—	400,000	560,000
Manish Kejriwal	Son-in-law of Rahul Bajaj & brother-in-law of Rajiv Bajaj and Sanjiv Bajaj	80,000	—	200,000	280,000
Tarun Das*	—	—	—	—	—
P Murari**	—	80,000	—	200,000	280,000
Niraj Bajaj**	Brother of Madhur Bajaj & Shekhar Bajaj	80,000	—	200,000	280,000

\* Resigned with effect from 9 April 2006.

\*\* Appointed with effect from 9 September 2006.

Notes: 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 who held shares in the company are :

Name of director	Number of shares held as on 31 March 2007
Shekhar Bajaj	779,690
Manish Kejriwal	100
Niraj Bajaj	1,248,488

## Management

### Management discussion and analysis

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

### Disclosure of material transactions

Senior management made 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.

### Warning against insider trading

Comprehensive guidelines in accordance with the SEBI regulations are in place. The code of conduct and corporate disclosure practices framed by the company have helped in ensuring compliance with the requirements.

## Shareholders

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

Tarun Das resigned from the board with effect from

9 April 2006. The board of directors appointed P Murari and Niraj Bajaj as additional directors with effect from 9 September 2006. Both hold office till the date of the ensuing annual general meeting and, if approved by the shareholders, are to be appointed directors in that meeting. J N Godrej, Shekhar Bajaj and Ms Suman Kirloskar are retiring by rotation and are eligible for re-appointment.

Brief profiles of P Murari and Niraj Bajaj are given in the notice being issued to the shareholders of the ensuing annual general meeting of the company. Profiles of retiring directors, J N Godrej, Shekhar Bajaj and Ms Suman Kirloskar are given below.

#### J N Godrej

Jamshyd N. Godrej, 58, graduated in Mechanical Engineering from Illinois Institute of Technology, USA. He joined the board of management of Godrej & Boyce Mfg. Co. Ltd. as director in 1974, became managing director in 1991 and Chairman of the board in 2000.

He is the Chairman of Aspen Institute – India. He is the vice president of World Wide Fund for Nature – International and former president of World Wide Fund for Nature – India. He has also been the president of Confederation of Indian Industry and president of the Indian Machine Tool Manufacturers' Association.

Godrej is an ardent yachting enthusiast and has done extensive cruising along the west coast of India.

The President of India conferred the Padma Bhushan on Godrej on 3 April 2003.

#### Major directorships

Geometric Software Solutions Co Ltd.

Godrej Commodities Ltd. (formerly Godrej Foods Ltd.)  
Godrej Consumer Products Ltd.  
Godrej Industries Ltd.  
Haldia Petrochemicals Ltd.

#### Committee positions

Bajaj Auto Ltd. (2)  
Geometric Software Solutions Co. Ltd. (1)  
Godrej Consumer Products Ltd. (1)

#### Shekhar Bajaj

Shekhar Bajaj, 58, B.Sc. (Hons.) from Pune University and MBA from New York University, USA, is currently the Chairman and Managing Director of Bajaj Electricals Ltd. engaged in marketing of wide-range of household electrical appliances, besides undertaking turn-key engineering projects.

He is the chairman of various other Bajaj group companies, viz. Bajaj Ventures Ltd. Hercules Hoists Ltd., Bajaj International Pvt. Ltd., Hind Lamps Ltd. and Bachhraj Factories Pvt. Ltd. — all engaged in diverse activities.

Besides being the former director of IDBI Bank Ltd, he has been the president / chairman of various other industries / trade associations, viz. Electric Lamp & Component Manufacturers' Association of India, (ELCOMA), Indian Fan Manufacturer's Association (IFMA), The Associated Chambers of Commerce & Industry of India (ASSOCHAM), Indian Merchants' Chamber (IMC) and Council for Fair Business Practices (CFBP).

#### Major directorships

Bajaj Electricals Ltd.  
Hercules Hoists Ltd.

#### Committee position

Bajaj Ventures Ltd.

#### Ms Suman Kirloskar

Ms Suman Kirloskar, 72, B.Sc., is associated with various social service organisations such as :

- Trustee, Mahila Seva Mandal (a rescue home for shelterless women and children)
- Treasurer – Empress Garden
- Chairperson, Mahila Udyog Ltd. (providing employment to destitute women)
- Trustee, Ravi Kirloskar Quality Prize Trust
- Chairperson, Society of Friends of Sasoon Hospital ( a body working for the welfare of patients of the Sasoon General Hospital)

She has been also associated in the past as :

- Trustee, Sanjeevan Vidyalaya Trust
- Trustee, Maharshi Karve Stree Shikshan Sanstha
- Vice Chairperson, Surhud Mandal
- Chairperson, Kirloskar Filters Pvt. Ltd.

#### Directorships

Hematic Motors Pvt. Ltd.  
Mahila Udyog Ltd.

#### Committee position

Mahila Udyog Ltd.

### Communication to shareholders

Quarterly, half-yearly and annual financial results are published in numerous leading dailies, such as Hindustan Times, Times of India, The Economic Times, Sakal, Kesari, Financial Express, Hindu Businessline and Business Standard along with the official press release. In addition, the half-yearly

and annual financial results are published in the Financial Times, UK. The company also sends the half-yearly financial results, along with a detailed write-up, to each household of shareholders.

Bajaj Auto 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, institutional investors. The web-site also contains information on matters such as dividend and bonus history, answers to frequently asked queries (FAQs) by the various shareholder categories and details of the corporate contact persons. All financial and other vital official news releases are also communicated to the concerned stock exchanges, besides being placed on the Company's web-site.

The company also files the following information, statements, reports on the electronic data information filing and retrieval (EDIFAR) website maintained on-line by National Informatics Centre (NIC) as specified by SEBI :

- Full version of the annual report including the balance sheet, profit and loss account, directors' report and auditors' report, cash flow statements, half-yearly financial statements and quarterly financial statements.
- Corporate governance report.
- Shareholding pattern.

The company further files on-line on the approved website of London Stock Exchange such

information on financial statements and other matters as specified by it.

## Information on general body meetings

The last three annual general meetings of the company were held at the registered office of the company at Mumbai-Pune road, Akurdi, Pune 411 035 on the following dates and time :

59 AGM	31 July, 2004	at 11.30 a.m.
60 AGM	16 July, 2005	at 11.30 a.m.
61 AGM	15 July, 2006	at 11.30 a.m.


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 last three years.



## Shareholders' and investors' grievance committee

The board of directors of Bajaj Auto constituted its shareholders' and investors' grievance committee in 2000. This committee specifically looks 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 2007 :

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

During the year under review, the committee met on 17 March 2007 to review the status of investors' services rendered. All members were present at the meeting. The secretarial auditor as well as the Company Secretary (who is also the compliance officer) were also present.

All physical transfers of shares as well as requests for dematerialisation / rematerialisation are 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 its own connectivity with the National Securities Depository Limited and Central Depository Services (India) Limited. No query / complaint received during the year under review remained unattended / unresolved, except where the matters were sub-judice. 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 & Analysis and Additional Shareholder Information, constitute the compliance report on corporate governance during 2006-07.

## 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.

## Combined code of governance of the London Stock Exchange

The London Stock Exchange has formulated a combined code, which sets out the principles of good governance and code of best practice. The code is not legally applicable to the company. However, given that Bajaj Auto's GDRs are listed on the London Stock Exchange, the company has examined the code and has noted that it is substantially in compliance with the critical parameters, especially in matters of transparency and disclosures.



# Additional Shareholder Information

## Annual general meeting

Date : 12 July 2007  
Time : 11.30 a.m.  
Venue : Registered office at Mumbai-Pune Road, Akurdi, Pune 411 035

## Financial calendar

Audited annual results - Mid May  
Mailing of annual reports - Mid June  
Annual general meeting - Mid July  
Unaudited first quarter financial results - Mid July  
Unaudited second quarter financial results - Mid October  
Unaudited third quarter financial results - Mid January

## Dividend

The Board of directors of Bajaj Auto have proposed a dividend of Rs.40 per equity share (400 per cent) for the financial year 2006-07, subject to approval by the shareholders at the annual general meeting. Dividend paid in the previous year was Rs.40 per equity share (400 per cent).

## Dates of book closure

The register of members and share transfer books of the Company will remain closed from Sunday,

1 July 2007 to Thursday, 12 July 2007, 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 16 July 2007 :

- 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 Saturday, 30 June 2007; 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 Saturday, 30 June 2007.

## 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. 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.

## Unclaimed dividends

Unclaimed dividends up to 1994-95 have been transferred to the general revenue account of the central government. Those who have not cashed their dividend warrants for the period prior to and including 1994-95 are requested to claim the amount from Registrar of Companies, Pune, PMT Building, Deccan Gymkhana, Pune 411 004.

As per Section 205-C of the Companies Act, 1956, any money transferred by the company to the unpaid dividend account and remaining unclaimed for a period of seven years from the date of such transfer shall be transferred to a fund called the Investor Education and Protection Fund set up by the central government. Accordingly, the unpaid / unclaimed dividends for the years 1995-96 to 1998-99 were transferred by the company to the said fund in the years 2003 through 2006. No claims shall lie against the fund or the company in respect of amounts so transferred.

Unpaid / unclaimed dividend for 1999-2000 shall become transferable to the fund in July 2007. Shareholders are requested to verify their records and send claims, if any, for 1999-2000, before the amount becomes due for transfer to the fund.

## 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. Bajaj Auto has its own connectivity with NSDL / CDSL for conducting the dematerialisation and rematerialisation work in-house.

## Share transfer system and the scheme of transfer-cum-demat

Share transfers received by the company are registered within 15 days from the date of receipt, provided the documents are complete in all respects. Total number of shares transferred in physical category during 2006-07 was 428,777 versus 6,115,658 shares during 2005-06.

## Dematerialisation of shares

During 2006-07, 2,158,927 shares were dematerialised, compared to 1,155,781 shares during 2005-06. Distribution of shares as on 31 March 2007 and 2006 is given in Table 1.

## Global depository receipts (GDRs)

Bajaj Auto issued Global Depository Receipts (GDRs) in 1994 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). As on 31 March 2007, 1,995,654 GDRs were outstanding, and represented an equal number of underlying equity shares.

GDRs of the company have been transferred from the Main Market to the Professional Securities Market of the London Stock Exchange, with effect from 10 March 2007. With this transfer, the company can continue to present its financial statements under Indian GAAP.

## Stock code

1. BSE, Mumbai	500490
2. National Stock Exchange	BAJAJAUTO
3. Reuters	BJAT.BO
4. Bloomberg	BJA.IN
5. ISIN	INE118A01012

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

	Position as on 31 March 2007		Position as on 31 March 2006		Net change during 2006-07	
	No. of Shares	% to total shareholding	No. of shares	% to total shareholding	No. of shares	% to total shareholding
<b>Physical</b>	<b>41,565,506</b>	<b>41.08</b>	<b>43,719,573</b>	<b>43.21</b>	<b>(2,154,067)</b>	<b>2.13</b>
<b>Demat:</b>						
NSDL	58,371,539	57.69	56,610,484	55.95	1,761,055	1.74
CDSL	1,246,465	1.23	853,453	0.84	393,012	0.39
Sub Total	59,618,004	58.92	57,463,937	56.79	2,154,067	2.13
<b>Total</b>	<b>101,183,510</b>	<b>100.00</b>	<b>101,183,510</b>	<b>100.00</b>	<b>—</b>	<b>—</b>

## Listing on stock exchanges

Shares of Bajaj Auto are currently 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

GDRs are listed on the London Stock Exchange, having its office at EC2N 1HP, London UK.

During 2006-07, the listing fees payable to these stock exchanges have been paid in full.

## Market price data

Table 2 gives the monthly highs and lows of Bajaj Auto's shares on the Bombay Stock Exchange (BSE), the National Stock Exchange (NSE) and for the GDRs, on the London Stock Exchange.

**Table 2 :** Monthly highs and lows of Bajaj Auto's shares during 2006-07 (Rs.) vis-a-vis BSE Sensex

Month	BSE		NSE		LONDON SE (GDRs)		Closing BSE Sensex
	High	Low	High	Low	High	Low	
Apr-06	3,049.90	2,625.00	3,050.00	2,621.00	2,945.19	2,709.30	12,043
May-06	3,325.00	2,642.00	3,325.00	2,605.00	3,207.43	2,703.37	10,399
Jun-06	2,825.00	2,085.00	2,819.00	2,074.10	2,732.54	2,186.78	10,609
Jul-06	2,820.00	2,350.10	2,834.75	2,353.00	2,802.16	2,361.79	10,744
Aug-06	2,826.95	2,450.00	2,833.75	2,450.00	2,794.87	2,422.81	11,699
Sep-06	3,020.00	2,675.00	3,018.00	2,671.00	3,003.50	2,695.46	12,454
Oct-06	3,175.00	2,730.00	3,187.00	2,730.20	3,158.00	2,734.30	12,962
Nov-06	2,855.00	2,535.00	2,996.80	2,530.10	2,815.01	2,502.92	13,696
Dec-06	2,775.00	2,480.00	2,775.00	2,475.00	2,745.67	2,434.30	13,787
Jan-07	2,859.00	2,645.00	2,850.50	2,632.00	2,821.28	2,709.25	14,091
Feb-07	3,171.90	2,550.00	3,375.20	2,535.10	3,044.54	2,612.08	12,938
Mar-07	2,643.00	2,400.00	2,644.50	2,405.00	2,594.08	2,421.66	13,072







## Distribution of shareholdings

Table 3 gives details about the pattern of shareholdings among various categories as on 31 March 2007, while Table 4 gives the data according to size classes.


**Table 3 :** Distribution of shareholdings across categories

Categories	31 March 2007		31 March 2006	
	No. of shares	% to total capital	No. of shares	% to total capital
Promoters	30,201,184	29.85	30,144,292	29.79
Friends and associates of promoters	16,896,811	16.70	16,996,549	16.80
GDRs *	1,995,654	1.97	2,320,561	2.29
Foreign Institutional Investors	19,716,879	19.49	19,648,242	19.42
Public Financial Institutions	5,328,386	5.27	5,442,659	5.38
Mutual Funds	2,037,689	2.01	2,360,340	2.33
Nationalised & other banks	300,466	0.30	190,844	0.19
NRIs & OCBs	631,644	0.62	622,989	0.62
Others	24,074,797	23.79	23,457,034	23.18
<b>Total</b>	<b>101,183,510</b>	<b>100.00</b>	<b>101,183,510</b>	<b>100.00</b>

\* Under the deposit agreement, the depository exercises the voting rights on the shares underlying the GDRs as directed by the promoters of the company.

**Table 4 :** Distribution of shareholding according to size class as on 31 March 2007

No of shares	No of shareholders		Shares held in each class	
	Number	%	Number	%
1 TO 100	48,369	79.69	1,055,136	1.04
101 TO 200	3,913	6.45	6,08,253	0.60
201 TO 500	3,387	5.58	1,138,809	1.13
501 TO 1000	1,676	2.76	1,224,950	1.21
1001 TO 5000	2,176	3.59	4,987,529	4.93
5001 TO 10000	492	0.81	3,419,925	3.38
10001 TO 100000	525	0.86	16,474,197	16.28
100001 AND ABOVE	156	0.26	72,274,711	71.43
<b>Total</b>	<b>60,694</b>	<b>100.00</b>	<b>101,183,510</b>	<b>100.00</b>



## Shareholders' and investors' grievances

The board of directors of Bajaj Auto has a shareholders' / investors' grievance committee consisting of four non-executive independent directors to specifically look into the shareholders' / investors' complaints on various matters. Routine queries / complaints received from shareholders are promptly attended to and replied. Queries / complaints received during the period under review related to non-receipt of dividend by warrants as well as through electronic clearing service, non receipt of annual report, non-receipt of transferred shares and change of address and / or bank particulars. There were no pending issues to be addressed or resolved.

During the year, letters were received from SEBI concerning 17 complaints filed by the shareholders on various matters. In respect of each of these complaints (most of which were repetitive and related to sub-judice matters) replies were filed with SEBI in the prescribed format, and no action remained to be taken at the company's end.

## 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 is routinely 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 Pantnagar, Udhamasinghnagar, Uttarakhand 263 531

## Address for correspondence

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

### Bajaj Auto Limited

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 directors present their sixty-second annual report and the audited statements of accounts for the year ended 31 March 2007.

## Operations

Sales	2006-07 (Nos)	2005-06 (Nos)
Motorcycles	2,379,499	1,912,306
Other two-wheelers	20,497	116,870
<b>Total two wheelers</b>	<b>2,399,996</b>	<b>2,029,176</b>
<b>Three wheelers</b>	<b>321,828</b>	<b>252,054</b>
<b>Total Two &amp; Three wheelers</b>	<b>2,721,824</b>	<b>2,281,230</b>
Of the above, exports were		
Two wheelers	301,766	174,907
Three wheelers	140,645	75,297
<b>Total Exports</b>	<b>442,411</b>	<b>250,204</b>

## Financial results

	2006-07 Rs. in million	2005-06 Rs. in million
<b>Net sales &amp; other income</b>	<b>100,760</b>	<b>81,064</b>
<b>Gross profit before VRS compensation, interest &amp; depreciation</b>	<b>19,726</b>	<b>17,946</b>
VRS compensation	386	226
Interest	53	3
Depreciation	1,903	1,910
<b>Profit before taxation</b>	<b>17,280</b>	<b>15,807</b>
Provision for taxation	4,901	4,791
<b>Profit after tax</b>	<b>12,379</b>	<b>11,016</b>
<b>Disposable surplus</b>	<b>12,371</b>	<b>11,233</b>
Proposed dividend (inclusive of dividend tax)	4,735	4,615
<b>Earnings per share (Rs.)</b>	<b>122.3</b>	<b>111.0</b>

## Dividend

The directors recommend for consideration of the shareholders at the ensuing annual general meeting, payment of a dividend of Rs.40 per share (400 per cent) for the year ended 31 March 2007. The amount of dividend and the tax thereon aggregates to Rs.4,735 million.

Dividend paid for the year ended 31 March 2006 was Rs.40 per share (400 per cent). The amount of dividend and the tax thereon aggregated to Rs.4,615 million.

## New projects

The company commissioned its new plant at Pantnagar, Uttarakhand in April 2007. The plant has a planned capacity of one million motorcycles per annum. The commissioning of this plant was done in a record period of eleven months. The capital expenditure for this project is Rs.1.5 billion.

The company has received the formal approval dated 17 April 2007 from the Department of Commerce, Ministry of Commerce and Industry, Government of India for the setting up of a Special Economic Zone at Waluj Industrial Area in Aurangabad district. The plans for developing this zone are currently in progress.

## Research & development and technology absorption

During the year under review, pursuant to R&D's



efforts on the development of new technologies, there were a good number of launches of new models of two and three wheelers. These vehicles demonstrate the technological advantage that the company is trying to build to help achieve better fuel economy and improved performance at lower emission levels.

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

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

The expenditure on research and development during 2006-07 and in the previous year was:

	2006-07 Rs. in million	2005-06 Rs. in million
i. Capital (including technical know-how)	473.4	263.0
ii. Recurring	676.9	504.4
	1150.3	767.4
iii. Total research and development expenditure as a percentage of sales, net of excise duty	1.24	1.03

## Conservation of energy

The company continued to benefit in the area of energy conservation through its wind power projects. During the year under review, 103.1 million units were generated as against 93.3 million units in the previous year. Around 10.7% increase in wind energy generation was achieved due to MSEDCL's stable grid at wind mill sites.

Besides, as a part of continuing efforts to conserve resources :

- Electrical energy saving was achieved by installation of energy efficient motors, variable

frequency drives, screw compressors, natural draft air exhaust ventilators, illumination systems, transparent roof sheets, optimization of compressed air pressure and central air conditioning plants and modification of electrical control circuits.

- Water saving was achieved by installation of programmable logic control auto operation system and localized fresh water storage systems, re-routing and reducing the water line size, rationalisation of pumping hours, drip irrigation system for horticulture, humidity control for paint booths and usage of treated water.
- LPG saving was achieved by improving productivity in paint and heat treatment shops, precise temperature control of burners, revamping of canteen biogas plant, usage of low temperature pretreatment chemicals and solar water heating system.

## 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 20% and 26% respectively as compared to 20% and 23% respectively in the previous year.

## Investment / savings

Investment for energy conservation activities: Rs.10.6 million.

Savings achieved through above activities: Rs.14.9 million.

In recognition of these efforts, the company received during the year prestigious awards



at National level competitions in energy conservation activities.

## 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.17,298 million, compared to Rs.9,439 million during the previous year.

Total foreign exchange outflow during the year under review was Rs.5,647 million, as against Rs.3,782 million during the previous year.

## Industrial relations

The wage settlement at Waluj plant expired on 31 March 2004. Due to a multi-union situation at Waluj and pendency of litigation between the unions, the conclusion of wage settlement has been delayed. Both the unions have submitted their charter of demands. The management has sought to approach the government machinery for their intervention. Efforts are also on to arrive at an amicable settlement.

The wage settlement at the Akurdi plant expired on 28 February 2007. At Akurdi also, there is a multi-union situation. Bharatiya Kamgar Sena, the recognised union has given its charter of demands and the discussions on the wage negotiations are on.

The company announced voluntary retirement schemes for workmen and staff at its Akurdi plant during the year. 389 employees, both workmen and staff, opted for the same.

Relations with staff and workmen across the plants

at Akurdi, Waluj and Chakan remained cordial.

Four workmen of the company were awarded the prestigious Prime Minister Shram awards at the hands of the Prime Minister at a formal function held on 27 April 2007 in recognition of their outstanding contribution in industrial and social activities. It is significant to note that out of six workmen in the private and public sector who were recipients of these awards from the state of Maharashtra, four were from the company.

## Joint ventures / new companies

**Bajaj Allianz Life Insurance Company Ltd. (BALICL)**, the life insurance subsidiary of Bajaj Auto in joint venture with Allianz SE, Germany, continues to be at the second position amongst the private life insurers on the basis of new business premium and first position on the basis of the number of policies. It wrote new business of Rs.42.7 billion compared to Rs.27.17 billion in the previous year and registered a market share of 5.7%. The gross premium written for the financial year 2006-07 was Rs.53.1 billion, registering an increase of 69 per cent over the previous year.

Additional funds by way of Share Capital and Share Premium of Rs.2,007 million were infused during the year to fund the growth of the company, taking the total funds infused by the shareholders in the company to Rs.7,005 million.

The Company has its presence in around 876 offices across the country with total staff strength of 13,103 employees as on 31 March 2007.

**Bajaj Allianz General Insurance Company Ltd. (BAGICL)**, the general insurance subsidiary of Bajaj Auto in joint venture with Allianz SE, Germany, recorded a gross written premium of Rs.18.03 billion during the financial year 2006-07,





registering an increase of 40 per cent over the previous year. Net premium income grew by 49 per cent to Rs.10.4 billion, while profit after tax increased to Rs.754 million from Rs.516 million in the previous year.

Additional funds by way of Share Capital and Share premium of Rs.610 million were infused during the year to fund the growth of the company. The shareholders equity of the company stands at Rs.4,116 million.

The company continued its No.2 position in terms of gross premium and No.1 in terms of profits amongst the private sector companies in the general insurance field.

The company has its presence in 155 locations with total staff strength of 2540 employees as on 31 March 2007.

**Maharashtra Scooters Ltd. (MSL)**, a company jointly promoted by Bajaj Auto and Western Maharashtra Development Corporation Ltd. (WMDC) : WMDC has offered to sell its 27 per cent shareholding in MSL and Bajaj Auto has confirmed its willingness to purchase these shares. The price at which the shares were to be sold, had been jointly referred to a sole arbitrator, Justice Arvind V Savant (Retd) with an understanding in writing that arbitral award would be final and binding on both.

As reported last year, the award of the arbitrator dated 14 January 2006 valuing the share price of MSL at Rs.151.63 per share as the rate at which 3,085,712 equity shares of MSL held by WMDC are to be sold to BAL has been challenged by WMDC in the Bombay High Court.

**PT. Bajaj Auto Indonesia (PTBAI)**, was incorporated as a subsidiary company in Indonesia with an issued and subscribed capital of US\$ 12,500,000

(Rs.562 million) during the year. Bajaj Auto holds 95% shares in this company, with balance being held by a local partner. As per the plans, semi-knocked down components would be sent initially from India for assembly in Indonesia and completely knocked down components would be sent from India from the second half of the year 2007-08.


**Bajaj Holdings & Investment Ltd.** was incorporated as a wholly-owned subsidiary of Bajaj Auto on 30 April 2007 with an initial authorized and paid up capital of Rs.20 million.

**Bajaj Finserv Ltd.** was also incorporated as a wholly-owned subsidiary of Bajaj Auto on 30 April 2007 with an initial authorized and paid up capital of Rs.20 million.

The above named subsidiary companies have been formed as part of the process involved in the scheme of demerger, which is being proposed by the company. The shareholders will be informed of the details of the proposed scheme in due course of time.

## Rural and community development activities and empowerment of women

The company continued with its rural development activities in Pune and Aurangabad districts of Maharashtra through Jankidevi Bajaj Gram Vikas Sanstha (JBGVS). JBGVS aims at integrated development of 24 selected villages, to be carried out by the villagers under their own leadership and through unified efforts forged by local organizations with JBGVS acting as a catalyst. In the last year, JBGVS developed and moved out of six villages, which had attained the desired development level as per its norms. 26 more villages and hamlets will be added in the current year.



During the year, JBGVS conducted a number of development programmes viz. watershed development, sanitation, health care programme, dairy development, education, women empowerment etc. JBGVS also undertook the central government sponsored drought prone area project for watershed development of 3,500 hectares. A mobile clinic with a doctor and a nurse regularly visited 13 villages and treated 9,000 patients.

HIV / AIDS awareness project covered 5,000 persons, conducted 700 tests and provided treatment to the positive cases. A non-formal education programme called Rural Education and Information Network was implemented to reduce the school dropout rate. Three workers of this programme were conferred with the Jamshetji Tata National Virtual Academy Fellowship on behalf of the President of India.

The micro credit organization, DISHA, co-sponsored by JBGVS, Rotary Club of Poona North and VANRAI, currently has 4,200 members, of which 95% are women. So far, DISHA has disbursed revolving micro credit loans of Rs.32 million.

## Directors

Tarun Das resigned from the board with effect from 9 April 2006. The board places on record its sincere appreciation of the valuable services rendered by Tarun Das during his tenure as a director of the company.

The board of directors appointed P Murari and Niraj Bajaj as additional directors with effect from 9 September 2006. Both 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.

J N Godrej, Shekhar Bajaj and Ms Suman Kirloskar retire from the board by rotation this year 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 judgments 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, associates and joint ventures 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 three subsidiaries of the company for the year 2006-07. An application has been made for exemption with regard to the new foreign subsidiary company, PT. Bajaj Auto Indonesia and the approval for the same is awaited. 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.

Disclosure of investments in the investment schedule in the accounts is made in accordance with the approval received from central government under section 211 (4) of the Companies Act, 1956. Any shareholder interested in obtaining the details thereof may write to the 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.

A Cash Flow Statement for the year 2006-07 is attached to the balance sheet.

## 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 & Analysis and Additional Shareholder Information.

All board members and senior management personnel have affirmed compliance with the code of conduct for the year 2006-07. 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 required in clause 49 of the listing agreement and the said certificate is contained in this annual report.

### Reconciliation of accounts under US GAAP

The directors continue to review the accounts in their presentation under Generally Accepted Accounting Principles (GAAP) in the US.

A statement of reconciliation of significant differences in shareholders' equity and net income as at and for the year ended on 31 March 2007 and 2006 between Indian Generally Accepted Accounting Principles (GAAP) and US GAAP, notes to reconciliation and an independent accountants' review report are set out 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 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 2007. 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 has been obtained.

On behalf of the board of directors



**Rahul Bajaj**  
Chairman

17 May 2007

## 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, 2007.

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 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 : 17 May 2007



## 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 2007 compliance with the code of conduct of the company laid down for them.

**Rajiv Bajaj**  
Managing Director  
Pune : 17 May 2007

## 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 and the cash flow statement for the year ended 31 March 2007 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  
Pune : 17 May 2007

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



## Report of the Auditors to the Members

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We have audited the attached Balance Sheet of **BAJAJ AUTO LIMITED**, as at 31st March 2007 and also the annexed Profit and Loss Account and the Cash Flow Statement 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, Profit and Loss Account and the Cash Flow Statement dealt with by the report are in agreement with the Books of Account of the Company;
  - (d) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement 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, 2007, and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on 31st March, 2007 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, 2007,
    - (ii) In the case of the Profit and Loss Account, of the Profit for the year ended on that date, and
    - (iii) In the case of the Cash Flow statement, of the cash flows of the company for the year ended on that date.

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

**Anish Amin**  
Partner  
Membership No: 40451

Mumbai : 17 May 2007



## 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,2007.

On the basis of the records produced to us for our verification/perusal, such checks as we considered appropriate, and in terms of information and explanations given to us on our enquiries, 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 Company, 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 explanation 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 explanation given to us and the records produced to us for our verification, the company had 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 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 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 explanation 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, Excise Duty and Cess unpaid as at the last day of the financial year, are as follows

Statutes	FORUM BEFORE WHOM PENDING				
	Commissioner	Tribunal	High	Supreme	Total
	Appeals		Court	Court	
	Rs. in million	Rs. in million	Rs. in million	Rs. in million	Rs. in million
Sales Tax	9.01	1.38	63.00	—	73.39
Income Tax	96.91	10.23	88.40	—	195.54
Wealth Tax	—	—	—	—	—
Service Tax	—	—	—	—	—
Customs Duty	—	—	38.45	—	38.45
Excise	10.02	124.63	2.53	1.25	138.43

- 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, in our opinion, maintained adequate documents and records in respect of loans and advances granted 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. All investments at the close of the year are generally held in the name of the company except in a few cases where the titles to the investments are in dispute or are in the process of transfer, as detailed in foot note no 1 to schedule "7" to the accounts;
- 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 on our enquiries on this behalf there

were no frauds on or by the company which have been noticed or reported during the year, other than a case of initiating fictitious payments by some employees, involving an amount of Rs.9.6 million approximately, over a period of 2 years, against which the company has taken legal action;

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 : 17 May 2007

## Balance Sheet as at 31 March

		2007		2006
Schedule	Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million
<b>I. Sources of Funds</b>				
1. Shareholders' Funds				
a) Share Capital	1	1,011.8		1,011.8
b) Reserves & Surplus	2	54,331.4		46,695.5
			55,343.2	47,707.3
2. Loan Funds				
a) Secured Loans	3	224.6		0.2
b) Unsecured Loans	4	16,029.7		14,671.3
			16,254.3	14,671.5
3. Deferred Tax Adjustments [See note 13]				
a) Deferred Tax Liabilities		1,844.9		1,902.1
b) Deferred Tax Assets		(1,103.2)		(1,026.3)
			741.7	875.8
<b>Total</b>			<b>72,339.2</b>	<b>63,254.6</b>
<b>II. Application of Funds</b>				
1. Fixed Assets				
a) Gross Block		31,744.1		28,928.8
b) Less: Depreciation		19,224.4		17,787.2
c) Net Block	5	12,519.7		11,141.6
d) Lease Adjustment Account- Plant and Machinery		175.0		175.0
		12,694.7		11,316.6
e) Capital Work in progress, expenditure to date		269.2		241.8
			12,963.9	11,558.4
2. Technical Know-how	6		41.3	13.4
3. Investments	7		64,475.3	58,569.7
4. Current Assets, Loans and Advances				
a) Inventories		3,097.0		2,729.3
b) Sundry Debtors		5,298.3		3,015.5
c) Cash and Bank Balances		834.8		820.9
d) Other Current Assets		362.2		721.3
e) Loans and Advances		28,594.0		21,273.7
		38,186.3		28,560.7
<b>Less: Current Liabilities and Provisions</b>	9			
a) Liabilities		14,989.7		12,288.7
b) Provisions		28,337.9		23,158.9
		43,327.6		35,447.6
<b>Net Current Assets</b>			<b>(5,141.3)</b>	<b>(6,886.9)</b>
<b>Total</b>			<b>72,339.2</b>	<b>63,254.6</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

J. Sridhar  
Company Secretary

Mumbai: 17 May 2007

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 year ended 31 March

		2007		2006
	Schedule	Rs. In Million	Rs. In Million	Rs. In Million
<b>Income</b>				
Sales		106,060.9		85,498.6
Less: Excise Duty		13,138.6		10,804.8
Net Sales		92,922.3		74,693.8
Wind power generated, mainly captively consumed		330.5		199.5
Other Income	10	7,507.7		6,170.2
			100,760.5	81,063.5
<b>Expenditure</b>				
Materials	11	69,010.1		53,246.0
Other Expenses	12	12,344.8		10,118.4
Interest	13	53.4		3.4
Depreciation		1,902.6		1,910.0
		83,310.9		65,277.8
Less: Expenses, included in above items, capitalised		320.5		248.1
		82,990.4		65,029.7
Compensation Paid Under Voluntary Retirement Scheme		385.7		226.4
Export incentives accrued in previous year written off [See note 16]		103.9		—
			83,480.0	65,256.1
Profit for the year before taxation			17,280.5	15,807.4
<b>Taxation</b>				
Current Tax [ including Rs. 5 million for Wealth tax (previous year Rs. 5.5 million )]		5,005.0		5,135.5
Deferred Tax [See note 13]		(134.1)		(394.4)
Fringe Benefit Tax		30.0		50.0
			4,900.9	4,791.1
Profit for the year			12,379.6	11,016.3
Tax credits pertaining to earlier years			—	225.1
Prior period expenses			8.6	8.7
			12,371.0	11,232.7
Transfer to General Reserve			7,635.9	6,617.7
Proposed Dividend			4,047.3	4,047.4
Corporate Dividend Tax thereon			687.8	567.6
Balance Carried to Balance Sheet			—	—
<b>Basic and diluted Earnings Per Share (Rs.)</b>			122.3	111.0
Nominal value per share (Rs.)			10.0	10.0
Net Profit (Rs. In Million)			12,371.0	11,232.7
Weighted average number of Shares (In Million)			101.2	101.2

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: 17 May 2007

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 year ended 31st March 2007

**Schedule 1 - Share Capital**

		As at 31st March,2006
	Rs. In Million	Rs. In Million
<b>Authorised</b>		
150,000,000 Shares of Rs.10 each	1,500.0	1,500.0
<b>Issued,Subscribed and Paid up</b>		
*101,183,510 Equity Shares of Rs 10 each	1,011.8	1,011.8
<b>Total</b>	<b>1,011.8</b>	<b>1,011.8</b>

**Notes:**

\* Includes prior to buy back of 18,207,304 Equity Shares of Rs. 10 each :

- 114,174,388 Equity Shares allotted as fully paid Bonus Shares by way of Capitalisation of Share Premium Account and Reserves
- 4,342,676 Equity Shares issued by way of Euro Equity Issue represented by Global Depository Receipts (GDR) evidencing Global Depository Shares, at a price of U.S.\$ 25.33 per Share [inclusive of premium] excluding 2,171,388 Equity Shares allotted as Bonus Shares thereon.Outstanding GDR's were 1,995,654 (2,320,561)

**Schedule 2 - Reserves and Surplus**

		As at 31st March,2006
	Rs. In Million	Rs. In Million
<b>Capital redemption reserve</b>		
As per last account		182.1
<b>General Reserve</b>		
As per last account	46,513.4	40,149.6
Less: Transitional adjustment for Gratuity Liability, Net of deferred tax	—	253.9
	46,513.4	39,895.7
Set aside this year	7,635.9	6,617.7
<b>Total</b>	<b>54,149.3</b>	<b>46,513.4</b>
	<b>54,331.4</b>	<b>46,695.5</b>

**Schedule 3 - Secured Loans**

		As at 31st March,2006
	Rs. In Million	Rs. In Million
From Banks, against hypothecation of Stores, Raw Materials Finished Goods, Stock in Process and Book Debts Cash Credit	224.6	0.2
<b>Total</b>	<b>224.6</b>	<b>0.2</b>

## Schedule 4 - Unsecured Loans

	As at 31st March, 2006	
	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 Fixed Deposits	16,028.4	14,663.2
	1.3	8.1
<b>Total</b>	<b>16,029.7</b>	<b>14,671.3</b>

## Schedule 5 - Fixed Assets

Particulars	Gross Block (a)				Depreciation				Net Block	
	As at 31st March, 2006	Additions	Deductions and Adjustments	As at 31st March, 2007	Upto 31st March, 2006	Deductions and Adjustments	For the Year (c)	Upto 31st March, 2007	As at 31st March, 2007	As at 31st March, 2006
	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	Rs. In Million
Land Freehold	85.6	92.5	—	178.1	—	—	—	—	178.1	85.6
Land Leasehold	365.4	217.3	4.7	578.0	—	—	—	—	578.0	365.4
Buildings (b) & (d) Waterpumps, Reservoirs and Mains	2,538.4	1,119.2	4.0	3,653.6	820.1	2.8	75.4	892.7	2,760.9	1,718.3
Plant & Machinery	59.6	11.4	—	71.0	32.6	—	2.8	35.4	35.6	27.0
Dies & Jigs	16,026.3	1,023.2	272.3	16,777.2	10,898.6	221.5	1,038.2	11,715.3	5,061.9	5,127.7
Electric Installations	3,144.2	347.3	34.3	3,457.2	2,104.5	4.4	309.1	2,409.2	1,048.0	1,039.7
Factory Equipments	446.3	165.3	—	611.6	249.0	—	17.1	266.1	345.5	197.3
Furniture & Fixtures	1,276.5	365.5	3.5	1,638.5	662.3	2.7	106.4	766.0	872.5	614.2
Electric Fittings	394.6	56.8	94.2	357.2	243.9	88.3	19.1	174.7	182.5	150.7
Vehicles & Aircraft ( e )	115.4	10.7	0.6	125.5	69.2	0.3	3.6	72.5	53.0	46.2
Wind Energy Generators	622.0	43.4	154.8	510.6	173.5	75.6	37.5	135.4	375.2	448.5
Leased Assets :- Plant & Machinery	2,837.2	0.9	—	2,838.1	1,516.2	—	293.4	1,809.6	1,028.5	1,321.0
Dies & Moulds	875.0	—	—	875.0	875.0	—	—	875.0	—	—
	142.3	—	69.8	72.5	142.3	69.8	—	72.5	—	—
<b>Total</b>	<b>28,928.8</b>	<b>3,453.5</b>	<b>638.2</b>	<b>31,744.1</b>	<b>17,787.2</b>	<b>465.4</b>	<b>1,902.6</b>	<b>19,224.4</b>	<b>12,519.7</b>	<b>11,141.6</b>
Previous Year Total	27,436.2	2,051.8	559.2	28,928.8	16,286.4	409.2	1,910.0	17,787.2	11,141.6	

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

(b) i Includes Premises on ownership basis in Co-operative Society Rs. 131.8 million and cost of shares therein Rs. 2,750/-

ii Includes Premises on ownership basis Rs. 53.8 million represented by 66 equity shares and 182 debentures of the face value of Rs. 660/- and Rs. 18,900,000/- respectively.

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

(d) Includes office premises given on lease Rs 82.5 million. Accumulated depreciation Rs 9.0 million. Depreciation for the year Rs 1.3 million.

(e) Includes Rs. 271.5 million representing company's share in the cost of Aircraft jointly owned with another company.

(f) Additions include assets installed at the new Pantnagar plant at the close of the year, since commissioned, hence no depreciation has been provided for the year.

## Schedule 6 - Technical Know- How

		As at 31st March,2006
	Rs. In Million	Rs. In Million
(i) Acquired by the company		
As per last account	4.4	38.4
Less: Written off during the year	2.2	34.0
	2.2	4.4
(ii) Developed by the company		
Gross, as per last account	6.7	6.7
<b>Add:</b>		
Expenses incurred on development completed during the year	0.5	—
Expenses incurred during the year on know-how developed	4.5	—
	11.7	6.7
<b>Less:</b>		
Written off / amortised upto last account	6.7	4.5
Written off / amortised during the year	1.7	2.2
	8.4	6.7
	3.3	—
Development in Progress	35.8	9.0
	39.1	9.0
<b>Total</b>	41.3	13.4



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

	As at 31st March, 2006		
	Rs. In Million	Rs. In Million	Rs. In Million
<b>Long Term Investments :</b>			
<b>In Government and Trust Securities :</b>			
<b>Quoted :</b>			
— 5.64% Government of India Stock 2019 of face value of Rs.600,000,000	600.7		600.7
— 5.69% Government of India Stock 2018 of face value of Rs.1,300,000,000	1,191.7		1,191.7
— 6.05% Government of India Stock 2019 of face value of Rs.1,200,000,000	1,215.6		1,215.6
— 6.25% Government of India Stock 2018 of face value of Rs.900,000,000	953.4		953.4
— 6.35% Government of India Stock 2020 of face value of Rs.750,000,000	795.6		795.6
— 6.72% Government of India Stock 2014 of face value of Rs.550,000,000	613.9		613.9
— 7.38% Government of India Stock 2015 of face value of Rs.900,000,000 ( Previous Year Rs.1,150,000,000)	979.3		1,251.3
— 7.40% Government of India Stock 2035 of face value of Rs.550,000,000	553.7		553.7
— 7.46% Government of India Stock 2017 of face value of Rs.900,000,000	1,002.9		1,002.9
— 7.49% Government of India Stock 2017 of face value of Rs.950,000,000	1,114.2		1,114.2
— 8.35% Government of India Stock 2022 of face value of Rs.600,000,000	692.6		692.6
— 9.85% Government of India Stock 2015 of face value of Rs.900,000,000	1,255.1		1,255.1
— 10.03% Government of India Stock 2019 of face value of Rs.1,300,000,000	1,787.8		1,787.8
— 10.18% Government of India Stock 2026 of face value of Rs.400,000,000	551.0		551.0
<b>Carried over</b>	13,307.5	—	13,579.5
<b>Carried over</b>		—	—

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

			As at 31st March,2006
	Rs. In Million	Rs. In Million	Rs. In Million
		—	—
<b>In Government and Trust Securities: (Contd.)</b>			
<b>Quoted: (Contd.)</b>			
<b>Brought over</b>	13,307.5		13,579.5
— 10.25% Government of India Stock 2021 of face value of Rs.1,150,000,000	1,527.4		1,527.4
— 10.45% Government of India Stock 2018 of face value of Rs.750,000,000	1,085.6		1,085.6
— 10.47% Government of India Stock 2015 of face value of Rs.700,000,000	963.1		963.1
— 10.71% Government of India Stock 2016 of face value of Rs.1,550,000,000	2,229.7		2,229.7
— 11.83% Government of India Stock 2014 of face value of Rs.803,500,000	1,191.7		1,191.7
Others	2,848.9		8,997.8
	23,153.9		29,574.8
Less: Amortisation of Premium / Discount on acquisition	511.2		303.4
		22,642.7	29,271.4
<b>Unquoted :</b>			
6 Years National Saving Certificates of the face value of Rs.11,500 (Rs. 11,500)	—		—
— (10) Pass Through Certificates involving Securitisation of Loan Receivables through Loan Securitisation Trust (Series 4) of UTI Bank Limited (Redeemable in parts in terms of schedule specified therein aggregating to Rs.139,783,698)	—		106.4
	—		106.4
Less: Amortisation of Premium / Discount on acquisition	—		3.3
		—	103.1
<b>In Fully Paid Preference Shares :</b>			
<b>Unquoted :</b>			
500,000 6% Redeemable Cumulative Non-Convertible Preference Shares of Rs.100 each in The Arvind Mills Limited - balance after part redemption	35.0		42.5
	35.0		42.5
<b>Carried over</b>	35.0		42.5
<b>Carried over</b>		22,642.7	29,374.5

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

		As at 31st March, 2006		
		Rs. In Million	Rs. In Million	Rs. In Million
<b>Brought over</b>			22,642.7	29,374.5
<b>In Fully Paid Preference Shares: (Contd.)</b>				
<b>Unquoted: (Contd.)</b>				
<b>Brought over</b>		35.0		42.5
1,130,000	(-)12.50% Redeemable Cumulative Preference Shares of Rs.10 each in Durovales India Private Limited.	11.3		—
3,000,000	16% Redeemable Cumulative Preference Shares of Rs.10 each in Goodvalue Marketing Company Limited	30.0		30.0
250,000	12% Cumulative Redeemable Preference Shares of Rs.100 each in Himachal Futuristic Communications Limited	25.0		25.0
20,661,200	5% Redeemable Cumulative Preference Shares of Rs.10 each in IFCI Limited	206.6		206.6
2,000,000	9% Non Convertible Cumulative Redeemable Preference Shares of Rs.10 each in Kopran Limited	20.0		20.0
—	(700,000) 12% Optionally Convertible Cumulative Redeemable Preference Shares of Rs.100 each in KDL Biotech Limited	—		74.7
2,000,000	13.5% Redeemable Cumulative Preference Shares of Rs.10 each in Marvel Industries Limited	20.0		20.0
196,169	0.01% Cumulative Redeemable Preference Shares of Rs.10 each in Mukand Limited	2.0		2.0
100,000	14.75% Cumulative Redeemable Preference Shares of Rs.100 each in Pentafour Products Ltd - balance after part redemption	5.0		5.0
100,000	16% Redeemable Cumulative Preference Shares of Rs.100 each in The Pharmaceutical Products of India Limited	10.0		10.0
300,000	14.50% Redeemable Cumulative Preference Shares of Rs.100 each in Southern Petrochemical Industries Corporation Limited	30.0		30.0
<b>Carried over</b>		394.9		465.8
<b>Carried over</b>			22,642.7	29,374.5

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

		As at 31st March, 2006		
		Rs. In Million	Rs. In Million	Rs. In Million
<b>Brought over</b>			22,642.7	29,374.5
<b>In Fully Paid Preference Shares: (Contd.)</b>				
<b>Unquoted: (Contd.)</b>				
<b>Brought over</b>		394.9		465.8
200,000	15% Cumulative Redeemable Preference Shares of Rs.100 each in Viral Filaments Limited-balance after part redemption	19.5		19.5
			414.4	485.3
<b>In Fully Paid Equity Shares:</b>				
<b>Trade:</b>				
<b>Quoted:</b>				
13,584,036	(6,597,060) Shares of Rs.10 each in Bajaj Auto Finance Limited.	3,081.4		661.1
2,742,848	Shares of Rs.10 each in Maharashtra Scooters Limited	2.4		2.4
			3,083.8	663.5
<b>Unquoted :</b>				
1	Share of Rs.100 each in The Poona District Motor Transport Co-operative Society Limited (Rs. 100)		—	—
<b>In Subsidiary Company:</b>				
<b>Unquoted:</b>				
111,272,320	(111,173,012) Shares of Rs.10 each in Bajaj Allianz Life Insurance Co Limited	1,112.7		1,111.7
81,498,457	(81,437,000) Shares of Rs.10 each in Bajaj Allianz General Insurance Co Limited	815.0		814.4
24,500	Shares of Rs.100 each in Bajaj Auto Holdings Limited - a wholly owned subsidiary	2.4		2.4
1,200,000	(-)Shares of Rs.10 each in Bajaj Allianz Financial Distributors Limited	12.0		—
118,750	(-)Shares of US \$ 100 each in PT. Bajaj Auto Indonesia	554.0		—
			2,496.1	1,928.5
<b>In Fully Paid Equity Shares :</b>				
<b>Other</b>				
<b>Quoted :</b>				
13,068,511	(8,560,532) Shares of Rs.1 each in Bajaj Hindustan Limited	871.8		135.4
	<b>Carried over</b>	871.8		135.4
	<b>Carried over</b>		28,637.0	32,451.8



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

		As at 31st March, 2006		
		Rs. In Million	Rs. In Million	Rs. In Million
	<b>Brought over</b>		28,637.0	32,451.8
<b>In Fully Paid Equity Shares : (Contd.)</b>				
<b>Other : (Contd.)</b>				
	<b>Quoted : (Contd.)</b>			
	<b>Brought over</b>	871.8		135.4
36,783,457	(24,132,548) Shares of Rs.10 each in ICICI Bank Limited	12,062.9		4,962.7
	Others	<u>3,889.3</u>		<u>2,562.3</u>
			16,824.0	7,660.4
<b>Unquoted :</b>				
565,000	Shares of Rs.10 each in Durovalves India Private Limited	5.7		5.7
300,000	Shares of Rs.10 each in Endurance Systems India Private Limited	3.0		3.0
300,000	Shares of Rs.10 each in Kowa Spinning Limited	5.3		5.3
—	(1,026,000) Shares of Rs.10 each in Monotona Tyres Limited	—		10.3
600,000	Shares of Rs.10 each in SICOM Limited	48.2		48.2
235,000	Shares of Rs.10 each in Kumar Housing Corporation Limited	<u>36.0</u>		<u>36.0</u>
			98.2	108.5
<b>In Debentures:</b>				
<b>Fully Paid:</b>				
<b>Other :</b>				
<b>Quoted:</b>				
2,178,490	(-) 6% Secured Redeemable Non Convertible Debentures of Rs.500 each of Bajaj Auto Finance Limited alongwith 2,178,490 detachable warrants	1,089.2		—
	Others	<u>2,624.9</u>		<u>3,000.9</u>
		3,714.1		3,000.9
	<b>Less: Amortisation of Premium/ Discount on acquisition</b>	<u>48.6</u>		<u>34.2</u>
			3,665.5	2,966.7
<b>Unquoted :</b>				
500,000	16% Redeemable Secured Non Convertible Debentures of Rs.100 each of Ashima Limited - balance Non Convertible Portion of Rs.33.34 each after second redemption	16.8		16.8
	<b>Carried over</b>	<u>16.8</u>		<u>16.8</u>
	<b>Carried over</b>		<u>49,224.7</u>	<u>43,187.4</u>

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

				As at 31st March,2006
		Rs. In Million	Rs. In Million	Rs. In Million
	<b>Brought over</b>		49,224.7	43,187.4
<b>In Debentures : (Contd.)</b>				
<b>Unquoted : (Contd.)</b>				
	<b>Brought over</b>	16.8		16.8
—	(500) 18.75% Secured Redeemable Non Convertible Debentures of Rs.100,000 each of Core Healthcare Limited - balance after part redemption	—		45.5
100,000	18% Non Convertible Debentures of Rs.100 each of Goodearth Organic (India) Limited	9.5		9.5
20,000	18% Secured Non Convertible Debentures of Rs.1,000 each of Mafatlal Finance Limited, balance after part redemption.	10.0		20.0
690	Unsecured Redeemable Non Convertible Debentures of Rs.3,625 each of Mahadev Industries Limited (Scheme C-Deep Discount Debentures)	2.5		2.5
300,000	18% Secured Redeemable Non-Convertible Debentures of Rs.100 each of Punjab Wireless Systems Limited	30.0		30.0
100,000	20% Non Convertible Debentures of Rs.100 each-Series-1 of Shaan Interwell (India) Limited-balance after part redemption	6.1		6.1
			74.9	130.4
<b>In Bonds:</b>				
<b>Fully Paid:</b>				
<b>Other :</b>				
<b>Quoted:</b>				
7,950,100	6.75% Tax Free UTI US 64 Bonds Guaranteed by Government of India of Rs.100 each	914.1		914.1
100,000	5.10% Capital Gain Bonds of Rs.10,000 each of National Housing Bank	1,000.0		1,000.0
	Others	8,097.5		7,901.3
		10,011.6		9,815.4
	<b>Less: Amortisation of Premium/Discount on acquisition</b>	43.8		20.0
			9,967.8	9,795.4
	<b>Carried over</b>		59,267.4	53,113.2

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

		As at 31st March, 2006		
		Rs. In Million	Rs. In Million	Rs. In Million
<b>Brought over</b>			59,267.4	53,113.2
<b>In Mutual Fund Units:</b>				
<b>Quoted:</b>				
89,250,850.672	(123,536,723.847) Units of Rs.10 each of Standard Chartered Mutual Fund under Standard Chartered Liquidity Manager - Growth Option G65	960.0		1,250.1
	Others	<u>1,440.7</u>		<u>3,586.1</u>
			2,400.7	4,836.2
<b>Unquoted:</b>				
<b>Partly Paid :</b>				
2,000	(-) Urban Infrastructure Opportunities Fund-Face Value Rs.1 lakh each, Rs.50,000 paid up		100.0	—
<b>Current Investments :</b>				
<b>In Certificate of Deposit :</b>				
<b>Quoted:</b>				
	Others	3,165.3		1,041.0
	<b>Add:</b> Amortisation of Premium / Discount on acquisition	<u>44.2</u>		<u>5.8</u>
			3,209.5	1,046.8
<b>In Warrants</b>				
<b>Unquoted:</b>				
<b>Partly Paid :</b>				
1,247,940	(3,006,540) Warrants of Rs.410/- each of Bajaj Auto Finance Limited - Rs.41 Paid Up		51.2	123.3
			65,028.8	59,119.5
	<b>Less:</b> Provision for diminution in value of Investments		<u>573.5</u>	<u>649.8</u>
			64,455.3	58,469.7
Application Money for Investment in Shares, Bonds & Mutual Fund Units			<u>20.0</u>	<u>100.0</u>
			64,475.3	58,569.7

	Book Value as at		Market Value as at	
	31 March 2007 Rs. In Million	31 March 2006 Rs. In Million	31 March 2007 Rs. In Million	31 March 2006 Rs. In Million
Quoted	61,514.6	55,997.5	* 83,305.0	* 73,034.1
Unquoted	<u>2,940.7</u>	<u>2,472.2</u>		
	64,455.3	58,469.7		

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

### Notes to Investment Schedule :

#### 1. In case of following Investments the title is under dispute :

##### (a) Mutual Funds :

Name	No of Units
Unit Trust of India - Mastergain 1992	59,000
Unit Trust of India - Master Plus Unit Scheme 1991	2,900
Unit Trust of India - Mastershares	1,549
Unit Trust of India - UGS 5000	400

##### (b) Equity Shares :

Name of the Company	No of Shares
Force Motors Ltd.	100
The Great Eastern Shipping Co Limited	90
Mahindra Gesco Developers Limited	11
Larsen & Toubro Limited	250
Reliance Capital Limited	100
Reliance Industries Limited	3
Sterlite Industries (India) Limited	800
Sterlite Optical Technologies Limited	600
Tata Chemicals Limited	249
Tata Steel Limited	50

#### 2. Following Investments were purchased and sold during the year :

##### (a) Equity Shares :

Name of the Company	Quantity Nos	Purchase Cost Rs. In Million	Sale Proceeds Rs. In Million
Associated Cement Company Ltd.	115,000	86.8	116.8
Bharti Airtel Ltd.	124,318	67.6	84.2
Canara Bank	122,543	27.6	37.2
Cummins India Ltd.	85,956	14.4	23.6
Gujarat Ambuja Cement Ltd.	80,000	4.5	8.8
IDFC Ltd	30,000	1.5	2.4
Infosys Technologies Ltd.	19,408	23.4	38.3
Larsen & Toubro Ltd.	59,539	72.1	96.7
Mahindra & Mahindra Ltd.	93,626	38.2	60.3
National Thermal Power Corporation Ltd.	666,824	85.8	96.0
Reliance Industries Ltd.	162,137	158.7	221.3
Satyam Computer Services Ltd.	150,130	52.4	69.8
Shree Cement Ltd.	35,124	27.9	43.4
State Bank of India	116,836	98.2	137.4



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

### Notes to Investment Schedule :

#### 2. Following Investments were purchased and sold during the year : (Contd.)

##### (a) Equity Shares :

Name of the Company	Quantity Nos	Purchase Cost Rs. In Million	Sale Proceeds Rs. In Million
Steel Authority of India Ltd.	680,077	41.9	76.4
Sterlite Industries (India) Ltd.	132,700	48.7	72.5
Suzlon Energy Ltd.	32,210	28.3	46.6
Tata Consultancy Services Ltd.	2,361	2.3	3.1
The Tata Power Company Ltd.	55,000	24.5	29.6

##### (b) Mutual Funds :

Name of the Company	Quantity Nos	Purchase Cost Rs. In Million	Sale Proceeds Rs. In Million
Birla Cash Plus Institutional Premium - Growth	88,884,058	1,000.0	1,005.0
DSP Merrill Lynch Opportunities Fund-Dividend	3,767,898	90.1	92.1
Franklin India Bluechip Fund	2,703,433	100.0	114.6
ING Vysya Liquid Super Institutional - Growth	18,959,143	199.5	200.4
Principal Cash Liquid option Institutional	45,299,553	500.0	502.3
Standard Chartered Mutual Fund under Liquidity Manager Fund - Growth	643,474,641	6,881.3	6,886.3
Standard Chartered Mutual Fund under Liquidity Manager Fund Plus - Growth	154,947,157	135,388.2	135,519.0
UTI Liquid Cash Plan Institutional - Growth Option	295,752	350.0	350.8

##### (c) Certificate of Deposits :

Name of the Company	Quantity Nos	Purchase Cost Rs. In Million	Sale Proceeds Rs. In Million
IDBI - 14-05-2007	2,000	192.4	196.8
IDBI - 23-04-2007	1,000	97.8	99.0
Kotak Mahindra Bank - 08-05-2007	2,000	189.1	192.5
State Bank of Bikaner & Jaipur - 19-10-2006	1,000	96.7	98.2
State Bank of Bikaner & Jaipur - 08-06-2007	1,000	96.2	97.5
State Bank of Bikaner & Jaipur - 11-06-2007	1,000	96.4	97.4
State Bank of Hyderabad - 07-06-2007	1,000	95.2	97.5
State Bank of Indore - 24-04-2007	2,000	195.9	197.9
State Bank of Patiala - 06-03-2007	2,000	187.5	191.0
State Bank of Travancore - 21-09-2006	500	48.9	49.3
UCO Bank - 08-09-2006	500	48.9	49.5
UTI Bank -20-03-2007	1,000	98.0	99.2

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

3. 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
7.07% Government of India Loan, 2009	198.6	202.1
7.37% Government of India Loan, 2014	460.3	446.2
7.40% Government of India Loan, 2012	260.3	247.7
7.44% Government of India Loan, 2012	294.6	298.2
7.50% Government of India Loan, 2034	60.6	54.0
7.59% Government of India Loan, 2015	241.4	246.7
7.59% Government of India Loan, 2016	810.2	796.6
7.94% Government of India Loan, 2021	562.9	564.6
7.95% Government of India Loan, 2032	107.4	93.7
7.96% Government of India Loan, 2017	13.5	13.5
8.07% Government of India Loan, 2017	367.1	373.0
8.15% Government of India Loan, 2022	133.4	132.1
8.33% Government of India Loan, 2036	250.3	259.8
9.39% Government of India Loan, 2011	500.8	484.9

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

5.\* 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.

## Schedule 8 - Current Assets, Loans and Advances

	As at 31st March, 2006			
	Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million
<b>(a) Inventories</b>				
Stores, at cost *		71.3		64.9
Tools, at cost *		113.3		129.7
Stock-in-trade, at cost or market value whichever is lower :				
Raw Materials and Components		938.5		696.3
Work-in-progress (including factory made components <b>Rs. 89.6 million</b> Previous Year Rs. 260.7 million )		195.8		434.0
Finished Goods:				
Vehicles		1,123.2		879.2
Auto Spare parts, etc.		381.4		396.2
As valued and certified by Management		2,823.5		2,600.3
Goods in transit, at cost to date		273.5		129.0
			3,097.0	2,729.3
<b>(b) Sundry Debtors, Unsecured</b>				
Outstanding for a period exceeding six months :				
Good	1.1			1.4
Doubtful	21.3			19.7
Less: Provision	21.3			19.7
	—			—
		1.1		1.4
Others, Good		5,297.2		3,014.1
			5,298.3	3,015.5
<b>(c) Cash and Bank Balances</b>				
Cash on hand (including cheques on hand <b>Rs. Nil</b> Previous year Rs. 4 million)		1.4		5.0
Bank Balances :				
With Scheduled Banks:				
** In current account		619.2		798.0
In margin deposits		10.0		10.0
In fixed deposits		203.1		2.5
Interest accrued on fixed deposits ( <b>Rs. 78,100</b> - Previous Year Rs. 46,577)		0.1		—
		832.4		810.5
With Other Banks :				
In current account [See note 10]		1.0		5.4
			834.8	820.9
<b>Carried over</b>			9,230.1	6,565.7

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

				As at 31st March,2006
	Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million
<b>Brought over</b>			9,230.1	6,565.7
(d) Other Current Assets, good (Unless otherwise stated)				
Dividend and Interest receivable on Investments	25.0			89.9
Doubtful	51.1			51.1
Less: Provision	51.1			51.1
	—			—
		25.0		89.9
Interest receivable on Loans etc:	2.6			6.3
Doubtful	51.2			79.5
Less: Provision	51.2			79.5
	—			—
		2.6		6.3
Redemption money receivable on Investments		11.8		—
Export Incentives Receivable		297.3		590.6
Credit receivable for Windpower generated		25.5		34.5
			362.2	721.3
(e) Loans and Advances, unsecured, good (Unless otherwise stated)				
\$ Loan to Bajaj Auto Finance Limited - an associate		—		41.0
Loan to Suppliers		450.9		153.1
Deposits with Joint Stock Companies: (Including Rs. 16.1 million secured against pledge of Securities Previous Year Rs. 92.1 million)	16.1			92.1
Doubtful	133.9			147.9
Less: Provision	133.9			147.9
	—			—
		16.1		92.1
Advances Recoverable in Cash or in kind or for value to be received:				
Due from Subsidiaries	6.5			3.8
@ Others, Good	1,826.3			1,160.1
Doubtful	36.0			40.1
Less: Provision	36.0			40.1
	—			—
		1,832.8		1,163.9
Advances for capital assets		807.0		191.5
VAT refund receivable		1,360.2		568.2
Balances with Customs and Central Excise Departments		159.5		238.7
Sundry Deposits		185.8		154.8
Tax paid in Advance		23,781.7		18,670.4
			28,594.0	21,273.7
<b>Total</b>			<b>38,186.3</b>	<b>28,560.7</b>

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

\*\* including unclaimed Sale Proceeds of Fractional Bonus Coupons Rs. 5,595/- as per Contra (Previous Year Rs.5,595/-)

@ Includes amount due from an Officer of the Company Rs. 82,500/- (Previous Year Rs. 97,500/-)  
Maximum balance outstanding during the year Rs. 97,500/- (Previous Year Rs. 112,500/-)

\$ Maximum amount outstanding during the year Rs. 41 million

## Schedule 9 - Current Liabilities and Provisions

		As at 31st March, 2006	
	Rs. In Million	Rs. In Million	Rs. In Million
<b>(a) Liabilities</b>			
Sundry Creditors:			
Other than small scale industrial undertakings		13,745.1	11,558.2
Advances against Orders		952.5	448.9
Investor Education Protection Fund (Rs. 24,415 - Previous Year Rs. 21,573)		—	—
Unclaimed Dividends		57.8	51.6
Deposit from Dealers and others		231.7	229.9
Unclaimed amount of Sale proceeds of Fractional coupons of Bonus Shares (Rs. 5,595 - Previous Year Rs. 5,595)		—	—
Interest accrued but not due on loans		—	0.1
Temporary overdraft with bank as per books		2.6	—
		14,989.7	12,288.7
<b>(b) Provisions</b>			
Provision for Warranty Claims	320.0		270.0
Provision for Gratuity [See note 14 ]	356.6		382.7
Provision for Taxation	22,926.2		17,891.2
Proposed Dividend	4,047.3		4,047.4
Provision for Corporate Dividend Tax on Proposed Dividend	687.8		567.6
		28,337.9	23,158.9
<b>Total</b>		43,327.6	35,447.6



## Schedule 10 - Other Income

			Previous Year
	Rs. In Million	Rs. In Million	Rs. In Million
Workshop Receipts		—	4.9
Technical Know-how		—	4.6
Royalty		10.9	3.7
Dividends			
From Trade Investments	38.7		48.1
Other	334.3		273.2
		373.0	321.3
Interest [Gross-Tax Deducted Rs. 162 million Previous Year Rs. 139.5 million]			
On Government Securities	1,740.9		1,944.0
On Debentures and Bonds	830.7		712.7
On Loans	31.0		55.5
Other	145.4		216.4
	2,748.0		2,928.6
Less: Amortisation of premium / discount on acquisition of fixed income securities	288.0		355.2
		2,460.0	2,573.4
Income From Units of Mutual Funds		37.0	225.1
Leasing Business			
Lease Rent (Rs. 3,000/- Previous Year Rs. Nil)		—	—
Rent		14.8	15.5
Insurance Claims		5.7	1.3
Export Incentives		1,016.8	831.9
Miscellaneous Receipts		694.5	564.6
Surplus on Sale of Assets		117.8	70.5
Profit on Sale of Investments, net *		2,371.9	1,080.4
Surplus on redemption of Securities		—	91.3
Bad Debts Recovered		11.4	2.4
Sundry Credit balances appropriated		2.3	27.3
Provision for Diminution in value of Investments written back, net		76.3	—
Provisions for Doubtful Debts and Advances written back	47.7		6.5
Less: Write backs on account of amounts written off during the year, as per contra	4.7		1.1
		43.0	5.4
Provisions no longer required		272.3	346.6
<b>Total</b>		<b>7,507.7</b>	<b>6,170.2</b>

\* Including on Current Investments Rs. 47 million (Previous Year Rs. 3.9 million)

## Schedule 11 - Materials

	Rs. In Million	Rs. In Million	Previous Year Rs. In Million
(a) Raw materials and components consumed		66,548.9	51,313.8
(b) Finished Goods purchases			
Two Wheelers	—		0.3
Auto Spare-Parts	2,350.5		2,034.4
Steel and Engineering Products, for export	23.6		375.4
		2,374.1	2,410.1
(c) Excise duty on increase / (decrease) in stocks of finished goods, at Plant		78.1	12.2
(d) (Increase)/Decrease in Stocks			
Stocks at close			
Work in progress(including factory made components Rs. 89.6 million - Previous Year Rs. 260.7 million )	195.8		434.0
Finished Goods	1,123.2		879.2
Auto Spare Parts	381.4		396.2
	1,700.4		1,709.4
Less: Stocks at commencement			
Work in progress(including factory made components Rs. 260.7 million - Previous Year Rs. 141 million)	434.0		234.3
Finished Goods	879.2		759.8
Auto Spare Parts	396.2		225.2
	1,709.4		1,219.3
		9.0	(490.1)
<b>Total</b>		<b>69,010.1</b>	<b>53,246.0</b>

## Schedule 12 - Other Expenses

			Previous Year
	Rs. In Million	Rs. In Million	Rs. In Million
Stores and tools consumed		772.0	742.3
Power,fuel and water		793.4	590.9
Repairs			
Buildings and Roads	250.6		248.7
Machinery	644.1		498.8
Other	30.6		25.3
		925.3	772.8
Employees' Emoluments			
Salaries,wages,bonus etc.	2,427.1		2,208.1
Contribution to Provident and other funds and schemes	261.7		291.3
Welfare expenses	326.4		241.9
		3,015.2	2,741.3
Rent		43.9	31.9
Rates and taxes		13.4	18.8
Insurance		35.2	25.9
Auditors' Remuneration		5.4	5.4
Directors' fees and travelling expenses		2.1	1.8
Managing Directors' remuneration			
Salary	4.5		4.5
Commission	13.5		13.5
		18.0	18.0
Wholetime Directors' remuneration			
Salary	17.0		17.0
Commission	46.8		46.8
		63.8	63.8
Commission to Non Executive Directors		3.7	1.4
Miscellaneous expenses		1,187.5	931.7
Sales tax / VAT expenses		419.5	261.8
Packing,forwarding etc.		1,422.9	891.6
Advertisement		1,219.2	1,069.8
Vehicle service charges and other expenses		1,015.4	1,051.7
Commission and Discount		103.9	68.6
Incentives & Sales Promotion		1,030.5	297.4
Royalty		101.2	296.2
Donations		52.2	60.1
Bad debts and other irrecoverable debit balances written off	5.3		1.5
Less: Provisions made in earlier years in respect of amounts written off during the year,adjusted as per contra	4.7		1.1
		0.6	0.4
Loss on assets sold,demolished,discarded and scrapped		22.5	66.8
Loss on redemption of securities		66.5	-
Provision for Doubtful Debts and Advances		2.9	6.3
Provision for Diminution in Value of Investments, net		-	61.2
Amount written off against Technical Know-how		3.9	36.2
Amount written off against leasehold land		4.7	4.3
<b>Total</b>		<b>12,344.8</b>	<b>10,118.4</b>

## Schedule 13 - Interest

			Previous Year
	Rs. In Million	Rs. In Million	Rs. In Million
<b>Interest:</b>			
On Fixed Loans		0.2	0.7
Others		53.2	2.7
<b>Total</b>		<b>53.4</b>	<b>3.4</b>

## Schedule 14 - Notes forming part of financial statements

	As at 31 March 2007	As at 31 March 2006
	Rs. In Million	Rs. In Million
1. (A) Contingent liabilities not provided for in respect of :		
(i) Sales Bills Discounted	53.6	18.0
(ii) Claims against the Company not acknowledged as debts	2,426.7	2,373.6
(iii) Guarantees given by the Company to Housing Development Finance Corporation Ltd. - for loans to Employees	15.7	21.9
(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	850.2	626.2
(v) Income-Tax matters under dispute - Appeal by Company	816.5	1,232.4
Appeal by Department	1,880.1	1,880.1
	2,696.6	3,112.5
(vi) Sales Tax matters under dispute	90.6	86.3
(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	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.		
2. Estimated amounts of contracts remaining to be executed on capital account and not provided for, Net of Advances.	1,983.2	952.1

### 3. Payments to Auditors :

	Auditors		Cost Auditors	
	2006-2007 Rs. In Million	2005-2006 Rs. In Million	2006-2007 Rs. In Million	2005-2006 Rs. In Million
(i) As Auditors	4.2	4.2	0.3	0.3
(ii) In other capacity:				
For tax audit	0.5	0.5	—	—
For limited review	0.3	0.3	—	—
Certificates & other matters	0.1	0.1	—	—
<b>Sub-Total</b>	5.1	5.1	0.3	0.3
(iii) For expenses	0.3	0.3	—	—
<b>Total</b>	5.4	5.4	0.3	0.3

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

	As at 31 March 2007	As at 31 March 2006
	Rs. In Million	Rs. In Million
4. 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	1,725.7	722.5
Components	2,851.1	1,628.0
	4,576.8	2,350.5
(ii) Machinery Spares	48.5	25.2
(iii) Capital Goods	518.0	897.8
* Excluding C.I.F. Value of Stores, Tools, etc. Rs. 169.0 million (Previous Year Rs. 124.4 million)		
(b) Expenditure in foreign currencies:		
(i) Travelling expenses	21.6	20.1
(ii) Royalty, net of tax	81.4	237.1
(iii) Technical Consultancy, net of tax	127.7	62.2
(iv) Commission on Exports	—	0.5
(v) Research and Development Expenses	—	0.3
(vi) Advertisement & publicity	3.0	0.8
(vii) Other matters	98.5	59.4
(viii) Capital Expenditure at Dubai Office	0.7	-
(ix) Capital Expenditure at Indonesia Office	1.2	2.9
(x) Capital Expenditure at Sri Lanka Office	0.1	0.3
(c) Earnings in foreign currencies:		
(i) F.O.B.Value of exports	16,884.9	8,990.3
(ii) F.O.B.Value of exports - goods traded in *	39.1	343.5
(iii) Forwarding charges exports recovered	242.8	95.4
(iv) Interest	6.1	5.8
(v) Royalty	10.9	3.7
(vi) Technical Know how	—	0.4
(vii) Aircraft sale	112.8	—
(viii) Others	1.0	—
* Excluding indirect export Rs. 20.0 million (Previous Year Rs. 3.7 million)		
(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"	66.9	33.7
(ii) on settlement of other transactions including cancellation of forward contracts as a part of "Other income/(Other Expenses)"	86.6	(21.9)
(iii) on realignment of open forward contracts against exports of the year	12.2	3.5
(b) amount of premium/(discount) on open forward contracts		
(i) recognised for the year in the profit and loss account	12.6	7.6
(ii) to be recognised in the subsequent accounting period	97.4	5.9
(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)		Purpose of Hedging / Speculations
	2007	2006	
(I) a) Forward sale	130.0	34.0	Hedging Hedging
b) Option sale	60.0		
(II) Open Foreign Exchange Exposures			
a) Receivables	6.0	3.7	
b) Payables	18.3	9.1	



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

	2006- 2007	
	Rs. In Million	Rs. In Million
<b>5. 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		12,371.0
<b>Add:</b> Managing Directors' Remuneration (including perquisites)	20.2	
Wholetime Directors' Remuneration(including perquisites)	83.5	
Commission to Non-Executive Directors	3.7	
Provision for Taxation	4,900.9	
		5,008.3
<b>Less:</b> Excess of Sales price over cost of assets sold	7.2	
Provision for doubtful debts and advances written back	47.7	
Provisions no longer required	272.3	
		327.2
Profit on which commission is payable		17,052.1
(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. 17,052.1 in million		170.5
Maximum Commission restricted to Rs.50,000/- per Board meeting or committee thereof attended, per person		3.7
(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	
	2006-2007 Rs. In Million	2005-2006 Rs. In Million	2006-2007 Rs. In Million	2005-2006 Rs. In Million
(i) Salary	4.5	4.5	17.0	17.0
(ii) Commission	13.5	13.5	46.8	46.8
(iii) Privilege Leave Entitlement	0.4	1.7	1.3	5.8
(iv) Contribution to Provident Fund, Superannuation & Gratuity	1.6	1.7	5.9	6.0
(v) Other perquisites	0.2	0.2	0.7	0.8
(vi) Estimated monetary value of perquisite in form of:				
Unfurnished Accommodation	—	—	10.1	3.9
Furniture at Residence	—	—	1.7	1.6
	20.2	21.6	83.5	81.9

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

		2006-2007		2005-2006	
6. Details of raw materials consumption, goods traded in and Machinery Spares Consumption	Unit	Qty.	Rs. In Million	Qty.	Rs. In Million
<b>(i) Raw materials (including components) consumed</b>					
(a) Ferrous Metal	M.T.	24,882	948.2	24,146	912.5
	Mtrs.	1,377	0.1	1,333	0.1
(b) Non-Ferrous Metal	M.T.	5,188	617.3	11,856	1,069.9
(c) Tyres & tubes	Nos.	10,010,121	1,909.6	10,203,908	1,765.4
(d) Other Components			62,854.9		47,304.7
(e) Others			218.8		261.2
<b>Total</b>			<b>66,548.9</b>		<b>51,313.8</b>
<b>(ii) Imported and indigenous raw material consumption (including components)</b>					
		<u>Rs. In Million</u>	<u>Percentage</u>	<u>Rs. In Million</u>	<u>Percentage</u>
(a) Imported (including Customs Duty and other related charges )		3,705.8	5.6	2,355.3	4.6
(b) Indigenous		62,843.1	94.4	48,958.5	95.4
<b>Total</b>		<b>66,548.9</b>	<b>100.0</b>	<b>51,313.8</b>	<b>100.0</b>
<b>(iii) Imported and indigenous Machinery Spares Consumed</b>					
		<u>Rs. In Million</u>	<u>Percentage</u>	<u>Rs. In Million</u>	<u>Percentage</u>
(a) Imported (including Customs Duty and other related charges )		37.6	13.1	79.2	39.0
(b) Indigenous		249.7	86.9	123.7	61.0
<b>Total</b>		<b>287.3</b>	<b>100.0</b>	<b>202.9</b>	<b>100.0</b>
<b>(iv) Details of goods traded in-Purchases</b>					
		<u>Nos.</u>	<u>Rs. In Million</u>	<u>Nos.</u>	<u>Rs. In Million</u>
Two Wheelers		—	—	10	0.3
Auto Spare Parts			2,350.5		2,034.4
Steel and Engineering Products, for export			23.6		375.4
<b>Total</b>			<b>2,374.1</b>		<b>2,410.1</b>

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

	2006-2007		2005-2006	
	Nos.	Rs. In Million	Nos.	Rs. In Million
7. 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		1,639,350	
(ii) Installed Capacity (b)	4,050,000		3,180,000	
(iii) Production	2,723,291		2,291,110	
(iv) Stocks:				
At commencement:				
Two & Three-Wheelers	35,190	879.2	25,328	759.8
Goods Traded in:				
Two Wheelers	1	—	—	—
Auto Spare Parts (c)	—	396.2	—	225.2
Steel and Engineering Products, for export	—	—	—	—
<b>Total</b>		<b>1,275.4</b>		<b>985.0</b>
At Close				
Two & Three-Wheelers	36,656	1,123.2	35,190	879.2
Goods Traded in:				
Two Wheelers (Rs. Nil - Previous year Rs. 19,887)	—	—	1	—
Auto Spare Parts (c)	—	381.4	—	396.2
Steel and Engineering Products, for export	—	—	—	—
<b>Total</b>		<b>1,504.6</b>		<b>1,275.4</b>
(v) Turnover (d)				
Two & Three-Wheelers	2,721,824	100,976.5	2,281,230	81,238.4
Goods Traded in:				
Two Wheelers	1	—	9	0.2
Auto Spare Parts (including factory made parts)	—	5,056.6	—	3,921.9
Steel and Engineering Products, for export	—	27.8	—	338.1
<b>Total</b>		<b>106,060.9</b>		<b>85,498.6</b>
(vi) Other:				
Dismantled, Scrapped, Free of Charge	1		18	
(vii) Details of c.k.d.packs included in above				
Stocks at commencement	1,524		457	
Production	150,683		93,425	
Turnover:				
Maharashtra Scooters Ltd.	—		10,990	
Export	146,890		81,368	
Stocks at Close	5,317		1,524	
(II) Special Purpose Machine Tools				
(i) Licensed Capacity (a)	80		80	
(ii) Installed Capacity (b)	80		40	
(iii) Production	109		34	
(iv) Capitalised	109		34	
(III) Windpower Generation				
Installed Capacity (b) - Mega Watts Generated,	65.2		65.2	
Units				
Captively consumed	96,894,074	310.3	87,627,319	184.6
Sold	6,242,358	20.2	5,658,161	14.9

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

### 7. Details of Licensed & Installed Capacity, Production, Stocks and Turnover (Contd.):

#### Notes:

- (a) Licensed Capacity is stated as per the Original License held by the Company, 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 at the close of the year, which has since been put to use.
  - (c) Stocks at Commencement and at Close include stock of factory made Auto Spare Parts of value Rs. 43.3 million and Rs. 83.2 million respectively (Previous Year Rs. 74.9 million and Rs. 43.3 million respectively).
  - (d) Includes 107 Nos. Capitalised at cost Rs. 4.2 million (Previous Year 101 Nos. Rs. 3.6 million).
8. Significant Accounting Policies followed by the Company are as stated in the Statement annexed to this schedule.
9. Investments:
- (a) Disclosure of details of Investments in Investment Schedule-annexed to the Accounts is made in accordance with the approval of Department of Company Affairs, Ministry of Law, Justice & Company Affairs, Government of India, under Section 211(4) of the Companies Act, 1956, vide its letter dated 03.05.2007.
  - (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 the non-performing investments (quoted and unquoted) as per guidelines adopted by the Company during the year the management has determined an additional amount during the year of Rs. 40 million (previous year Rs. 66.7 million) for possible diminution/losses, which has been provided for in the accounts.
10. Balances with Non-scheduled foreign banks (Current Accounts):

	Name of Bank	Country	Balance as at 31st March (Rs. In Million)		Maximum Balance outstanding during the year (Rs. In Million)	
			2007	2006	2007	2006
1	Citi Bank	Indonesia	0.4	5.0	7.6	21.1
2	Standard Chartered Bank	Sri Lanka	0.2	0.2	1.1	0.4
3	Danamon	Indonesia	0.1	0.1	0.1	0.1
4	Standard Chartered Bank	Dubai	0.3	0.1	0.3	1.8
<b>Total</b>			<b>1.0</b>	<b>5.4</b>	<b>9.1</b>	<b>23.4</b>

11. In absence of any information requested from the vendors with regards to their registration (filing of Memorandum) under "The Micro, Small and Medium Enterprises Development Act, 2006. (27 of 2006)" and in view of the terms of payments not exceeding 45 days, no liability exists at the close of the year and hence no disclosures have been made in this regard.
12. Deposits include a sum of Rs. 37.5 million (Previous year Rs. 37.5 million) against use of premises on a Leave License basis, placed with Directors and their relatives, jointly and severally.

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

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

Particulars	Balance carried As at 31 March 2006	Arising during the year	Balance carried as at 31 March 2007
<b>Deferred Tax Liabilities:</b>			
On account of timing difference in			
a) Depreciation and Amortisation	1,902.1	(57.2)	1,844.9
<b>Total</b>	<b>1,902.1</b>	<b>(57.2)</b>	<b>1,844.9</b>
<b>Deferred Tax Assets:</b>			
On account of timing difference in			
a) Voluntary Retirement Scheme costs	222.6	7.8	230.4
b) Inventory Valuation (Section 145 A of the Income Tax Act ,1956)	104.2	(11.6)	92.6
c) Diminution in the value of investments	68.7	(8.0)	60.7
d) Provision for bad and doubtful debts, DEPB, ICDs etc.	117.0	(14.1)	102.9
e) Provision for privilege leave etc.	80.3	40.6	120.9
f) Taxes, duties etc.	126.2	(1.4)	124.8
g) Short term Capital loss	58.9	0.6	59.5
h) Amortisation of premium / discount on acquisition of fixed income securities	119.6	70.6	190.2
i) Adjustments on account of gratuity provisions	128.8	(7.6)	121.2
<b>Total</b>	<b>1,026.3</b>	<b>76.9</b>	<b>1,103.2</b>
<b>Net</b>	<b>875.8</b>	<b>(134.1)</b>	<b>741.7</b>





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

15. 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, 2007:
- (a) Receivable within one year - **Rs. 15.8 million** (Rs. 15.2 million)
- (b) Receivable between one year and five years - **Rs. 2.8 million** (Rs. 60.7 million)
- (c) Receivable after five years - **Rs. Nil** (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, 2007:
- (a) Payable within one year- **Rs. 33.1 million** (Rs. 35.4 million)
- (b) Payable between one year and five years- **Rs. 61.0 million** (Rs. 104.7 million)
- (c) Payable after five years - **Rs. 115.0 million** (Rs. 6.2 million)
16. During this year, the company has written off export incentives of Rs. 103.9 million that had accrued and was accounted during the last year, due to reduction of incentive under Target Plus Scheme announced by Government of India in the current year with retrospective effect.
17. 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 on the basis of representations made by key managerial personnel and information available with the Company.
18. Segment Information based on the Consolidated Financial Statements attached to the Independent Financial Statements has been disclosed in the Statement annexed to this Schedule.
19. Amounts less than Rs. 50,000/- have been shown at actuals against respective line items statutorily required to be disclosed.
20. Previous year's figures have been regrouped wherever necessary to make them comparable with those of the current year.

### 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:17 May 2007

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 8 in Schedule 14 to the Financial Statements for the year ended 31st March 2007

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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 is accrued over the period of the loan / investment.
- (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 recognized 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.

#### 3) Fixed Assets and Depreciation

##### (A) Fixed Assets

Fixed Assets except freehold land are carried at cost of acquisition or construction or at manufacturing cost including pre-operative expenses in the case of self manufactured assets, less accumulated depreciation and amortisation. Also refer clause 6 d).

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

- (a) Leasehold land:  
Premium on leasehold land is amortised over the period of lease.

## Annexure referred to in Note 8 in Schedule 14 to the Financial Statements for the year ended 31st March 2007

(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 31 <sup>st</sup> March, 2007
	Over the primary Period of lease %	As Specified in Schedule XIV %	
Plant & Machinery			
High Efficiency Boiler	16.67	* 5.28	Fully Provided for
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

\* at the rates applicable to Continuous Process machinery

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

Depreciation on certain PDC Dies is provided over the estimated economic life of the asset 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.

## Annexure referred to in Note 8 in Schedule 14 to the Financial Statements for the year ended 31st March 2007

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### 5) Investments

- a) Investments other than fixed income securities are valued at cost of acquisition, less provision for diminution as necessary.
- b) Fixed income securities are carried at cost, less amortization of premium/discount, as the case may be, and provision for diminution as considered necessary.
- c) 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 amortization and diminution as considered necessary.
- d) 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 realizable 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.
- 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 capitalized 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. 4 (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:
  - i) Premium / Discounts are recognised over the life of the contract.
  - ii) Profits and losses arising from either cancellation or utilization of contracts and on revaloring 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. 4 (d) in Schedule 14 to the accounts.





## Annexure referred to in Note 8 in Schedule 14 to the Financial Statements for the year ended 31st March 2007

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### 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 higher of the actual accumulated obligation or the actuarially determined value.

#### 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. (See note 14)

#### 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

Name of related party and Nature of relationship	Nature of transaction	2006-07		2005-06	
		Transaction Value	Outstanding amounts carried in the Balance Sheet	Transaction Value	Outstanding amounts carried in the Balance Sheet
		Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million
<b>[a] Subsidiaries:</b>					
Bajaj Auto Holdings Ltd. (Fully owned subsidiary)	Contribution to Equity [24,500 shares of Rs. 100 each]	—	2.4	—	2.4
	Loan recovered	—	—	49.5	—
	Loan given	—	—	1.0	—
	Interest received	—	—	0.7	—
Bajaj Allianz General Insurance Co. Ltd. (74 % shares held by Bajaj Auto Ltd.)	Contribution to Equity [81,498,457 shares of Rs. 10 each (Previous year 81,437,000 shares of Rs. 10 each)]	0.6	815.0	0.4	814.4
	Rent received	12.1	—	12.1	—
	Deposit received	—	11.8	—	11.8
	Insurance premia paid	225.5	5.5	49.0	2.5
Bajaj Allianz Life Insurance Co. Ltd. (74 % shares held by Bajaj Auto Ltd.)	Contribution to Equity [111,272,320 shares (Previous year 11,173,012 shares of Rs. 10 each)]	1.0	1,112.7	1.1	1,111.7
	Rent received	0.1	—	0.1	—
	Insurance premia paid	2.0	—	5.8	—
	Services rendered	4.2	1.0	2.7	1.3
	Sale of Bonds	353.5	—	—	—
PT. Bajaj Auto Indonesia (95 % shares held by Bajaj Auto Ltd.)	Contribution to Equity [118,750 shares of USD 100 each]	554.0	554.0	—	—
	Sale of CKD	155.7	35.7	—	—
<b>[b] Associates and Joint Ventures:</b>					
Maharashtra Scooters Ltd. (24 % shares held by Bajaj Auto Ltd.)	Contribution to Equity [2,742,848 shares of Rs. 10 each]	—	2.4	—	2.4
	Sale of Materials	—	—	111.3	7.6
	Technical knowhow fees received	—	—	4.8	—
	Dividend received	12.3	—	6.9	—
	Purchase of dies / fixtures	26.2	—	20.4	—
	Other purchases	5.9	—	3.1	—
	Services rendered	1.2	—	1.0	—
	Warranty paid	—	—	0.4	—
	Other credits	1.2	—	0.6	—
	Bajaj Auto Finance Ltd. (38.43 % shares held by Bajaj Auto Ltd.)	Contribution to Equity [13,584,036 shares of Rs. 10 each (Previous year 6,597,060 shares of Rs. 10 each)]	2,420.3	3,081.4	441.9
Contribution to warrant [1,247,940 warrant of Rs.410.00 each (Previous year 3,006,540 warrants of Rs.10 each) Rs.41 paid up]		(72.1)	51.2	123.3	123.3

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

Name of related party and Nature of relationship	Nature of transaction	2006-07		2005-06	
		Transaction Value	Outstanding amounts carried in the Balance Sheet	Transaction Value	Outstanding amounts carried in the Balance Sheet
		Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million
	Application and allotment money paid on Non Convertible Debentures [2,178,490 NCDs of Rs. 500 each]	1,089.2	1,089.2	—	—
	Loan recovered	41.0	—	259.0	—
	Loan given	—	—	300.0	41.0
	Interest received	0.1	—	9.4	—
	Dividend received	26.4	—	41.2	—
	Subvention charges paid for finance scheme	310.0	—	101.4	—
	Services rendered	7.9	1.3	3.7	1.0
	Bad debts sharing	153.8	—	10.8	—
	Other debits	—	—	0.2	—
	Other Credits	6.2	—	0.5	—
Bajaj Allianz Financial Distributors Ltd. (50 % shares held by Bajaj Auto Ltd.)	Contribution to Equity [1,200,000 shares of Rs. 10 each]	12.0	12.0	—	—
	Expenses incurred on behalf of Bajaj Allianz Financial Distributors Ltd.	0.3	0.3	—	—
Allianz SE (Formerly called Allianz AG)	Nil	—	—	—	—
Western Maharashtra Development Corporation	Nil	—	—	—	—
<b>[c] Directors &amp; Relatives:</b>					
Mr. Rahul Bajaj	Remuneration	18.0	—	16.7	—
- Chairman	Commission	21.6	21.6	21.6	21.6
(Also key management personnel)	Rent paid for premises	0.2	—	0.2	—
	Deposit paid against premises taken on lease	—	4.3	—	4.3
Mr. Madhur Bajaj	Remuneration	12.2	—	11.6	—
- Wholetime Director	Commission	15.3	15.3	15.3	15.3
(Also key management personnel)	Rent paid for premises	0.2	—	0.2	—
	Deposit paid against premises taken on lease	—	4.1	—	4.1
Mr. Rajiv Bajaj	Remuneration	6.7	—	8.1	—
- Managing Director	Commission	13.5	13.5	13.5	13.5
(Also key management personnel)	Rent paid for premises	0.2	—	0.2	—
	Deposit paid against premises taken on lease	—	4.3	—	4.3
Mr. Sanjiv Bajaj - Executive Director	Remuneration	4.9	—	5.2	—
(Also key management personnel)	Commission	9.9	9.9	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	2006-07		2005-06	
		Transaction Value	Outstanding amounts carried in the Balance Sheet	Transaction Value	Outstanding amounts carried in the Balance Sheet
		Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million
Rahul Kumar Bajaj (HUF)	Rent paid for premises	0.2	—	0.2	—
	Deposit paid against premises taken on lease	—	4.3	—	4.3
Kamal Nayan Bajaj (HUF)	Rent paid for premises	0.2	—	0.2	—
	Deposit paid against premises taken on lease	—	4.3	—	4.3
Mr. Shekhar Bajaj - Non Executive Director	Commission	0.2	0.2	0.1	0.1
	Sitting fees	0.1	—	0.1	—
	Rent paid for premises	0.2	—	0.2	—
	Deposit paid against premises taken on lease	—	4.1	—	4.1
Shekhar Bajaj (HUF)	Rent paid for premises	0.2	—	0.2	—
	Deposit paid against premises taken on lease	—	4.1	—	4.1
Ram Krishna Bajaj (HUF)	Rent paid for premises	0.2	—	0.2	—
	Deposit paid against premises taken on lease	—	4.1	—	4.1
Mr. Niraj Bajaj - Non Executive Director	Commission	0.2	0.2	—	—
	Sitting fees	0.1	—	—	—
Niraj Bajaj (HUF)	Rent paid for premises	0.2	—	0.2	—
	Deposit paid against premises taken on lease	—	4.1	—	4.1
[d] Key Management Personnel:					
Mr. D. S. Mehta - Wholetime Director (Key management personnel)	Remuneration	1.6	—	1.6	—
[e] Enterprise over which any person described in (c) or (d) above is able to exercise significant influence:					
Mukand Ltd.	Contribution to Equity [4,011,670 of shares Rs.10 each (Previous year 3,741,815 shares) of Rs. 10 each]	23.1	242.7	157.6	219.6
	0.01% Redeemable Preference Shares [196,169 shares of Rs. 10 each]	—	2.0	—	2.0
	Interest received on NCDs	—	—	9.0	—
	Advances recovered	—	—	540.0	—
	Advance given	—	—	340.0	—
	Interest received - others	—	—	14.6	—

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

Name of related party and Nature of relationship	Nature of transaction	2006-07		2005-06	
		Transaction Value	Outstanding amounts carried in the Balance Sheet	Transaction Value	Outstanding amounts carried in the Balance Sheet
		Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million
	Purchases for Export	—	—	369.1	(175.2)
	Scrap Sale	6.5	(0.2)	10.7	—
	Other Debits	0.2	—	0.2	—
Mukand International Ltd.	Agency Line Export sale	—	—	339.5	158.4
	Other Debit	—	—	1.0	—
Bajaj Electricals Ltd.	Contribution to Equity [1,153,384 shares of Rs. 10 each]	—	88.8	—	88.8
	Dividend received-Equity shares	16.1	—	3.5	—
	Dividend received-Preference shares	—	—	2.6	—
	Other credits	—	—	0.1	—
	Rent paid	0.1	—	—	—
Hind Musafir Agency Pvt. Ltd.	Services received	34.7	0.2	28.0	(0.2)
Varroc Engg Pvt. Ltd.	Purchases	8,276.2	(818.8)	6,089.6	(782.6)
	Purchases of capital Goods	—	—	22.2	—
	Sale of Material	122.2	—	26.6	—
	Other debits	7.6	—	3.9	—
	Advance given	150.0	150.0	—	—
	Interest received	6.6	—	—	—
	Warranty debits	11.1	—	5.9	—
Varroc Lighting	Purchases	1,101.2	(161.9)	593.6	(81.3)
	Sale of Material	0.2	—	0.9	—
	Other Debits	2.5	—	—	—
	Tooling advance given	3.0	1.5	2.0	1.6
	Tooling advance recovered	3.1	—	1.2	—
	Warranty debits	0.7	—	0.2	—
Endurance Transmission (I) Pvt. Ltd.	Purchases	—	—	3,513.4	(389.1)
	Sale of Material	—	—	5.4	—
	Other debits	—	—	3.1	—
	Warranty debits	—	—	2.5	—

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

Name of related party and Nature of relationship	Nature of transaction	2006-07		2005-06	
		Transaction Value	Outstanding amounts carried in the Balance Sheet	Transaction Value	Outstanding amounts carried in the Balance Sheet
		Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million
Endurance Systems (India) Pvt. Ltd.	Contribution to Equity (300,000 shares of Rs.10 each)	—	3.0	—	3.0
	Purchases	3,589.4	(316.5)	2,322.1	(255.0)
	Sale of Material	87.8	—	56.6	—
	Other debits	8.3	—	0.4	—
	Warranty debits	2.6	—	9.4	—
Endurance Technologies Pvt. Ltd. (Previously Anurang Engg. Co. Pvt. Ltd.)	Purchases	7,554.8	(970.0)	1,263.6	(139.8)
	Sale of Material	734.1	361.2	82.5	—
	Other Debit	16.0	—	6.3	—
	Tooling advance given	—	—	100.0	99.7
	Tooling advance recovered	99.7	—	81.3	—
	Loan given	50.0	—	50.0	50.0
	Interest on Advance	1.3	—	2.0	—
	Warranty Debits	2.3	—	—	—
Other Credits	0.3	—	0.8	—	
Durovalves (I) Pvt. Ltd.	Contribution to Equity (565,000 shares of Rs.10 each)	—	5.7	—	5.7
	Contribution to 12.5% Preference Shares (1,130,000 Shares of Rs.10/- each)	11.3	11.3	—	—
	Dividend received	0.7	—	0.7	—
	Purchases	288.8	(11.9)	346.5	(11.5)
	Warranty debits	0.1	—	—	—
	Other Debit	0.1	—	0.1	—
Mouldkraft (Hindustan) Pvt. Ltd.	Purchases	471.5	(46.5)	7.4	20.7
	Other Debit	0.5	—	27.8	—
	Sale of Materials	13.4	—	—	—
Infin Machine Tools Pvt. Ltd.	Purchases	—	—	0.1	—
Mukand Global Finance Ltd.	Loan recovered	40.0	—	100.0	40.0
	Interest Received	28.6	—	24.0	—
	Rent received	0.7	—	0.6	—
	Provision for doubtful advances written back	42.3	—	—	—
Hind Lamps Ltd.	Loan recovered	—	—	40.0	—
	Interest Received	—	—	8.3	—



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

Name of related party and Nature of relationship	Nature of transaction	2006-07		2005-06	
		Transaction Value	Outstanding amounts carried in the Balance Sheet	Transaction Value	Outstanding amounts carried in the Balance Sheet
		Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million
Bajaj Ventures Ltd.	Purchases	—	—	—	—
Bajaj Hindustan Ltd.	Contribution to Equity [13,068,511 shares of Rs.1 each, (previous year 8,560,532 shares of Rs. 1 each)]	736.4	871.8	61.4	135.4
	Dividend Received	6.8	—	4.3	—

Following is the list of related parties coming under (e) above, with whom Bajaj Auto Ltd. does not have any transactions during the financial year 2006-07.

Anant Trading Co.  
 Bachhraj & Co. Pvt. Ltd.  
 Bachhraj Factories Pvt. Ltd.  
 Bachhraj Trading Co.  
 Bajaj International Pvt. Ltd.  
 Bajaj Sevashram Pvt. Ltd.  
 Bajaj Trading Co.  
 Baroda Industries Pvt. Ltd.  
 Benchmark Asset Management Co. Pvt. Ltd.  
 Bhoopati Shikshan Pratisthan  
 Catalyst Finance Ltd.  
 Conquest Investments & Finance Ltd.  
 Econium Investments & Finance Ltd.  
 Friendly Financial Services Ltd.  
 Fusion Investments & Financial Services Ltd.  
 Hercules Hoists Ltd.  
 Hospet Steels Ltd.  
 Jamnalal Sons Pvt. Ltd.  
 Kamalnayan Investments & Trading Pvt. Ltd.  
 Lineage Investments Ltd.  
 Madhur Securities Pvt. Ltd.  
 Mukand Engineers Ltd.  
 Mahakalp Arogya Pratisthan  
 Niche Financial Services Pvt. 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.  
 Yogesh Securities Pvt. Ltd.

Segment wise Revenue, Results and Capital employed for the Year ended March 31, 2007

(a) Primary Segment : Business Segment

	Automotive	Investments and Others	Insurance *	Consolidated
	Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million
<b>Revenue *</b>				
External Sales and Other Income	95,255.6	5,262.0	66,042.0	166,559.6
Inter segment Sales and Other Income	—	330.5	189.5	520.0
<b>Total Revenue</b>	<b>95,255.6</b>	<b>5,592.5</b>	<b>66,231.5</b>	<b>167,079.6</b>
<b>Segment Result</b>	<b>12,017.6</b>	<b>5,366.4</b>	<b>453.3</b>	<b>17,837.3</b>
Interest Expense	55.4	—	—	55.4
Income Taxes	—	—	—	5,279.5
<b>Net Profit</b>	<b>11,962.2</b>	<b>5,366.4</b>	<b>453.3</b>	<b>12,502.4</b>
Segment Assets	25,686.2	66,250.0	89,923.1	181,859.3
Unallocated Corporate Assets	—	—	—	23,794.7
<b>Total Assets</b>	<b>25,686.2</b>	<b>66,250.0</b>	<b>89,923.1</b>	<b>205,654.0</b>
Segment Liabilities	15,577.7	189.0	81,954.9	97,721.6
Unallocated Corporate Liabilities	—	—	—	27,662.4
<b>Total Liabilities</b>	<b>15,577.7</b>	<b>189.0</b>	<b>81,954.9</b>	<b>125,384.0</b>
<b>Capital Employed</b>	<b>10,108.5</b>	<b>66,061.0</b>	<b>7,968.2</b>	<b>80,270.0</b>
<b>Capital Expenditure</b>	<b>3,491.7</b>			
<b>Depreciation</b>	<b>1,611.7</b>	<b>294.2</b>	<b>365.1</b>	<b>2,271.0</b>
<b>Non Cash Expenses other than Depreciation</b>	<b>11.5</b>	<b>—</b>	<b>—</b>	<b>11.5</b>

\* Segment revenues for insurance business represents the premiums earned and other income. However, for the purpose of consolidated financial statements the net result of the insurance business revenue accounts together with shareholders income in accordance with the reporting framework of IRDA amounting to a net surplus of Rs. 528.1 million prior to elimination of inter segment revenue amounting to Rs. 189.5 million for the year ended March 31, 2007 has been included in a manner consistent with the parent's reporting format as was done for the previous year.

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, Insurance and Investment and others have been identified as the business segments.

(b) Secondary Segment: Geographic Segment

	India	Rest of the world	Consolidated
Segment revenue			
External Sales and Other Income	149,533.5	17,026.1	166,559.6
Segment assets	205,155.3	498.7	205,654.0
Capital expenditure	3,452.9	38.8	

Segment wise Revenue, Results and Capital employed for the Year ended March 31, 2006

(a) Primary Segment : Business Segment

	Automotive	Investments and Others	Insurance *	Consolidated
	Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million
<b>Revenue *</b>				
External Sales and Other Income	76,728.2	4,253.9	38,402.7	119,384.8
Inter segment Sales and Other Income	—	216.8	37.7	254.5
<b>Total Revenue</b>	<b>76,728.2</b>	<b>4,470.7</b>	<b>38,440.4</b>	<b>119,639.3</b>
<b>Segment Result</b>	<b>11,826.9</b>	<b>4,142.0</b>	<b>(167.4)</b>	<b>15,801.5</b>
Interest Expense	3.4	—	—	3.4
Income Taxes	—	—	—	5,093.7
<b>Net Profit</b>	<b>11,823.5</b>	<b>4,142.0</b>	<b>(167.4)</b>	<b>10,704.4</b>
Segment Assets	19,648.8	60,513.1	47,907.8	128,069.7
Unallocated Corporate Assets	—	—	—	18,678.1
<b>Total Assets</b>	<b>19,648.8</b>	<b>60,513.1</b>	<b>47,907.8</b>	<b>146,747.8</b>
Segment Liabilities	12,809.0	187.4	42,267.7	55,264.1
Unallocated Corporate Liabilities	—	—	—	22,507.0
<b>Total Liabilities</b>	<b>12,809.0</b>	<b>187.4</b>	<b>42,267.7</b>	<b>77,771.1</b>
<b>Capital Employed</b>	<b>6,839.8</b>	<b>60,325.7</b>	<b>5,640.1</b>	<b>68,976.7</b>
<b>Capital Expenditure</b>	<b>2,052.4</b>			
<b>Depreciation</b>	<b>1,618.3</b>	<b>294.4</b>	<b>237.5</b>	<b>2,150.2</b>
<b>Non Cash Expenses other than Depreciation</b>	<b>48.2</b>	<b>61.2</b>	<b>5.0</b>	<b>114.4</b>

\* Segment revenues for insurance business represents the premiums earned and other income. However, for the purpose of consolidated financial statements the net result of the insurance business revenue accounts together with shareholders income in accordance with the reporting framework of IRDA amounting to a net loss of Rs. 123.4 million prior to elimination of inter segment revenue amounting to Rs. 38.1 million for the year ended March 31, 2006 has been included in a manner consistent with the parent's reporting format as was done for the previous year.

a) 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, Insurance and Investment and others have been identified as the business segments.

b) Secondary Segment : Geographic Segment

The geographic segments identified as secondary segments are "Domestic Market" and "Export Market". Since the Export market Revenue, is less than 10 % of the total, the same has not been disclosed. Capital employed overseas amounts to Rs. 3.6 million.

**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.		4656
State Code		11
Balance Sheet date		31st March 2007
		<b>Rs. In Thousands</b>
<b>II. CAPITAL RAISED DURING THE YEAR ENDED 31st MARCH 2007</b>		
Public Issue		—
Rights Issue		—
Bonus Issue		—
Private Placement		—
Others		—
		<b>Rs. In Thousands</b>
<b>III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS AS AT 31st MARCH 2007</b>		
Total liabilities		72,339,128
Total assets		72,339,128
<b>SOURCES OF FUNDS</b>		
Paid-up capital		1,011,835
Reserves and surplus		54,331,340
Secured loans		224,561
Unsecured loans		16,029,749
Deferred Tax Adjustments		741,643
		<b>72,339,128</b>
<b>APPLICATION OF FUNDS</b>		
Net Fixed Assets		12,963,896
Investments		64,475,313
Net Current Assets		(5,141,364)
Misc. Expenditure-Technical Know-how		41,283
		<b>72,339,128</b>
<b>IV. PERFORMANCE OF THE COMPANY FOR THE YEAR ENDED 31st MARCH 2007</b>		<b>Rs. In Thousands</b>
i) Turnover (sale of products and other income)		100,760,525
ii) Total Expenditure		83,480,004
iii) Profit before tax and extraordinary items		17,280,521
iv) Profit after tax		12,379,644
v) Expenses for earlier years		8,624
vi) Net Profit		12,371,020
vii) Earning per share Rs.(See Note 2)(Face Value Rs.10/-)		122.30
viii) Dividend Rate (%)		400%
<b>V. PRODUCTS OF THE COMPANY</b>		
Item Code No.		
(ITC Code)	: 8711	
Product Description	: Scooters, Autorickshaws, Motorcycles and Mopeds	
<b>Notes :</b>		
1.	The above particulars should be read along with the balance sheet as at 31st March, 2007, the profit and loss account for the year ended on that date and the schedules forming part thereof.	
2.	Earning per share is arrived at by dividing the Net Profit [Item IV(viii)] by total number of shares issued and subscribed as at the end of the year.	

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

Mumbai:17 May 2007

## Cash Flow Statement

	2006-2007	2005-2006
	Rs. In Million	Rs. In Million
<b>I. CASH FROM OPERATIONS:</b>		
A) Profit before Taxation	17,280.5	15,807.4
B) Adjustments:		
Add:		
i) Depreciation	1,902.6	1,910.0
ii) Amount written off against Technical Know-how	3.9	36.2
iii) Amount written off against leasehold land	4.7	4.3
iv) Loss on Assets sold, demolished, discarded and scrapped	22.5	66.8
v) Provision for Diminution in Value of Investments	—	61.2
vi) Provision for Doubtful Debts and Advances	2.9	6.3
vii) Interest on cash credit, etc.	44.9	0.8
viii) Interest on Fixed Deposits	0.2	0.7
	<u>1,981.7</u>	<u>2,086.3</u>
	19,262.2	17,893.7
Less:		
i) Investment and Other Non-operating Income included in above:		
Dividends	373.0	321.3
Interest on Debentures and Bonds	830.7	712.7
Interest on Government Securities	1,740.9	1,944.0
Interest on Inter-Corporate Deposits, Loans	31.0	141.8
Interest - others	0.3	—
Income From Units of Mutual funds	37.0	225.1
Profit/(Loss) on Sale of Investments, net	2,371.9	1,080.4
Surplus/(Loss) on Redemption of Securities	(66.5)	91.3
Bad debts recovered	10.5	2.2
Provision for Diminution in value of Investments written back	76.3	—
Provision for Doubtful Advances written back	42.3	4.0
Amortisation of premium/discount on acquisition of fixed income securities	(288.0)	(355.2)
	<u>5,159.4</u>	<u>4,167.6</u>
ii) Surplus on Sale of Assets	117.8	70.5
iii) Prior Period Expenses	8.6	8.7
iv) Tax Credits pertaining to earlier years	—	(225.1)
v) Income Tax, Wealth Tax and Dividend Tax paid	5,678.9	5,168.4
vi) Provision for Diminution in value of Investments written back	76.3	—
vi) Provision for Doubtful Debts and Advances written back	43.0	5.4
	<u>(11,084.0)</u>	<u>(9,195.5)</u>
<b>CASH FROM OPERATIONS</b>	<u>8,178.2</u>	<u>8,698.2</u>
<b>Carrier Forward</b>	<u>8,178.2</u>	<u>8,698.2</u>

## Cash Flow Statement (Contd.)

		2006-2007	2005-2006
	Rs. In Million	Rs. In Million	Rs. In Million
brought forward		8,178.2	8,698.2
<b>C) (Increase)/Decrease in Current Assets</b>			
i) Inventories	(367.7)		(487.6)
ii) Sundry Debtors	(2,284.4)		(1,253.3)
iii) Other Current Assets and Loans and Advances	(1,427.5)		(786.2)
	(4,079.6)		(2,527.1)
Increase/(Decrease) in Current Liabilities			
i) Liabilities	2,718.7		4,555.1
		(1,360.9)	2,028.0
<b>NET CASH FROM OPERATIONS</b>		<b>6,817.3</b>	<b>10,726.2</b>
<b>II) INVESTMENT ACTIVITIES</b>			
i) (Increase)/Decrease in Investment in subsidiaries, joint ventures and associates, etc.	(4,764.5)		(785.9)
ii) (Increase)/Decrease in other investments, net	(1,352.8)		(12,594.4)
iii) Capital Expenditure	(3,480.9)		(2,210.1)
iv) Sales Proceeds of Assets/Adjustment to Gross block	263.4		149.4
v) Technical Know-how	(31.8)		(9.0)
vi) (Increase)/Decrease in Deposits with Joint Stock Companies, Loan to Bajaj Auto Finance Ltd	131.0		143.5
	(9,235.6)		(15,306.5)
vii) Investment and other Non-operating			
Income included in above			
Dividends	373.0		321.3
Interest on Debenture and Bonds	830.7		712.7
Interest on Government Securities	1,740.9		1,944.0
Interest on Inter-Corporate Deposits, Loans	31.0		141.8
Interest - others	0.3		—
Income From Units of Mutual funds	37.0		225.1
Profit/(Loss) on Sale of Investments, net	2,371.9		1,080.4
Surplus/(Loss) on Redemption of Securities	(66.5)		91.3
Bad debts recovered	10.5		2.2
Provision for Diminution in value of Investments written back	76.3		—
Provision for Doubtful Advances written back	42.3		4.0
(Increase)/decrease in non-operating income receivable & dues	(511.7)		(91.7)
	4,935.7		4,431.1
<b>NET CASH FROM INVESTMENT ACTIVITIES</b>		<b>(4,299.9)</b>	<b>(10,875.4)</b>
<b>Carried forward</b>		<b>2,517.4</b>	<b>(149.2)</b>



## Cash Flow Statement (Contd.)

	2006-2007	2005-2006
	Rs. In Million	Rs. In Million
brought forward	2,517.4	(149.2)
<b>III) FINANCING ACTIVITIES</b>		
i) Cash Credit from Banks	224.4	0.2
ii) Interest on cash credit	(44.9)	(0.8)
iii) Repayment of Fixed Deposits	(6.8)	(9.5)
iv) Interest on Fixed Deposit	(0.2)	(0.7)
v) Increase in Unsecured Loans -Sales tax deferral liability	1,365.2	2,410.8
vi) Dividend Paid	(4,041.2)	(2,516.8)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>(2,503.5)</b>	<b>(116.8)</b>
<b>NET CHANGE IN CASH &amp; CASH EQUIVALENTS</b>	<b>13.9</b>	<b>(266.0)</b>
Cash and Cash Equivalents as at 01.04.2006 [Opening Balance]	820.9	1,086.9
Cash and Cash Equivalents as at 31.03.2007 [Closing Balance]	834.8	820.9
As per our attached report of even date For and on behalf of Dalal and Shah Chartered Accountants	Rahul Bajaj Madhur Bajaj Rajiv Bajaj Sanjiv Bajaj	Chairman Vice Chairman Managing Director Executive Director
Anish Amin Partner Membership No. 40451 Mumbai:17 May 2007	J. Sridhar Company Secretary	Suman Kirloskar Naresh Chandra Nanoo Pamnani Manish Kejriwal P. Murari Niraj Bajaj
		} Directors

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

1 Name of the Subsidiary	Bajaj Auto Holdings Ltd. Insurance Co.Ltd	Bajaj Allianz General Insurance Co.Ltd	Bajaj Allianz Life Insurance Co.Ltd	PT. Bajaj Auto Indonesia
2 Financial year of the Subsidiary ended on	31st March 2007	31st March 2007	31st March 2007	31st March 2007
3 Holding Company's interest : Equity Share Capital	100%	74%	74%	95%
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	Profit Rs.28.5 million	Profit Rs. 557.7 million	Loss Rs. 530.6 million	Loss Rs. 82.7 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	Profit Rs. 348.9 million	Profit Rs. 890.7 million	Loss Rs. 1,511.9 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	Rs.106.2 million	Nil	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:17 May 2007

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, Associate and Joint Venture as at 31st March 2007 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.

We have audited the financial statements of Bajaj Auto Holdings Limited, a subsidiary, whose financial statements for the year ended 31st March 2007 reflect total assets of Rs. 379.9 million (Previous Year 351.4 million) and total revenues of Rs. 30.3 million (Previous Year 65.7 million) for the year ended.

However, the financial statements of PT Bajaj Auto Indonesia, a subsidiary, whose financial statements for the period 3rd July 2006 to 31st March 2007 reflect total assets of IDR 110,904.72 million and total revenues of IDR 14,357.19 million, which have been consolidated for the first time, 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.

Also, the financial statements of Bajaj Allianz Life Insurance Company Limited, a subsidiary, which reflect total assets of Rs. 67,631.8 million (Previous Year 35,429.9 million) and the total revenues for the year of Rs. 277.1 million (Previous Year Rs. 106.9 million), have been audited by two independent firm of Chartered Accountants. Our opinion, in so far as it relates to the amounts included in respect of this subsidiary is based on their report.

Also, the financial statements of Bajaj Allianz General Insurance Company Limited, a subsidiary, which reflects total assets of Rs. 4,115.7 million (Previous Year 2,767.4 million) and the total revenues for the year of Rs. 1,192 million (Previous Year Rs. 837.7 million), have been audited by two independent firm of Chartered Accountants. Our opinion, in so far as it relates to the amounts included in respect of this subsidiary is based on their report.

We have also audited the Financial Statements of Bajaj Auto Finance Limited, an Associate company, which have been accounted in the Consolidated Financial Statements dealt with by this report, whose financial statements reflect total assets of Rs. 26,317 million (Previous Year 15,138.1 million) and revenues of Rs. 4,017.9 million (Previous Year Rs. 2,427.4 million).

The financial statements of Maharashtra Scooters Limited, a Joint Venture Company, which reflect total assets of Rs. 1,961.9 million (Previous Year Rs. 1,994.7 million) and revenues of Rs. 305.7 million (Previous Year Rs. 422.8 million), have been audited by an independent firm of Chartered Accountants. Our opinion, in so far as it relates to the amount included in respect of this joint venture is based on their report.

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. AS-21, Consolidated Financial Statements, AS-23 Accounting For Investments in Associates in Consolidated Financial Statements and AS-27 Financial Reporting of Interest in Joint Ventures, the Accounting Standard Interpretations and amendments issued thereto, to the extent applicable for the year ended 31st March 2007 and on the basis of the separate audited statements of Bajaj Auto Limited, it's subsidiaries, associate and joint venture 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 it's aforesaid subsidiaries, associate and joint venture:

- 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 it's subsidiaries, associate and joint venture as at 31st March 2007; 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 it's subsidiaries, associate and joint venture for the year then ended.

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

**Anish Amin**  
Partner  
Membership No. 40451

Mumbai : 17 May 2007

## Balance Sheet as at 31 March

		2007		2006
	Schedule	Rs. In Million	Rs. In Million	Rs. In Million
<b>I. Sources of funds :</b>				
1. Shareholders' Funds				
a) Share Capital	1	1,011.8		1,011.8
b) Reserves & Surplus	2	60,436.0		50,926.8
Fair value change account		60.5		71.4
			61,508.3	52,010.0
2. Policy Liabilities			6,728.3	4,056.7
3. Provision for Linked Liabilities			51,868.4	25,693.2
4. Funds for future appropriation in Policyholders' Account	3		2,029.8	682.3
5. Minority Interest			2,197.0	1,487.9
6. Loan Funds:				
a) Secured Loans	4	224.6		1.5
b) Unsecured Loans	5	16,029.7		14,692.9
			16,254.3	14,694.4
7. Deferred Tax liability (net)			741.7	875.8
<b>Total</b>			<b>141,327.8</b>	<b>99,500.3</b>
<b>II. Application of Funds :</b>				
1. Fixed Assets:				
a) Gross Block		33,811.1		30,397.0
b) Less: Depreciation		20,307.1		18,516.9
c) Net Block	6	13,504.0		11,880.1
d) Lease Adjustment Account-Plant and Machinery		175.0		175.0
		13,679.0		12,055.1
e) Capital Work in progress, expenditure to date (includes share of Capital Work in progress of joint ventures Rs. 0.1 million - Previous Year Rs. Nil)		384.7		252.6
			14,063.7	12,307.7
2. Goodwill on investments in associates			985.4	259.8
3. Technical Know-how	7		41.3	13.4
4. Investments	8		82,524.6	68,654.3
5. Policyholders' Investments			9,050.8	4,766.1
6. Assets held to cover linked liabilities			51,868.4	25,693.2
7. Deferred Tax Assets		138.6		53.6
Share of deferred tax assets (net) of joint ventures		—		10.7
			138.6	64.3
8. Current Assets, Loans and Advances :	9			
a) Inventories		3,173.7		2,744.7
b) Sundry Debtors		5,275.5		3,025.4
c) Cash and Bank Balances		7,554.5		4,764.8
d) Other Current Assets		1,704.8		2,606.9
e) Loans and Advances		29,399.4		21,899.5
		47,107.9		35,041.3
Less: Current Liabilities and Provisions :	10			
a) Liabilities		30,175.7		20,355.5
b) Provisions		34,277.2		26,944.3
		64,452.9		47,299.8
Net Current Assets			(17,345.0)	(12,258.5)
<b>Total</b>			<b>141,327.8</b>	<b>99,500.3</b>
Notes forming part of the Accounts	16			

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: 17 May 2007

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 year ended 31 March

		2007		2006
	Schedule	Rs. In Million	Rs. In Million	Rs. In Million
<b>Income:</b>				
Sales including Excise Duty		105,976.4		85,498.6
Share of Sales including excise duty of joint ventures		21.1		56.8
		<u>105,997.5</u>		<u>85,555.4</u>
<b>Less:</b>				
Excise Duty		13,138.6		10,804.8
Share of Excise Duty of joint ventures		3.0		8.4
		<u>13,141.6</u>		<u>10,813.2</u>
<b>Net Sales</b>				
Wind power generated, mainly captively consumed		92,855.9		74,742.2
Other Income	11	330.5		199.5
Operating result from insurance business	12	8,201.4		6,535.8
Amount transferred from the Policyholders' Account		739.9		645.4
Contribution to the policyholder fund		31.3		-
		<u>(972.3)</u>		<u>(1,085.5)</u>
			<u>101,186.7</u>	<u>81,037.4</u>
<b>Expenditure:</b>				
Materials	13	68,990.5		53,281.5
Other Expenses	14	12,487.8		10,155.0
Interest	15	55.4		3.4
Depreciation		1,903.3		1,910.1
Share of depreciation of joint ventures		2.6		2.7
		<u>83,439.6</u>		<u>65,352.7</u>
<b>Less: Expenses, included in above items, capitalised</b>				
		320.5		248.1
		<u>83,119.1</u>		<u>65,104.6</u>
Compensation Paid Under Voluntary Retirement Scheme		385.7		226.4
Share of VRS amortised of joint ventures		-		1.4
Export incentives accrued in previous year written off		103.9		-
			<u>83,608.7</u>	<u>65,332.4</u>
Profit for the year before income from associates and taxation			17,578.0	15,705.0
Income from associates after tax (See note 5. D) 2.)			203.9	93.1
Profit before Provision for Taxation			<u>17,781.9</u>	<u>15,798.1</u>
Provision for Taxation [ including Rs. 5 million for Wealth tax (Previous year Rs. 5.5 million )]				
Current tax		5,449.4		5,395.6
Share of current tax of joint ventures		0.2		-
Deferred tax		(220.4)		(363.8)
Share of deferred tax of joint ventures		-		(2.4)
Fringe Benefit Tax		50.3		64.2
Share of Fringe Benefit Tax of joint ventures		-		0.1
			<u>5,279.5</u>	<u>5,093.7</u>
Profit for the year			12,502.4	10,704.4
Tax credits / (debits) pertaining to earlier years			-	225.1
Share of tax credits / (debits) pertaining to earlier years of joint ventures		4.9		3.1
			4.9	228.2
Prior Period adjustments:				
Expenses			8.6	8.7
			<u>12,498.7</u>	<u>10,923.9</u>
Minority Interest			5.2	(122.1)
			<u>12,493.5</u>	<u>11,046.0</u>
Share of adjustments on account of write down of deferred tax assets			(10.7)	-
Profits attributable to consolidated group			<u>12,482.8</u>	<u>11,046.0</u>
Transfer to Reserve fund in terms of Section 45-1C of the Reserve Bank of India Act, 1934		5.7		12.5
Transfer to General Reserve		7,742.0		6,418.5
Proposed Dividend		4,047.3		4,047.4
Corporate Dividend Tax thereon		687.8		567.6
Balance Carried to Balance Sheet		-		-
<b>Basic and diluted Earnings Per Share (Rs)</b>			123.5	109.2
Nominal value per share (Rs)			10	10
Net Profit (Rs. In Million)			<u>12,493.5</u>	<u>11,046.0</u>
Weighted average number of shares (In Millions)			101.2	101.2

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: 17 May 2007

J. Sridhar  
Company Secretary

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

Directors

**Schedules No 1-16** annexed to and forming part of the Balance Sheet as at and the Profit and Loss Account for the year ended 31 March, 2007

**Schedule 1 - Share Capital**

	Rs. In Million	As at 31 March 2006 Rs. In Million
<b>Authorised:</b>		
150,000,000 Shares of Rs.10 each	1,500.0	1,500.0
<b>Issued,Subscribed and Paid up:</b>		
* 101,183,510 Equity Shares of Rs.10 each	1,011.8	1,011.8
	1,011.8	1,011.8

**Notes**

\* Includes prior to buy back of 18,207,304 Equity Shares of Rs. 10 each

- 114,174,388 Equity Shares allotted as fully paid Bonus Shares by way of Capitalisation of Share Premium Account and Reserves
- 4,342,676 Equity Shares issued by way of Euro Equity Issue represented by Global Depository Receipts (GDR) evidencing Global Depository Shares, at a price of U.S.\$ 25.33 per Share [inclusive of premium] excluding 2,171,388 Equity Shares allotted as Bonus Shares thereon. Outstanding GDR's were 1,995,654 (2,320,561)

**Schedule 2 - Reserves and Surplus**

	Rs. In Million	Rs. In Million	Rs. In Million	As at 31 March 2006 Rs. In Million
<b>Capital redemption reserve :</b>				
As per last account			182.1	182.1
<b>Share premium</b>				
As per last account				870.7
(Share of share premium of subsidiary)		2,857.8		1,987.1
Received during the year		1,935.3		2,857.8
			4,793.1	2,857.8
<b>Reserve Fund</b> in terms of Section 45-1C of Reserve Bank of India Act, 1934				
As per last account		37.8		25.3
Set Aside this Year		5.7		12.5
			43.5	37.8
<b>General Reserve:</b>				
As per last account		47,824.1		41,434.0
<b>Add:</b>				
Adjustments on account of change in share of net assets of associate		(149.0)		235.6
Share of excess of prepayment of Sales Tax Deferral Liability transferred of joint venture		11.3		—
<b>Less:</b>				
Dividend tax on distribution of reserve by Associate		(4.9)		(8.0)
Dividend tax on distribution of reserve by joint ventures		(1.7)		(1.0)
Transitional adjustment for Gratuity Liability, Net of deferred tax		—		(253.9)
Share of Transitional adjustment for Gratuity Liability of joint venture, Net of deferred tax		—		(1.1)
<b>Add:</b>				
Set aside this year	7,724.1			6,381.6
Share of profit / (loss) of joint ventures for the year	17.9			36.9
		7,742.0		6,418.5
			55,421.8	47,824.1
<b>Capital Reserve arising on consolidation of joint ventures</b>			25.0	25.0
<b>Foreign exchange difference on paid-up capital of subsidiary</b>			(12.1)	—
<b>Foreign currency translation reserve</b>			(17.4)	—
<b>Total</b>			60,436.0	50,926.8



### Schedule 3 - Policyholders Account

	As at 31 March 2006	
	Rs. In Million	Rs. In Million
Premiums Earned -Net		
a) Premium	53,100.0	31,335.8
b) Reinsurance ceded	(92.6)	(53.6)
c) Reinsurance accepted	—	—
Sub-Total	53,007.4	31,282.2
Income from investment		
a) Interest, Dividend & Rent - Gross	1,153.3	211.1
b) Profit on sale / redemption of investments	3,714.6	106.6
c) Loss on sale / redemption of investments	(1,055.0)	(5.3)
d) Transfer / Gain on revaluation / change in fair value	(1,036.6)	—
e) Other investment income	320.5	—
Other Income		
Interest on overdue premium	17.9	12.8
Unit Linked Fund Administration / Management charges	352.4	218.1
Others	34.3	59.4
Contribution from the Shareholders Account	972.4	1,085.5
Sub-Total	4,473.8	1,688.2
Total (A)	57,481.2	32,970.4
Commission	9,466.8	3,418.7
Operating Expenses related to Insurance Business	10,730.2	4,868.1
Provision for doubtful receivables	—	—
Provision for FBT	73.0	41.0
Total (B)	20,270.0	8,327.8
Benefits paid (Net)	6,985.4	6,534.8
Interim Bonuses Paid	2.0	1.2
Change in valuation of liability against life policies in force		
a) Gross	2,669.8	1,912.3
b) Fund Reserve	26,175.2	15,576.1
c) Amount ceded in Reinsurance	—	—
d) Amount accepted in Reinsurance	—	—
Total (C)	35,832.4	24,024.4
Surplus / (Deficit) (D) = (A) - (B) - (C)	1,378.8	618.2
Opening balance of Funds for future appropriation	682.3	64.1
Less: Transfer to Shareholders' account	31.3	—
Closing balance of Funds for future appropriation	2,029.8	682.3

#### Schedule 4 - Secured Loans

		As at 31 March 2006
	Rs. In Million	Rs. In Million
From Banks, against hypothecation of Stores, Raw Materials Finished Goods, Stock in Process and Book Debts		
Cash Credit	224.6	0.2
Share of cash credit of joint ventures	—	1.3
<b>Total</b>	<b>224.6</b>	<b>1.5</b>

#### Schedule 5 - Unsecured Loans

		As at 31 March 2006
	Rs. In Million	Rs. In Million
Sales tax deferral Liability / Loan under Package Scheme of Incentives 1983,1988, 1993 and 1998	16,028.4	14,663.2
Share of sales tax deferral liability / loan of joint ventures	—	21.6
Fixed Deposits	1.3	8.1
<b>Total</b>	<b>16,029.7</b>	<b>14,692.9</b>

## Schedule 6 - Fixed Assets

Particulars	Gross Block (a)			Depreciation				Net Block		
	As at 31st March, 2006	Additions	Deductions and Adjustments	As at 31st March, 2007	As at 31st March, 2006	Deductions and Adjustments	For the Year (c)	Upto 31st March, 2007	As at 31st March, 2007	As at 31st March, 2006
	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	Rs. In Million
Land Freehold	86.0	92.5	—	178.5	—	—	—	—	178.5	86.0
Land Leasehold	365.5	217.3	4.7	578.1	—	—	—	—	578.1	365.5
Buildings (b) & (d)	2,748.6	1,193.1	4.7	3,937.0	844.1	2.8	79.2	920.5	3,016.5	1,904.5
Lease hold Improvements	277.4	113.1	3.8	386.7	140.0	1.6	69.7	208.1	178.6	137.4
Waterpumps, Reservoirs and Mains	59.6	11.4	—	71.0	32.6	—	2.8	35.4	35.6	27.0
Plant & Machinery	16,677.8	1,294.7	277.6	17,694.9	11,306.7	224.8	1,228.5	12,310.4	5,384.5	5,371.1
Dies & Jigs	3,144.2	347.3	34.3	3,457.2	2,104.5	4.4	309.1	2,409.2	1,048.0	1,039.7
Electric Installations	446.3	165.3	—	611.6	249.0	—	17.1	266.1	345.5	197.3
Factory Equipments	1,276.5	365.6	3.5	1,638.6	662.3	2.7	106.4	766.0	872.6	614.2
Furniture, Fixtures, Office equipment etc	693.7	202.9	94.9	801.7	385.2	88.5	118.3	415.0	386.7	308.5
Electric Fittings	119.5	10.7	0.6	129.6	70.4	0.3	3.9	74.0	55.6	49.1
Vehicles & Aircraft (e)	647.4	61.3	168.1	540.6	188.6	85.9	42.6	145.3	395.3	458.8
Wind Energy Generators	2,837.2	0.9	—	2,838.1	1,516.2	—	293.4	1,809.6	1,028.5	1,321.0
Leased Assets:-										
Plant & Machinery	875.0	—	—	875.0	875.0	—	—	875.0	—	—
Dies & Moulds	142.3	—	69.8	72.5	142.3	69.8	—	72.5	—	—
<b>Total</b>	<b>30,397.0</b>	<b>4,076.1</b>	<b>662.0</b>	<b>33,811.1</b>	<b>18,516.9</b>	<b>480.8</b>	<b>2,271.0</b>	<b>20,307.1</b>	<b>13,504.0</b>	<b>11,880.1</b>
Share of fixed assets of joint ventures	67.9	0.5	2.2	66.2	37.0	1.7	2.6	37.9	28.3	30.9
Previous Year Total	28,568.2	2,391.4	562.6	30,397.0	16,778.2	411.5	2,150.2	18,516.9	11,880.1	
Share of fixed assets of joint ventures - Previous Year	68.3	0.6	1.0	67.9	35.2	0.8	2.6	37.0	30.9	

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

b) i Includes Premises on ownership basis in Co-operative Society Rs. 131.8 million and cost of shares therein Rs. 2,750/-

ii Includes Premises on ownership basis Rs. 53.8 million represented by 66 equity shares and 182 debentures of the face value of Rs. 660/- and Rs. 18,900,000/- respectively.

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

d) Includes office premises given on lease Rs 82.5 million. Accumulated depreciation Rs 9.0 million. Depreciation for the year Rs 1.3 million.

e) Includes Rs. 271.5 million representing company's share in the cost of Aircraft jointly owned with another company.

f) Additions include assets installed at the new Pantnagar plant at the close of the year, since commissioned, hence no depreciation has been provided for the year.

## Schedule 7 - Technical Know-How

		As at 31 March 2006
	Rs. In Million	Rs. In Million
I) Acquired by the company		
As per last account	4.4	38.4
Less: Written off during the year	2.2	34.0
	2.2	4.4
II) Developed by the company		
Gross as per last account	6.7	6.7
<b>Add :</b>		
Expenses incurred on development completed during the year	0.5	—
Expenses incurred during the year on know-how developed	4.5	—
	11.7	6.7
<b>Less:</b>		
Written off / amortised upto last account	6.7	4.5
Written off / amortised during the year	1.7	2.2
	8.4	6.7
	3.3	—
Development in Progress	35.8	9.0
<b>Total</b>	41.3	13.4

## Schedule 8 - Investments, at cost (Unless otherwise stated)

		As at 31 March 2006
	Rs. In Million	Rs. In Million
<b>In Government and Trust Securities</b>		33,136.4
<b>In fully Paid Preference Shares</b>		485.2
<b>In Equity Shares</b>		
Long Term: Associate Company	3,493.5	1,833.5
Others	17,661.7	8,026.2
Share of joint ventures	251.1	203.2
		21,406.3
<b>In Debentures, Bonds and Secured Premium Notes</b>		8,917.9
<b>In Bonds</b>	12,700.6	10,299.0
Share of joint ventures	186.0	178.7
		12,886.6
<b>In Mutual Fund Units</b>	2,813.3	4,921.1
Share of joint ventures	22.8	52.8
		2,836.1
<b>In Certificate of Deposits</b>	3,209.5	1,046.8
<b>In Warrants</b>	51.2	123.3
<b>In Fixed Deposits with banks</b>	450.0	—
<b>In Investment Properties - Real Estate</b>	31.1	—
<b>Total</b>	83,098.2	69,224.1
<b>Less: Provision for diminution in value of Investments</b>	593.6	669.8
	82,504.6	68,554.3
<b>Add: Application Money for investment in Shares and Bonds</b>	20.0	100.0
	82,524.6	68,654.3

## Schedule 9 - Current Assets, Loans and Advances

As at  
31 March 2006

	Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million
<b>a) Inventories:</b>				
Stores, at cost *		71.3		64.9
Share of stores of joint ventures		0.2		0.2
Tools, at cost *		113.3		129.7
Share of tools of joint ventures		—		0.1
Stock-in-trade, at cost or market value whichever is lower :				
Raw Materials and Components		988.4		696.3
Share of raw materials and components of joint ventures		0.3		0.1
Work-in-progress [including factory made components <b>Rs. 89.6 million</b> (Previous Year Rs. 260.7 million)]		195.8		434.0
Share of work-in-progress of joint ventures		1.6		3.8
Finished Goods:				
Vehicles		1,123.2		879.2
Share of vehicles of joint ventures		—		11.2
Auto Spare parts, etc.		381.4		396.2
As valued and certified by Management		2,875.5		2,615.7
Goods in transit, at cost to date		298.2		129.0
			3,173.7	2,744.7
<b>b) Sundry Debtors, Unsecured:</b>				
Outstanding for a period exceeding six months :				
Good	1.1			1.4
Share of good debtors of joint ventures	0.2			9.9
Doubtful	21.3			19.7
Less: Provision	21.3			19.7
	—			—
Others, Good		1.3		11.3
		5,274.2		3,014.1
			5,275.5	3,025.4
<b>c) Cash and Bank Balances:</b>				
Cash on hand [including cheques on hand <b>Rs. 478.3 million</b> (Previous year Rs. 438.9 million)]		1,413.3		507.1
Bank Balances:				
With scheduled banks :				
** In current accounts		4,373.7		3,566.3
Share of current bank accounts of joint ventures		1.2		1.0
In margin deposits		11.6		22.5
In fixed deposits		1,753.6		662.5
Interest accrued on fixed deposits		0.1		—
		6,140.2		4,252.3
With Other Banks:		1.0		5.4
			7,554.5	4,764.8
<b>Carried over</b>			16,003.7	10,534.9

## Schedule 9 - Current Assets, Loans and Advances (Contd.)

				As at 31 March 2006
	Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million
Brought over			16,003.7	10,534.9
<b>d) Other Current Assets, good:</b> (Unless otherwise stated)				
Dividend and Interest receivable on Investments				
Good	590.2			421.6
Doubtful	80.6			51.1
Less : Provision	80.6			51.1
	—			—
		590.2		421.6
Outstanding Premiums		334.1		265.7
Interest receivable on Loans etc:				
Good	2.6			6.4
Doubtful	51.2			109.0
Less : Provision	51.2			109.0
	—			—
		2.6		6.4
Redemption money receivable on Investments		11.8		—
Export Incentives Receivable		297.3		590.6
Credit receivable for Windpower generated		25.5		34.5
Agent's Balances	125.0			19.5
Less: Provision for Doubtful Recoveries	7.4			4.2
		117.6		15.3
Dues from other entities carrying on insurance business	327.2			1,272.8
Less : Provision for doubtful amounts	1.5			—
		325.7		1,272.8
			1,704.8	2,606.9
<b>e) Loans and Advances, unsecured, good :</b> (Unless otherwise stated)				
\$ Loan to Bajaj Auto Finance Limited - an associate company		—		41.0
Loan to others		450.9		153.1
Deposits with Joint Stock Companies: [Including Rs.16.1 million secured against pledge of Securities (Previous Year Rs. 92.1 million)]				
Good	66.5			142.5
Doubtful	155.5			169.5
Less : Provision	155.5			169.5
	—			—
		66.5		142.5
Carried over		517.4		336.6
Carried over			17,708.5	13,141.8



## Schedule 9 - Current Assets, Loans and Advances (Contd.)

				As at 31 March 2006
	Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million
			17,708.5	13,141.8
e) Loans and Advances, unsecured, good: (Contd.)				
		517.4		336.6
Advances Recoverable in Cash or in kind or for value to be received:				
@ Others, Good	2,317.8			2,335.0
Share of advances recoverable of joint ventures	10.1			11.4
Doubtful	36.0			40.1
Less : Provision	36.0			40.1
	—			—
		2,327.9		2,346.4
Advances for capital assets		807.0		—
VAT refund receivable		1,360.2		—
Balances with Customs and Central Excise Departments		159.5		238.7
Share of balances with excise departments of joint ventures		0.2		0.4
Sundry Deposits		377.6		282.2
Deposits with ceding companies		9.7		—
Deposit pursuant to Section 7 of Insurance Act, 1938		—		0.1
Tax paid in Advance		23,825.8		18,686.3
Share of taxes paid in advance of joint ventures		13.0		7.7
Others (Deposit with IDBI)		1.1		1.1
			29,399.4	21,899.5
<b>Total</b>			<b>47,107.9</b>	<b>35,041.3</b>

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

\*\* including unclaimed Sale Proceeds of Fractional Bonus Coupons Rs. 5,595/- as per Contra (Previous Year Rs.5,595/-)

@ Includes amount due from an Officer of the Company Rs. 82,500/- (Previous Year Rs. 97,500/-)  
Maximum balance outstanding during the year Rs. 97,500/- (Previous Year Rs. 112,500/-)

\$ Maximum amount outstanding during the year Rs. 41 million

## Schedule 10 - Current Liabilities and Provisions

			As at 31 March 2006
	Rs. In Million	Rs. In Million	Rs. In Million
<b>a) Liabilities:</b>			
Sundry Creditors:			
Other than small scale industrial undertakings	18,956.2		14,032.4
Share of other creditors of joint ventures	11.9		11.6
	18,968.1		14,044.0
Advances against Orders	952.5		205.3
Share of advance against orders of joint ventures	27.4		27.5
Investor Education Protection Fund	—		—
Unclaimed Dividends	57.8		51.6
Share of unclaimed dividends of joint ventures	0.9		0.7
Deposit from Dealers and others	219.9		218.1
Share of deposits from dealers and others of joint ventures	1.0		1.0
Interest accrued but not due on loans	—		0.1
Temporary overdraft with bank as per books	2.6		—
Temporary overdraft as per books of subsidiaries	543.8		414.1
Agent's Balances	1,922.7		783.1
Balances due to other insurance companies	1,073.1		264.6
Premiums received in advance	399.2		106.4
Unallocated Premiums	365.2		462.2
Claims Outstanding	4,036.7		2,616.6
Solatium Fund	13.8		5.4
Premium Deficiency	38.7		48.7
Premium & Other Deposits	1,552.3		1,106.1
		30,175.7	20,355.5
<b>b) Provisions:</b>			
Provision for Warranty Claims	320.0		270.0
Provision for employee benefits	488.5		382.7
Share of provision for employee benefits of joint ventures	2.0		1.7
Provision for Taxation	22,944.6		17,900.5
Share of provision for taxation of joint ventures	1.1		0.8
Proposed Dividend	4,047.3		4,047.4
Corporate Dividend Tax thereon	687.8		567.6
Reserve for unexpired risk	5,785.9		3,773.6
		34,277.2	26,944.3
<b>Total</b>		<b>64,452.9</b>	<b>47,299.8</b>

## Schedule 11 - Other Income

	Rs. In Million	Rs. In Million	Previous Year Rs. In Million
Workshop Receipts		—	4.9
Technical Know-how		—	4.6
Royalty		10.9	3.7
Dividends:			
Other		392.4	302.2
Interest			
On Government Securities	1,740.9		1,944.0
On Debentures and Bonds	830.7		712.7
On Loans	31.0		54.8
Other	639.3		441.7
	3,241.9		3,153.2
<b>Less</b> : Amortisation of premium/discount on acquisition of fixed income securities	311.4		334.5
<b>Less</b> : Share of amortisation of premium / discount on acquisition of fixed income securities of joint venture	(2.5)		2.1
		2,933.0	2,816.6
Income From Units of Mutual Funds		37.0	225.1
Rent		1.5	3.3
Insurance Claims		5.7	1.3
Export Incentives		1,016.8	831.9
Miscellaneous Receipts		874.2	606.5
Share of Miscellaneous receipts of joint ventures		0.2	0.7
Surplus on Sale of Assets		117.8	70.6
Share of Surplus on Sale of assets of joint ventures		0.6	—
Profit on Sale of Investments, net		2,403.0	1,170.8
Surplus on redemption of securities		—	91.3
Share of profit on sale / redemption of investments of joint ventures (net)		2.2	15.8
Bad Debts Recovered		11.4	2.4
Sundry Credit balances appropriated		2.3	27.3
Provisions for diminution in value of Investments written back, net		76.6	4.5
Provisions for Doubtful Debts and Advances written back	47.7		6.5
<b>Less</b> : Written back on account of amounts written off during the year, as per contra	4.7		1.1
		43.0	5.4
Provisions no longer required		272.3	346.6
Share of provision no longer required of joint ventures		0.5	0.3
<b>Total</b>		<b>8,201.4</b>	<b>6,535.8</b>

## Schedule 12 - Revenue Account for the year ended 31 March 2007

	Rs. In Million	Previous Year Rs. In Million
Premiums earned - (Net)	8,385.4	5,863.7
Profit / Loss on sale/redemption of Investments (Net)	90.7	38.2
Other Income - miscellaneous income	44.1	9.2
Provision no longer required written back	43.0	—
Amortisation of discount / (premium)	(75.9)	61.2
Exchange rate difference gain	—	—
Interest, Dividend & Rent-Gross	664.5	289.3
	<b>766.4</b>	<b>397.9</b>
	<b>9,151.8</b>	<b>6,261.6</b>
Claims incurred (Net)	5,556.4	4,099.9
Contribution to Solatium Fund	8.4	(69.9)
Commission	(786.4)	(622.2)
Change in Premium Deficiency	(10.0)	29.3
Operating Expenses related to Insurance Business	3,643.5	2,179.1
	<b>8,411.9</b>	<b>5,616.2</b>
Operating Profit / (Loss) from Insurance Business	739.9	645.4
Balance carried to Profit and Loss Account	739.9	645.4

### Schedule 13 - Materials

	Rs. In Million	Rs. In Million	Previous Year Rs. In Million
a) <b>Raw materials and components consumed</b>	66,516.6		51,313.8
Share of raw material and components consumed of joint ventures	1.1		44.6
		66,517.7	51,358.4
b) <b>Finished Goods purchases</b>			
Two Wheelers	—		0.3
Auto Spare-Parts	2,350.5		2,034.4
Steel and Engineering Products, for export	23.6		375.4
		2,374.1	2,410.1
c) <b>Excise duty on increase / (decrease) in stocks of finished goods, at Plant</b>	78.1		12.2
Share of Excise duty on increase / (decrease) in stocks of finished goods, at Plant of joint ventures	(1.8)		1.8
		76.3	14.0
d) <b>(Increase) / Decrease in Stocks</b>			
Stocks at close:			
Work in progress [including factory made components <b>Rs. 89.6 million</b> - (Previous Year Rs. 260.7 million)]	195.8		434.0
Share of work in progress of joint ventures	1.6		3.8
Finished Goods	1,123.2		879.2
Share of finished goods of joint ventures	—		11.2
Auto Spare Parts	381.4		396.2
	1,702.0		1,724.4
<b>Less: Stocks at commencement</b>			
Work in progress [including factory made components <b>Rs. 260.7 million</b> - (Previous Year Rs. 141.0 million)]	434.0		234.3
Share of work in progress of joint ventures	3.8		3.3
Finished Goods	879.2		759.8
Share of finished goods of joint ventures	11.2		0.8
Auto Spare Parts	396.2		225.2
	1,724.4		1,223.4
		22.4	(501.0)
<b>Total</b>		68,990.5	53,281.5

## Schedule 14 - Other Expenses

	Rs. In Million	Rs. In Million	Previous Year Rs. In Million
Stores and tools consumed		772.0	742.3
Share of stores & tools consumed of joint ventures		0.4	0.6
Power, fuel and water		793.5	590.9
Share of power, fuel and water of joint ventures		1.6	2.4
Repairs:			
Buildings and Roads	251.2		248.7
Share of building repairs of joint ventures	0.1		0.1
Machinery	644.1		498.8
Share of machinery repairs of joint ventures	0.2		0.3
Other	30.6		25.3
Share of other repairs of joint ventures	0.2		0.3
		926.4	773.5
Employees' Emoluments:			
Salaries, wages, bonus etc.	2,445.5		2,208.1
Share of salaries, wages, bonus etc. of joint ventures	25.0		19.7
Contribution to Provident and other funds and schemes	261.7		291.3
Share of contribution to funds and schemes of joint ventures	3.4		2.6
Welfare expenses	322.6		240.6
Share of welfare expenses of joint ventures	1.4		1.3
		3,059.6	2,763.6
Rent		50.0	31.9
Rates and taxes		13.4	18.8
Share of rates and taxes of joint ventures		0.1	0.1
Insurance		0.3	—
Share of insurance of joint ventures		0.2	0.2
Auditors' Remuneration		5.4	5.4
Share of auditors' remuneration of joint ventures		0.1	0.1
Directors' fees and travelling expenses		2.1	1.8
Share of directors' fees and travelling expenses of joint ventures		—	—
Managing Director's remuneration			
Salary	4.5		4.5
Commission	13.5		13.5
		18.0	18.0
Wholetime Directors' remuneration			
Salary	17.0		17.0
Commission	46.8		46.8
		63.8	63.8
Commission to Non Executive Directors		3.7	1.4
Miscellaneous expenses		1,271.3	951.5
Share of miscellaneous expenses of joint ventures		1.2	1.0
Carried over		6,983.1	5,967.3



## Schedule 14 - Other Expenses

			Previous Year
	Rs. In Million	Rs. In Million	Rs. In Million
<b>Brought over</b>		6,983.1	5,967.3
Sales tax / VAT expenses		419.5	261.8
Packing, forwarding etc.		1,391.8	882.3
Advertisement		1,272.7	1,069.8
Vehicle service charges and other expenses		1,016.5	1,051.7
Share of vehicle service charges and other expenses of joint ventures		0.2	0.7
Commission and Discount		103.9	68.6
Incentives & Sales Promotion		1,045.5	297.4
Royalty		101.2	296.2
Donations		52.2	60.1
Bad debts and other irrecoverable debit balances written off	5.3		1.5
<b>Less:</b> Provisions made in earlier years in respect of amounts written off during the year, adjusted as per contra	4.7		1.1
		0.6	0.4
Loss on assets sold, demolished, discarded and scrapped		22.5	66.8
Share of loss on assets sold etc. of joint ventures		0.1	—
Loss on redemption of securities		66.5	17.5
Provision for Doubtful Debts and Advances		2.9	6.3
Provision for Diminution in Value of Investments, net		—	61.2
Amount written off against Technical Know-how		3.9	36.2
Share of technical know-how fees of joint ventures		—	1.0
Amount written off against leasehold land		4.7	4.3
Preliminary expenses written off		—	5.4
<b>Total</b>		<b>12,487.8</b>	<b>10,155.0</b>

## Schedule 15 - Interest

			Previous Year
		Rs. In Million	Rs. In Million
<b>Interest:</b>			
Fixed Loans		0.2	0.7
Others		55.2	2.7
<b>Total</b>		<b>55.4</b>	<b>3.4</b>

## Schedule 16 - Notes forming part of the Accounts

- 1 a) 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. & Subsidiaries	Consolidated as
Bajaj Auto Holdings Limited	India	100%	Subsidiary
Maharashtra Scooters Limited	India	24%	Joint Venture
Bajaj Allianz General Insurance Company Limited	India	74%	Subsidiary
Bajaj Allianz Life Insurance Company Limited	India	74%	Subsidiary
PT. Bajaj Auto Indonesia	Indonesia	95%	Subsidiary
Bajaj Auto Finance Limited	India	44.42%	Associate


- The Financial Statements of PT. Bajaj Auto Indonesia are for the period 03rd July 2006 (date of incorporation) to 31st March 2007.
  - The Consolidated Financial Statements exclude Bajaj Allianz Financial Distributors Ltd, an Indian Company which is a joint venture between Bajaj Auto Ltd. and Allianz SE, Germany as the first financial year of the company will be from the date of incorporation of the company i.e. 16th March 2007 till 31st March 2008 and hence to be consolidated in subsequent financial year.
- b) Considering that the accounts of the two Insurance companies have been prepared in accordance with and in the manner prescribed by the regulations of the Insurance Regulatory & Development Authority and the lack of homogeneity of the business, the financial statements of the insurance companies have been consolidated, to the extent possible in the format as adopted by the parent, as required by Accounting Standard AS-21 "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.
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. No adjustments have been made to the financial statements of the two insurance subsidiaries on account of diverse accounting policies as the same, being insurance companies, have been prepared under a regulated environment in contrast to those of Bajaj Auto Ltd. and hence not practicable to do so. Also 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. **Significant Accounting Policies followed by Subsidiaries, Joint Ventures and Associates, to the extent, different and unique from the parent.** (The accounting policies of the parent are best viewed in its independent financial statements, Note no 8 of schedule 14).

### A) Bajaj Allianz Life Insurance Company Limited

#### Significant Accounting Policies followed by the Company

##### Basis of Preparation

The accompanying financial statements have been prepared and presented under the historical cost convention, on the accrual basis of accounting, in compliance with the accounting standards ('AS') issued by the Institute of Chartered



## Schedule 16 - Notes forming part of the Accounts (Contd.)

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### Note No. 4. (Contd.)

#### Bajaj Allianz Life Insurance Company Limited (Contd.)

Accountants of India ('ICAI'), to the extent applicable, and in accordance with the provisions of the Insurance Act, 1938, the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002 ('the Regulations'), Insurance Regulatory and Development Authority Act, 1999, various circulars issued by IRDA and the Companies Act, 1956 to the extent applicable and the practices prevailing in the insurance industry. The accounting policies have been consistently applied by the company and are consistent with those used in the previous year.

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent liabilities as on the date of financial statements. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

#### a) Revenue Recognition

Revenues are recognised as under. However recognition is postponed where ultimate collectibility lacks reasonable certainty.

##### Premium Income

Premium (net of service tax), is recognised as income when due. For linked business, premium is recognised when the associated units are allotted.

Premium on lapsed policies is recognised as income when such policies are reinstated.

In case of linked business, top up premiums paid by policyholders are entirely unitized and considered as single premium. This premium is recognised when associated units are allotted.

Commission received on reinsurance ceded is recognised as income in the period in which reinsurance premium is ceded.

##### Income earned on investments

Interest income is recognised on an accrual basis.

Dividend income is recognised when the right to receive dividend is established.

Premium or discount on acquisition, as the case may be, in respect of fixed income securities, pertaining to non-linked investments is amortised on constant yield to maturity basis over the period of maturity / holding and offset against interest income.

Profit / loss on sale / redemption of securities other than linked investments is recognised on trade / redemption date and includes effects of accumulated fair value changes, as applicable previously recognised, for specific investments sold / redeemed during the year. Cost of security is determined on first in first out cost basis.

## Schedule 16 - Notes forming part of the Accounts (Contd.)

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### Note No. 4. (Contd.)

#### Bajaj Allianz Life Insurance Company Limited (Contd.)

The realised gains or losses on the debt securities for other than linked business is the difference between the net sale consideration and the amortised cost in the books of the Company as on date of sale.

The realised gains or loss on equity shares and mutual fund units for other than linked business is the difference between the net sale consideration and the cost in the books of the Company.

The realised gains or losses on securities held for linked business is the difference between the net sale consideration and the weighted average cost as on the date of sale.

Fund Management Charges, Fund Administration Charges and Cost of Insurance are accounted for on accrual basis in accordance with terms and conditions described in the issued policies.

#### b) Reinsurance premium

Reinsurance premium ceded is accounted in accordance with the treaty with reinsurers.

#### c) Benefits Paid (Including Claims)

Death and surrender claims are accounted for on receipt of intimation. Maturity claims are accounted when due for payment. Reinsurance recoveries are accounted for in the same period as the related claims and netted off against the claim expense incurred.

Repudiated claims disputed before judicial authorities are provided for based on the best judgment of the management considering the facts and evidence in respect of each such claim.

Withdrawals under unit linked policies are accounted in respective schemes when the associated units are cancelled.

#### d) Acquisition Costs

Acquisition costs such as commission, policy issue expenses etc. are costs that vary with and are primarily relatable to the acquisition of new and renewal insurance contracts. Such costs are expensed in the year in which they are incurred. Accounting for additional first year commission is done on an accrual basis, after considering estimated lapsations. Claw back of the first year commission paid, in future, if any, will be accounted for in the year in which it is recovered.

#### e) Liability for life policies

- i) The Company provides for liabilities in respect of all "in force" policies and lapsed policies that are likely to be revived in future, based on actuarial valuation done by the Appointed Actuary as per gross premium method in accordance with accepted actuarial practices, requirements of IRDA and Actuarial Society of India.
- ii) Liabilities in respect of unit linked policies which have lapsed and are not likely to be revived, are shown as a separate item under the head "funds for future appropriations", until expiry of the revival period. This is as per IRDA Circular No. 041/IRDA/ACTL/MAR-2006 dated 29 March 2006.

## Schedule 16 - Notes forming part of the Accounts (Contd.)

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### Note No. 4. (Contd.)

#### Bajaj Allianz Life Insurance Company Limited (Contd.)

- (iii) Linked liabilities comprise of unit liability representing the fund value of policies and non-unit liability for meeting insurance claims etc which is based on actuarial valuation done by the Appointed Actuary.

Actuarial policies and assumptions are given in Note 5. A) 1. below.

#### f) Investments

Investments are made in accordance with the Insurance Act, 1938, the Insurance Regulatory and Development Authority (Investment) Regulations, 2000, as amended and circulars / notifications issued by IRDA from time to time.

Investments are recorded on trade date at cost, which includes brokerage and related taxes, if any and excludes pre-acquisition interest, if any.

#### i) Classification

Investments maturing within twelve months from the Balance Sheet date and investments made with the specific intention to dispose off within twelve months from Balance Sheet date are classified as short-term. Investments other than short term are classified as long-term investments.

Investments are specifically procured and held for policyholders and shareholders independently. The income relating to these investments is recognised in the respective policyholders / shareholders account.

#### ii) Valuation – Shareholders' investments and non-linked policyholders' investments

All debt securities are considered as 'held to maturity' and accordingly stated at historical cost adjusted for amortization of premium or accretion of discount on constant yield to maturity basis over the period held to maturity / sale.

Listed equity shares and mutual fund units are stated at fair value, in accordance with IRDA Investment (Amendment) Regulations 2001. Fair value for listed equity shares is the lowest last quoted closing price on the National Stock Exchange (NSE) and The Stock Exchange, Mumbai (BSE). Fair value for mutual fund units is the net asset value on the Balance Sheet date. Unrealised gains/losses on changes in fair values of listed equity shares and mutual funds are taken to the Fair Value Change Account and carried forward in the Balance Sheet.

Investment in real estate properties is valued at cost.

#### iii) Valuation – linked business

Listed equity shares are valued at fair value, being the last quoted closing price on the NSE. In case the equity shares are not listed on the NSE, then they are valued on the last quoted closing price on BSE.

Government securities are valued at prices obtained from Credit Rating Information Services of India Ltd. (CRISIL).

Corporate bonds and debentures are valued on the basis of CRISIL Bond Valuer.

## Schedule 16 - Notes forming part of the Accounts (Contd.)

### Note No. 4. (Contd.)

#### Bajaj Allianz Life Insurance Company Limited (Contd.)

Treasury bills, certificate of deposits and commercial papers are valued at cost plus accretion at constant yield to maturity.

Mutual fund units have been valued at the last available Net Asset Value declared by the respective mutual fund.

#### iv) Transfer of investments

Transfer of investments from Shareholders' Fund to the Policyholders' Fund is at cost or market price; whichever is lower, except for Policyholders' Fund where fund size does not exceed Rs. 500 million. Such transfers are carried at market price.

Transfer of debt securities is at lower of amortised cost or market price.

Inter fund transfer of investments between unit linked funds is done at market prices.

#### g) Loans

Loans are stated at historical cost, subject to provision for impairment, if any.

#### h) Fixed Assets and Depreciation

Fixed assets are stated at cost of acquisition less accumulated depreciation. Cost of acquisition includes incidental expenses relating to acquisition and installation. In respect of liabilities incurred in acquisition of fixed assets in foreign exchange, the net gain or loss arising on conversion/settlement is adjusted in the carrying value of the respective asset.


Intangible assets comprising software are stated at cost less amortisation.

Depreciation / amortisation is provided on Straight Line Method (SLM) with reference to the management's assessment of the estimated useful life of the assets or the rates and in the manner specified by the Schedule XIV of the Companies Act, 1956, whichever is higher.

Depreciation / amortisation is provided at the following rates:

Asset Class	Rate of Depreciation / amortisation
Intangibles - Computer Software	33.33% p.a.
Leasehold Improvements	Over the balance period of Lease
Buildings	2.00% p.a.
Electrical Fittings	6.33% p.a.
Furniture & Fittings	6.33% p.a.
Information Technology Equipment	33.33% p.a.
Air Conditioner	10.00% p.a.
Vehicles	20.00% p.a.
Office Equipment	25.00% p.a.





## Schedule 16 - Notes forming part of the Accounts (Contd.)

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### Note No. 4. (Contd.)

#### Bajaj Allianz Life Insurance Company Limited (Contd.)

The Company provides pro rata depreciation from the month in which the asset is acquired / first put to use and upto the month in which the asset is sold / discarded.

Assets costing individually less than Rs. 5,000 are charged off as revenue expenses. Assets costing Rs. 5,000 and above, upto Rs. 20,000, are fully depreciated in the year of acquisition.

#### Impairment of Assets

The Company assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. An Impairment loss is recognised if such recoverable amount of the asset is less than its carrying amount. After impairment, depreciation is provided on the revised carrying amount of the assets over its remaining useful life.

#### i) Interim Bonus

Bonus paid on settlement of death claims are considered as interim bonus by the Management.

#### j) Provisions and Contingent liabilities

The Company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

#### k) Service Tax

Service Tax liability on taxable premium is setoff against available service tax credits from service tax payments made for Insurance Auxiliary and other eligible services. Unutilised credits, if any, are carried forward under "Advances and other Assets" for adjustments / setoff in subsequent periods, after creating a provision based on estimated realisation of the unutilised credit.

### B) Bajaj Allianz General Insurance Company Limited

#### a) Basis of preparation of financial statements

The financial statements are prepared and presented in accordance with the Generally Accepted Accounting Practices followed in India under the historical cost convention and accrual basis of accounting and in accordance with the statutory requirements of the Insurance Act, 1938, the Insurance Regulatory and Development Authority (IRDA) (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002 ('The Regulations'), and orders and directions issued by the IRDA in this behalf, the Companies Act, 1956 ('The Act') to the extent applicable and comply with the accounting standards issued by the Institute of Chartered Accountants of India ('ICAI') (to the extent applicable) and current practices prevailing in the Insurance industry.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue

## Schedule 16 - Notes forming part of the Accounts (Contd.)

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### Note No. 4. (Contd.)

#### Bajaj Allianz General Insurance Company Limited (Contd.)

and expenses and disclosure of contingent liabilities. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from the estimates and assumptions used in preparing the accompanying financial statements. Any revisions to accounting estimates are recognised prospectively in current and future periods.

#### b) Change in accounting policies

##### Change in method of provision for unexpired risk reserve on terrorism pool

The provision for Unexpired Risks Reserve on premium which is accepted, on a reinsurance basis, from the terrorism pool, (refer note 1.18) was hitherto calculated at the rate of 100% per cent of the net premiums received without reversing the provision created in the preceding years. The Company has changed its method of computing such reserve, with effect from 01 April 2006, whereby such percentage is applied on the premiums, net of reinsurances, of the preceding twelve months.

Had the Company continued to use the earlier basis of providing unexpired risks reserve on premium, the charge to the Profit and Loss Account after taxation for the current period would have been higher by Rs. 64.1 million and the net unexpired risk reserve on premium would have been higher by Rs. 64.1 million.

##### Change in method of provision for unexpired risk reserve for miscellaneous excluding motor business segment

The limits specified in Section 64 V (1) (ii) (b) in respect of the unexpired risk reserve for Miscellaneous segment was hitherto calculated by applying the specified percentage by each reported sub-segment of business within the Miscellaneous segment. For the financial year ended 31st March 2007, the minimum limits for the provision for unexpired risks reserve have been applied on the premiums, net of reinsurances, for the miscellaneous excluding motor business segment on an overall basis.

Had the Company continued to use the earlier basis of providing unexpired risks reserve for the miscellaneous excluding motor business segment, the charge to the Profit and Loss Account after taxation for the current period would have been higher by Rs. 38.4 million and the net unexpired risk reserve on for the miscellaneous excluding motor business segment would correspondingly have been higher by Rs. 38.4 million.


#### c) Revenue recognition

##### Premium

Premium (net of service tax), including reinstatement premium, on direct business and reinsurance accepted, is recognised as income over the contract period or the period of risk whichever is appropriate on a gross basis. Any subsequent revisions to or cancellations of premiums are recognised for in the year in which they occur.

##### Interest / dividend income

Interest income is recognized on accrual basis and dividend is recognised when the right to receive the dividend is established.



## Schedule 16 - Notes forming part of the Accounts (Contd.)

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### Note No. 4. (Contd.)

#### Bajaj Allianz General Insurance Company Limited (Contd.)

##### Premium / discount on purchase of investments

Premium or discount on acquisition, as the case may be, in respect of fixed income securities, is amortised/ accreted on constant yield to maturity basis over the period of maturity/holding and offset against interest income.

##### Profit / loss on sale of securities

Profit or loss on sale/redemption of securities is recognised on trade date basis and includes effects of accumulated fair value changes, previously recognised and credited to Fair Value Reserve, for specific investments sold/redeemed during the year.

##### Commission on Reinsurance Ceded

Commission received on reinsurance ceded is recognised as income in the period in which reinsurance premium is ceded.

Profit commission under re-insurance treaties, wherever applicable, is recognised in the year of final determination of the profits and as intimated by reinsurer.

#### d) Reinsurance ceded

Reinsurance cost, in respect of proportional reinsurance, is accrued at policy inception. Non-proportional reinsurance cost is recognised when incurred and due. Any subsequent revision to, refunds or cancellations of premiums are recognised in the year in which they occur.

#### e) Acquisition costs

Acquisition costs, defined as costs that vary with, and are primarily related to, the acquisition of new and renewal insurance contracts viz., commission, policy issue expenses etc., are expensed in the year in which they are incurred.

#### f) Premium received in advance

Premium received in advance represents premium received in respect of policies issued during the year, where the risk commences subsequent to the Balance Sheet date.

#### g) Reserve for unexpired risk

Represents that part of the net premium (i.e., premium, net of reinsurance ceded) which is attributable to, and set aside for subsequent risks to be borne by the Company under contractual obligations on contract period basis or risk period basis, whichever is appropriate, subject to a minimum of 100% in case of Marine Hull business and 50% in case of other businesses based on net premium written during the year as required by Section 64 V(1)(ii)(b) of the Insurance Act, 1938. (Also refer n)).

## Schedule 16 - Notes forming part of the Accounts (Contd.)

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### Note No. 4. (Contd.)

#### Bajaj Allianz General Insurance Company Limited (Contd.)

##### h) Premium Deficiency

Premium deficiency is recognised if the ultimate amount of expected net claim costs, related expenses and maintenance costs exceeds the sum of related premium carried forward to the subsequent accounting period as the reserve for unexpired risk. Premium deficiency is calculated by line of business. The Company considers maintenance costs as relevant costs incurred for ensuring claim handling operations.

##### i) Claims incurred

Claims are recognized as and when reported. Claims paid (net of recoveries including salvage retained by the insured) are charged to the respective revenue account when approved for payment. Where salvage is retained by the Company, the recoveries from sale of salvage are recognised at the time of sale. Provision is made for estimated value of outstanding claims at the balance sheet date net of reinsurance, salvage and other recoveries. Such provision is made on the basis of the ultimate amounts that are likely to be paid on each claim, established by the management in light of past experience and modified for changes, as appropriate. Amounts received/receivable from the re-insurers, under the terms of the reinsurance arrangement, are recognised together with the recognition of the claim.

Amounts received / receivable from the coinsurers, under the terms of the coinsurance arrangements, are also recognised together with the recognition of the claim.

##### j) IBNR and IBNER (Claims Incurred but not reported and claims incurred but not enough reported):

IBNR represents that amount of claims that may have been incurred prior to the end of the current accounting period but have not been reported or claimed. The IBNR provision also includes provision, if any, required for claims incurred but not enough reported (IBNER). The said liability has been determined on actuarial principles and confirmed by the Appointed Actuary. The methodology and assumptions on the basis of which the liability has been determined has also been certified by the Actuary to be appropriate, in accordance with guidelines and norms issued by the Actuarial Society of India in concurrence with the IRDA and accordingly liability determined and certified as adequate by the Actuary.

##### k) Income from investments and other income

Income earned from investments and deposits and other incomes is allocated to the revenue accounts and the profit and loss account on the basis of funds available from insurance operations and shareholders funds and are further allocated to the lines of business in proportion of their respective Gross Written Premium.

##### l) Fixed assets and depreciation / amortisation

Fixed assets are stated at cost (including incidental expenses relating to acquisition and installation) less accumulated depreciation. Assets costing up to Rs. 20,000 are depreciated fully in the year of acquisition.

## Schedule 16 - Notes forming part of the Accounts (Contd.)

### Note No. 4. (Contd.)

#### Bajaj Allianz General Insurance Company Limited (Contd.)

Depreciation is provided on Straight Line Method (SLM) with reference to the management's assessment of the estimated useful life of the assets or the rates and in the manner specified by the Schedule XIV of The Companies Act, 1956 whichever is higher, as follows :-

Asset Class	Rate of Depreciation/amortisation
Information technology equipment	33.33%
Computer software (Intangibles)	33.33%
Vehicles	20.00%
Office equipment	25.00%
Furniture & fixtures	6.33%
Building	2.00%
Air conditioner (part of office equipments)	10.00%
Electrical fittings (part of office equipments)	33.33%
Leasehold improvements	Over the balance period of lease

The Company provides pro rata depreciation from/to the month in which the asset is acquired or put to use / disposed, as appropriate.

#### Impairment of assets

The carrying amounts of asset are reviewed by the Company at each balance sheet date. If there is any indication of impairment based on internal/external factors, an impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is greater of the assets net selling price and value in use .In assessing value in use the estimated future cash flows are discounted to their present value at a rate that reflects current market assessments of the time value of money and the risks specific to the asset, as determined by the management. After impairment depreciation is provided on the revised carrying amount of the assets over its remaining useful life.

#### m) Investments

Investments are recorded on trade date at cost. Cost includes brokerage, transfer charges, transaction taxes as applicable, etc. and excludes pre-acquisition interest, if any.

#### Classification:

Investments maturing within twelve months from balance sheet date and investments made with the specific intention to dispose off within twelve months from balance sheet date are classified as short-term investments. Investments other than short term investments are classified as long-term investments.

#### Valuation:

#### Debt Securities

All debt securities are considered as 'held to maturity' and accordingly stated at historical cost adjusted for amortisation of premium or accretion of discount on constant yield to maturity basis in the revenue accounts and profit & loss account over the period held to maturity / holding.

## Schedule 16 - Notes forming part of the Accounts (Contd.)

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### Note No. 4. (Contd.)

#### Bajaj Allianz General Insurance Company Limited (Contd.)

The realised gain or loss on the securities is the difference between the sale consideration and the amortised cost in the books of the Company as on the date of sale determined on first in first out cost basis.

#### Equities (Listed & Actively Traded):

Listed and actively traded securities are stated at the lower of the last quoted closing prices on The National Stock Exchange of India Limited or The Bombay Stock Exchange Limited. Unrealised gains or losses are credited / debited to the fair value change account.

The realised gain or loss on the listed & actively traded equities is the difference between the sale consideration and the cost as on the date of sale, determined on a first in first out basis and includes the accumulated changes in the fair value previously taken to the fair value change account, in respect of the particular security; such gain or loss is transferred to revenue on the trade date

#### Mutual Fund Units

Mutual fund units are stated at their Net Asset Value (NAV) at the balance sheet date. Unrealised gains or losses are credited / debited to the fair value change account.

The realised gain or loss on the mutual fund units is the difference between the sale consideration and the cost as on the date of sale, determined on a first in first out basis and includes the accumulated changes in the fair value previously taken to the fair value change account, in respect of the particular security; such gain or loss is transferred to revenue on the trade date

#### Fair Value Change Account

Fair value change account represents unrealised gains or losses in respect of investments in equity securities, derivative instruments and mutual fund units outstanding at the close of the year. The balance in the account is considered as a component of shareholders' funds and not available for distribution as dividend.

#### Real Estate – Investment Property

Investment Property is measured at historical cost less accumulated depreciation and impairment loss if any.

#### n) Contributions to Terrorism Pool

In accordance with the requirements of IRDA, the Company, together with other insurance companies, participates in the Terrorism Pool. This pool is managed by the General Insurance Corporation of India ('GIC'). Amounts collected as terrorism premium in accordance with the requirements of the Tariff Advisory Committee ('TAC') are ceded at 100% of the terrorism premium collected to the Terrorism Pool, subject to conditions and an overall limit of Rs. 2 billion per risk.

In accordance with the terms of the agreement, GIC retro cedes, to the Company, terrorism premium to the extent of the share agreed to be borne by the Company in the risk, which is recorded as reinsurance accepted. Such reinsurance accepted is recorded based on quarterly confirmation received from GIC. Accordingly, reinsurance accepted on account of the Terrorism Pool has been recorded only upto September 30, 2006. The entire amount of reinsurance accepted for the current year on this account, net of claims and expenses, upto the above date, has been carried forward to the subsequent accounting period as 'Unexpired Risk Reserve' for subsequent risks, if any, to be borne by the Company.



## Schedule 16 - Notes forming part of the Accounts (Contd.)

### Note No. 4. (Contd.)

#### Bajaj Allianz General Insurance Company Limited (Contd.)

##### o) Contributions to Funds

The Company provides for contribution to Solatium and Environment Relief funds as per the requirement of regulations / circulars.

##### p) Service Tax

Service tax collected is considered as a liability against which service tax paid for eligible services is adjusted and the net liability is remitted to the appropriate authority as stipulated. Unutilized credits, if any, are carried forward under "Advances and other Assets" for adjustments in subsequent periods.

##### q) Provisions and Contingent liabilities

A provision is recognised when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates

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

### C) Bajaj Auto Finance Limited

#### Significant accounting policies followed by the Company

##### Depreciation on assets relating to Leasing Business:

Depreciation on Assets relating to Leasing Business is being provided at the rates worked 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.

Assets	Rates on Straight Line Method	
	Over the Primary Period of lease %	As specified in Schedule XIV %
Plant and Machinery:		
Electrostatic precipitation system	10.00	5.28
Boiler	14.29	5.28
Furnace	16.67	5.28
Computers		
Primary Period 3 Years	33.33	16.21
Primary Period 5 Years	20.00	16.21
Primary Period 6 Years	16.67	16.21
Primary Period 7 Years	14.29	16.21
Others	20.00	4.75

## Schedule 16 - Notes forming part of the Accounts (Contd.)

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5. Notes pertaining to Subsidiaries, joint ventures and associates, to the extent required to fairly present the needed disclosures. The figures disclosed in this note are at full value and not the proportionate share of the parent company.

A) Bajaj Allianz Life Insurance Company Limited

1) Actuarial Valuation

Liabilities for life policies are determined by the Appointed Actuary in accordance with IRDA regulations and relevant guidance notes of the Actuarial Society of India.

Non-linked business is reserved using a prospective gross premium method of valuation. The non-linked business is predominantly participating and reserves are established having regard to assumptions as to future experience, including the interest that will be earned on premiums not yet received, together with associated bonus rates. Regular premium participating business is reserved using an interest rate of 7.50% per annum which compares with a rate of 7.25% per annum used at 31 March 2006.

Single premium participating business is reserved using a rate of 6.25% per annum, which is same as used at 31 March 2006. The rate is determined after having regard to the yield being obtained on relevant matching assets.

Assumptions as to future bonus rates are set to be consistent with the interest rate assumptions. Provision has been made for a bonus distribution in respect of business in force at the valuation date on a basis considered appropriate by the Appointed Actuary having taken into account the reasonable expectations of policyholders.

Linked business is reserved using the per unit net asset value of units plus a non-unit reserve to allow for costs of insurance and any expenses and commissions in excess of future charges.

Mortality assumptions are based on the published LIC (1994-1996) Ultimate Mortality Table with adjustment to reflect expected experience and with an allowance for adverse deviation.

Assumptions for morbidity and for the incidence of accidental death are based on terms available from reinsurers and the standard morbidity rate table CIBT (94-96).

The reserve is sufficient to allow for any adverse lapse experience. The reserve is always sufficient to meet minimum statutory surrender values.

Commission has been allowed for at the Company's table rates with an allowance for service tax. Maintenance expenses have been allowed for in accordance with business plan assumptions and product filings with the IRDA. An additional reserve has been included to allow for possible adverse deviations in experience in excess of offsetting adjustments in bonus rates and to allow for the contingency of closure to new business as is required by guidance notes (GN1) issued by the Actuarial Society of India.

There is a small amount of Group Term business at the valuation date, reserves for which have been calculated having regard to the unearned gross premium and expenses already incurred.

Provision has been made for the possible revival of policies which have lapsed before the valuation date, having regard to the experience of the Company. As per IRDA Circular No. 041/IRDA/ACTL/MAR-2006 dated 29 March 2006, a reserve for lapsed unit linked policies not likely to be revived is held as a separate item under the head "Funds for future appropriations".

## Schedule 16 - Notes forming part of the Accounts (Contd.)

### Note No. 5. (Contd.)

#### Bajaj Allianz Life Insurance Company Limited (Contd.)

The Appointed Actuary is satisfied that the nature and extent of reinsurance arrangements require no additional reserve to be set aside. All reserves have been calculated using gross exposure and gross office premiums.

The Appointed Actuary confirms, as is required by the IRDA, that the reserve is sufficient to provide for adverse 'free look' experience based on assumptions and experience.

- 2) Expenses directly attributable to shareholders are charged to the Shareholders' Account.
- 3) During the year the shareholders transferred funds to Policyholders' Account, to make good the deficit, which existed in the Policyholders' Account. The transfer by the shareholders is irreversible in nature and shall not be recouped by the shareholders in the future. The necessary approvals of the shareholders for the said transfer has been taken at the Extra Ordinary General Meeting of the shareholders held on 11th May 2007.
- 4) Reinsurance is in place on lives where cover is in excess of the Company's retention limit and this has been reflected in the Accounts.

#### B) Bajaj Allianz General Insurance Company Limited

- 1) The appointed actuary has certified to the Company that actuarial estimates for IBNR (including IBNER) are in compliance with the guidelines prescribed by the Actuarial Society of India and in conformity with the IRDA regulations.

Where sufficient data is available, the actuary has chosen to adopt the chain ladder method. The chain ladder method has accordingly been applied to motor, fire, marine, engineering, personal accident and health. These constitute over 93 % (Previous year - 90 %) of the Company's total business. For other lines such as aviation, workman compensation, liability and miscellaneous others, the expected ultimate loss ratio method has been used to arrive at the estimate of IBNR.

Net IBNR reserves have been arrived at on the basis of respective retention ratios thereby making allowances for reinsurance recoveries by the Company.

#### C) Maharashtra Scooters Limited

- 1) Pursuant to amicable settlement reached with workmen on 24th March 2007, a productivity-linked settlement was signed on 14th April 2007. Under this settlement, Rs.19.5 million is payable to the workmen for the period 1st October 2003 to 31st March 2007. This amount includes Rs.13.9 million pertaining to the period 1st October 2003 to 31st March 2006. The Employees' Emoluments as shown in schedule 14 includes this amount.
- 2) During the year, the Company has opted for prepayment of sales tax deferral liability at Net Present Value as per State Government Notification. Accordingly, Rs.42.6 million has been paid against outstanding liability of Rs.89.6 million. The excess of Rs.47 million being capital receipt is credited to General Reserve.
- 3) Deferred Tax Liability represents Income Tax liability recognised in the earlier years on account of timing difference in depreciation and Deferred Tax Assets represents the carry forward business loss, disallowance and Inventory Valuation under the Income-Tax Act, 1961, on the basis of Company's ability to absorb the same against future business income and fulfilling the criteria under the Income-Tax Act, 1961. On account of uncertainty in utilising the carried forward business loss, as a prudent measure the Company has written down the net deferred tax assets amounting to Rs.44.7 million recognised and provided in the books in the earlier years. Such write down has been adjusted against the profits before making any appropriations.

## Schedule 16 - Notes forming part of the Accounts (Contd.)

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### Note No. 5. (Contd.)

#### D) Bajaj Auto Finance Limited

- 1) The company had received a show cause notices in the previous accounting year ended 31 March 2006 towards recovery of service tax on the income from Hire purchase financing business for period from 16th July 2001 to 31st March 2005 amounting to Rs. 260.6 million. During the current year, the company has received an assessment order from Central Excise-Service Tax Cell, confirming the demand of Service Tax on the income from Hire Purchase Financing business of the Company for the period from 16th July 2001 to 31st March 2005 amounting to Rs. 260.6 million and imposing a penalty of Rs. 260.6 million and therefore total sum of Rs. 521.2 million has been shown as contingent liability.

The company has also received a show cause notice on the same matter for the period 1st April 2005 to 31st March 2006 amounting to Rs. 164.8 million. The company has filed an application for grant of stay and waiver of pre deposit of the aforementioned service tax and penalty with the CESTAT, West Zonal Bench, Mumbai. The stay application was heard on 2nd November 2006 and the Hon'able Tribunal Bench was pleased to completely waive the pre deposit unconditionally, as per operative portion of the Stay Order pronounced in the open court.

- 2) The company had during the financial year 2005-2006 revised the basis of determination of taxable income arising from financial lease transactions, with retrospective effect. As a result, the provision for tax (including deferred tax) for the financial year ended 31st March 2006 has been enhanced by Rs.164.9 million and for the past two years by Rs. 166.1 million respectively.
- 3) The company had issued 3,006,540 warrants, to promoters, convertible into one fully paid equity share of the face value of Rs. 10/- each on payment of an aggregate price of Rs. 410/- per share as per the terms and conditions mentioned in the offer letter. The company had received 10% of the issue price in terms of the SEBI guidelines in the previous year. During the current year, 1,758,600 warrants were exercised and converted into fully paid equity shares realising an aggregate sum of Rs. 648.9 million. Of this, a sum of Rs. 400 million has been kept aside for future use in Fixed Deposits with banks and the balance sum of Rs. 248.9 million has been utilized for general corporate purposes and augmenting long term resources.

The balance 1,247,940 warrants for which 10% of the issue price has been received have been shown as preferential warrant application money.

During the current year the company made a simultaneous but unlinked issue of 12,596,076 equity shares of Rs. 10 each at a premium of Rs. 315/- per equity share aggregating to Rs. 4,093.7 million to the shareholders on rights basis in the ratio of 6 equity shares for every 10 equity shares held on the record date i.e November 20, 2006 and 5,248,365 non convertible debentures (NCD's) of Rs. 500 each aggregating to Rs. 2,624.2 million with detachable warrants in the ratio of 1 NCD with detachable warrant for every 4 equity shares held on the record date. For allotment of every NCD being offered, one detachable warrant would be issued. This warrant can be freely and separately traded. The warrant holder will be entitled to exercise his right to apply for one equity share of Rs. 10 each at the warrant exercise price of Rs. 500/-. Warrant exercise period shall be for the period commencing after 12 months from the date of allotment upto the end of 35 months from the date of allotment.

## Schedule 16 - Notes forming part of the Accounts (Contd.)

### Note No. 5. (Contd.)

#### Bajaj Auto Finance Limited (Contd.)

The utilisation of the issue proceeds net of calls in arrears as against the stated objectives in the prospectus is tabulated as under:-

Particulars	As stated in the prospectus (Rs. In Million)	As actually used (Rs. In Million)
Strengthen capital base, augment long term resources to leverage growing business and prepay certain short term working capital loans	6,182.9	3,356.4
Invest in information technology systems, office infrastructure and for other general corporate purposes	500.0	8.1
Estimated issue expenses	35.0	35.1
Kept aside in bank fixed deposits for future use	—	3,300.0
<b>Total</b>	<b>6,717.9</b>	<b>6,699.6</b>

#### 6. Consolidated Contingent Liability:

Particulars	As at 31st March 2007 (Rs. In Million)	As at 31st March 2006 (Rs. In Million)
i) Sales Bills Discounted	53.6	18.0
ii) Claims against the Company not acknowledged as debts (Including Rs. 0.2 million (previous year Rs. 0.2 million being share of Joint Ventures and Associates)	2,427.4	2,379.8
iii) Guarantees given by the Company to HDFC - for loans to Employees (Including Rs. Nil (previous year Rs. Nil) being share of Joint Ventures)	15.7	21.9
iv) Taxes, duties and other sums due (Including Rs. 15.1 million (previous year Rs. 19.8 million) being share of Joint Ventures)	3,969.1	3,204.7
v) Claims made by temporary workmen	Liability unascertained	Liability unascertained
vi) Claims, under policies, not acknowledged as debts	30.0	5.6
vii) Uncalled liability on Partly Paid Investments	21.6	24.6

## Schedule 16 - Notes forming part of the Accounts (Contd.)

7.	Particulars	As at 31st March 2007 (Rs. In Million)	As at 31st March 2006 (Rs. In Million)
	Capital Commitments to the extent not provided for, net of advances (including Rs. 9.3 million - previous year Rs. 1.4 million - being share of Joint ventures and Associates)	2,035.3	991.6

### 8. Deferred Taxes:

Particulars	As at 31st March 2007 (Rs. In Million)	As at 31st March 2006 (Rs. In Million)
Liabilities (including Rs. Nil (previous year Rs 7.1 million) being share of Joint ventures)	1,844.9	1,909.2
Assets (including Rs. Nil (previous year Rs. 17.8 million) being share of Joint ventures)	1,241.8	1,097.7
<b>Net</b>	<b>603.1</b>	<b>811.5</b>

9. Due to the different methods of computing cash flows adopted by two of the subsidiaries carrying on the business of Insurance, which is mandated by the Insurance Regulatory & Development Authority, consolidated cash flows for the year could be better viewed when summarised as follows:

Particulars	For 2006-07	For 2005-06
From Operating Activities	43,216.7	30,881.2
From Investment Activities	(42,026.1)	(31,351.9)
From Financing Activities	623.9	2,515.4
Net Change	1,814.5	2,044.7
Cash & Cash Flow Equivalents at the beginning of the year	4,008.3	1,963.5
Cash & Cash Flow Equivalents at the end of the year **	5,822.8	4,008.3

Cash & Cash Flow Equivalents at the end of the year **		
Cash & Bank balance as per Schedule 9	7,554.5	4,764.8
Less: Fixed Deposits having maturity more than 3 months	1,187.9	342.4
Less: Temporary overdraft as per Schedule 10	543.8	414.1
	5,822.8	4,008.3



## Schedule 16 - Notes forming part of the Accounts (Contd.)

10. Consequent to right issue and allotment of Equity Share Capital by Bajaj Auto Finance Limited (an associate) in February 2007 and conversion of warrants into equity shares in March 2007, Bajaj Auto Limited's holding stood increased thereafter. Consequently the share of profits of associates are proportionate to holdings during the year. Impact of such increases in holding has been given effect to in the consolidated general reserves, goodwill and investments.
11. 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 on the basis of representations made by key managerial personnel and information available with the respective companies.
12. 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.

### Signature to Schedules "1" to "16"

As per our attached report of even date		Rahul Bajaj	Chairman
For and on behalf of Dalal and Shah		Madhur Bajaj	Vice Chairman
Chartered Accountants		Rajiv Bajaj	Managing Director
		Sanjiv Bajaj	Executive Director
Anish Amin		D.S. Mehta	Suman Kirloskar
Partner	J. Sridhar	Kantikumar R. Podar	Naresh Chandra
Membership No. 40451	Company Secretary	Shekhar Bajaj	Nanoo Pamnani
		D. J. Balaji Rao	Manish Kejriwal
		J. N. Godrej	P. Murari
Mumbai:17 May 2007		S.H. Khan	Niraj Bajaj

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

Name of related party and Nature of relationship	Nature of transaction	2006-07		2005-06	
		Transaction Value	Outstanding amounts carried in the Balance Sheet	Transaction Value	Outstanding amounts carried in the Balance Sheet
		(Rs. In Million)	(Rs. In Million)	(Rs. In Million)	(Rs. In Million)
<b>a) Subsidiaries:</b>					
Since consolidated financial statements present information about the holding and its subsidiaries as a single reporting enterprise, it is unnecessary to disclose intra—group transactions.					
<b>b) Associates and Joint Ventures:</b>					
Maharashtra Scooters Ltd. (24 % shares held by Bajaj Auto Ltd.)	Contribution to Equity [2,742,848 shares of Rs. 10 each]	—	2.4	—	2.4
	Sale of Materials	—	—	111.3	7.6
	Technical knowhow fees received	—	—	4.8	—
	Purchase of dies / fixtures	26.2	—	20.4	—
	Other purchases	5.9	—	3.1	—
	Services rendered	1.2	—	1.0	—
	Warranty paid	—	—	0.4	—
	Other credits	1.2	—	0.6	—
Bajaj Auto Finance Ltd. (38.43 % shares held by Bajaj Auto Ltd.)	Contribution to Equity [13,584,036 shares of Rs. 10 each (Previous year 6,597,060 shares of Rs. 10 each)]	2,420.3	3,081.4	441.9	661.1
	Contribution to warrant [1,247,940 warrant of Rs.410.00 each (Previous year 3,006,540 warrants of Rs. 10 each) Rs. 41 paid up]	(72.1)	51.2	123.3	123.3
	Application and allotment money paid on Non Convertible Debentures [2,178,490 NCDs of Rs. 500 each]	1,089.2	1,089.2	—	—
	Loan recovered	41.0	—	259.0	—
	Loan given	—	—	300.0	41.0
	Interest received	0.1	—	9.4	—
	Subvention charges paid for finance scheme	310.0	—	101.4	—
	Services rendered	7.9	1.3	3.7	1.0
	Bad debts sharing	153.8	—	10.8	—
	Support charges for insurance business	35.1	—	16.4	—
	Insurance premium paid	2.0	—	1.0	—
	Insurance claims received	0.1	—	0.2	—
	Unallocated Premium	—	8.3	—	4.3
	Other debits	—	—	0.3	—
	Other Credits	6.3	—	0.5	—
Bajaj Allianz Financial Distributors Ltd. (50 % shares held by Bajaj Auto Ltd.)	Contribution to Equity [1,200,000 shares of Rs. 10 each]	12.0	12.0	—	—
	Expenses incurred on behalf of Bajaj Allianz Financial Distributors Ltd.	0.3	0.3	—	—
Allianz SE (Formerly called Allianz AG)	Contribution to equity of BALICL	2,006.6	5,892.5	2,319.1	3,885.9
	Contribution to equity of BAGICL	609.1	1,261.8	366.7	652.7
	Development & training fees for Opus	—	—	9.8	—
	Licence fees for Opus	38.4	(31.3)	14.9	—

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

Name of related party and Nature of relationship	Nature of transaction	2006-07		2005-06	
		Transaction Value	Outstanding amounts carried in the Balance Sheet	Transaction Value	Outstanding amounts carried in the Balance Sheet
		(Rs. In Million)	(Rs. In Million)	(Rs. In Million)	(Rs. In Million)
	Pre —Paid Licence fees for Opus	2.7	—	14.9	—
	Billable expenses incurred on behalf of Allianz AG	0.2	—	3.1	(11.0)
	Software Consultancy Fees	10.6	(0.1)	19.1	—
Allianz Versicherungs-AG-Germany	Reinsurance premium paid/payable	86.7	43.5	9.2	0.4
	Commission on reinsurance received/receivable	5.6	—	2.1	—
	Claims recovery on reinsurance	0.7	—	0.3	—
Allianz CP General Ins Co. Ltd	Reinsurance premium received/receivable	32.2	(17.0)	20.5	(15.7)
	Commission on reinsurance paid/payable	1.6	—	1.0	—
	Software Consultancy Fees	21.2	(0.4)	1.2	(1.6)
Allianz SE Reinsurance, branch Asia Pacific	Reinsurance premium paid/payable	735.1	(47.1)	717.0	(209.9)
	Reinsurance claims receivable	15.2	15.2	8.0	—
	Commission on reinsurance received/receivable	162.7	4.4	237.4	—
	Claims recovery on reinsurance	760.5	—	1,044.3	—
	No claim Bonus on XOL premium	9.9	—	—	—
	Portfolio Premium withdrawal	155.6	—	163.1	—
	Portfolio Claims withdrawal	214.6	—	52.9	—
	Portfolio Premium Entry	116.7	—	108.7	—
	Portfolio Claims Entry	161.0	—	35.2	—
Assurances Generales de France (M/s AGF)	Reinsurance premium paid/payable	14.7	24.9	20.3	13.9
	Commission on reinsurance received/receivable	3.7	—	5.1	—
Euler Hermes UK Plc	Reinsurance premium paid/payable	0.2	—	18.5	0.1
	Commission on reinsurance received/receivable	—	—	1.7	—
	Claims recovery on reinsurance	—	—	1.8	—
Euler Hermes Cr Uwr (Hong Kong)	Reinsurance premium paid/payable	—	—	1.6	—
	Commission on reinsurance received/receivable	—	—	0.1	—
	Claims recovery on reinsurance	—	—	0.6	—
Allianz Marine and Aviation Versicherungs AG	Reinsurance premium paid/payable	0.9	0.5	8.1	—
	Commission on reinsurance received/receivable	0.3	—	1.6	—
	Claims recovery on reinsurance	0.4	—	—	—
Allianz Insurance Management Asia Pacific Pte.	Billable expenses incurred on behalf of AZAP	9.0	(5.0)	4.7	(3.0)
Allianz Insurance Company - Guangzhou Branch, China	Software Consultancy Fees	1.9	—	—	1.9
	Billable expenses incurred on behalf of Allianz China	—	—	—	(0.3)

## Disclosure of Transactions with Related Parties as required by the Accounting Standard - 18 (Contd.)

Name of related party and Nature of relationship	Nature of transaction	2006-07		2005-06	
		Transaction Value	Outstanding amounts carried in the Balance Sheet	Transaction Value	Outstanding amounts carried in the Balance Sheet
		(Rs. In Million)	(Rs. In Million)	(Rs. In Million)	(Rs. In Million)
Allianz Srilanka	Income from Management Consultancy	—	—	—	—
Allianz Ost - West Allianz, Moscow	Income from Software Consultancy	3.3	(5.0)	18.7	(3.4)
Allianz - Rosno - Moscow	Income from Software Consultancy	—	—	2.6	—
Allianz Ins Co of Singapore - PTE	Reinsurance premium paid/payable	—	—	0.1	—
Allianz Cornhill Ins - PLC	Reinsurance premium paid/payable	2.1	1.5	0.4	—
	Commission on reinsurance received/receivable	0.2	—	—	—
Allianz Elementar Versicherungs	Reinsurance premium paid/payable	—	—	0.1	—
	Commission on reinsurance received/receivable	—	—	0.1	—
AGF IART - Franch	Reinsurance premium paid/payable	0.1	—	0.1	—
	Commission on reinsurance received/receivable	0.1	—	0.1	—
Euler Hermes Cr Insurance (S) Ltd.	Reinsurance premium paid/payable	55.5	54.7	17.3	14.5
	Commission on reinsurance received/receivable	11.1	—	2.8	—
	Billable expenses incurred on behalf of Euler Hermes	15.3	(15.3)	6.7	(6.7)
	Income from Software Consultancy	0.6	—	—	—
Allianz Insurance Management Asia Pacific Pte. Ltd.	Revenue expenditure incurred on behalf of Allianz Insurance Management Asia Pacific Pte. Ltd.	—	—	0.4	—
Western Maharashtra Development Corporation	Nil	—	—	—	—
<b>c) Directors &amp; Relatives:</b>					
Mr. Rahul Bajaj	Remuneration	18.0	—	16.7	—
- Chairman	Commission	21.6	21.6	21.6	21.6
(Also key management personnel)	Rent paid for premises	0.2	—	0.2	—
	Deposit paid against premises taken on lease	—	4.3	—	4.3
Mr. Madhur Bajaj	Remuneration	12.2	—	11.6	—
- Wholetime Director	Commission	15.3	15.3	15.3	15.3
(Also key management personnel)	Rent paid for premises	0.2	—	0.2	—
	Deposit paid against premises taken on lease	—	4.1	—	4.1
Mr. Rajiv Bajaj	Remuneration	6.7	—	8.1	—
- Managing Director	Commission	13.5	13.5	13.5	13.5
(Also key management personnel)	Rent paid for premises	0.2	—	0.2	—
	Deposit paid against premises taken on lease	—	4.3	—	4.3

## Disclosure of Transactions with Related Parties as required by the Accounting Standard - 18 (Contd.)

Name of related party and Nature of relationship	Nature of transaction	2006-07		2005-06	
		Transaction Value	Outstanding amounts carried in the Balance Sheet	Transaction Value	Outstanding amounts carried in the Balance Sheet
		(Rs. In Million)	(Rs. In Million)	(Rs. In Million)	(Rs. In Million)
Mr. Sanjiv Bajaj - Executive Director (Also key management personnel)	Remuneration	4.9	—	5.2	—
	Commission	9.9	9.9	9.9	9.9
Rahul Kumar Bajaj (HUF)	Rent paid for premises	0.2	—	0.2	—
	Deposit paid against premises taken on lease	—	4.3	—	4.3
Kamalayan Bajaj (HUF)	Rent paid for premises	0.2	—	0.2	—
	Deposit paid against premises taken on lease	—	4.3	—	4.3
Mr. Shekhar Bajaj - Non Executive Director	Commission	0.2	0.2	0.1	0.1
	Sitting fees	0.1	—	0.1	—
	Rent paid for premises	0.2	—	0.2	—
	Deposit paid against premises taken on lease	—	4.1	—	4.1
Shekhar Bajaj (HUF)	Rent paid for premises	0.2	—	0.2	—
	Deposit paid against premises taken on lease	—	4.1	—	4.1
Ramkrishna Bajaj (HUF)	Rent paid for premises	0.2	—	0.2	—
	Deposit paid against premises taken on lease	—	4.1	—	4.1
Mr. Niraj Bajaj - Non Executive Director	Commission	0.2	0.2	—	—
	Sitting fees	0.1	—	—	—
Niraj Bajaj (HUF)	Rent paid for premises	0.2	—	0.2	—
	Deposit paid against premises taken on lease	—	4.1	—	4.1
<b>d] Key Management Personnel:</b>					
Mr. D. S. Mehta - Wholtime Director (Key management personnel)	Remuneration	1.6	—	1.6	—
Mr. Dipak Poddar (Managing Director-BAFL)	Remuneration	3.6	1.2	3.8	1.2
	Dividend paid	0.4	—	0.7	—
Mr. C. S. Ravindran (President- BAFL)	Remuneration	6.4	1.3	5.7	—
	Staff loan recovery	0.3	—	0.4	0.3
Mr. Sam Ghosh (CEO-BALICL)	Remuneration	7.3	(6.2)	7.1	(1.8)
Mr. Kamesh Goyal (CEO-BAGICL)	Remuneration	6.6	—	7.0	—

## Disclosure of Transactions with Related Parties as required by the Accounting Standard - 18 (Contd.)

Name of related party and Nature of relationship	Nature of transaction	2006-07		2005-06	
		Transaction Value	Outstanding amounts carried in the Balance Sheet	Transaction Value	Outstanding amounts carried in the Balance Sheet
		(Rs. In Million)	(Rs. In Million)	(Rs. In Million)	(Rs. In Million)
e) Enterprise over which any person described in (c) or (d) above is able to exercise significant influence:					
Mukand Ltd.	Contribution to Equity [4,011,670 of shares Rs.10 each (Previous year 3,741,815 shares) of Rs. 10 each]	23.1	242.7	157.6	219.6
	0.01% Redeemable Preference Shares [196,169 shares of Rs. 10 each]	—	2.0	—	2.0
	Interest received on NCDs	—	—	9.0	—
	Advances recovered	—	—	540.0	—
	Advance given	—	—	340.0	—
	Interest received-others	—	—	14.6	—
	Purchases for Export	—	—	369.1	(175.2)
	Insurance Premia paid	15.1	—	0.2	—
	Insurance claims received	3.3	—	1.4	—
	Unallocated premium	—	0.5	—	—
	Scrap Sale	6.5	(0.2)	10.7	—
	Other Debits	0.2	—	0.2	—
Mukand International Ltd.	Agency Line Export sale	—	—	339.5	158.4
	Other Debit	—	—	1.0	—
Bajaj Electricals Ltd.	Contribution to Equity [1,153,384 shares of Rs. 10 each]	—	88.8	—	88.8
	Dividend received-Equity shares	16.1	—	3.5	—
	Dividend received-Preference shares	—	—	2.6	—
	Insurance Premia paid	9.6	—	11.0	—
	Insurance claims received	17.3	—	45.4	—
	Other credits	—	—	0.1	—
	Rent paid	0.1	—	—	—
Hind Musafir Agency Pvt. Ltd.	Services received	34.7	0.2	28.0	(0.2)
	Support charges for insurance business	0.2	1.1	—	—
Varroc Engg Pvt. Ltd.	Purchases	8,276.2	(818.8)	6,089.6	(782.6)
	Purchases of capital Goods	—	—	22.2	—
	Sale of Material	122.2	—	26.6	—
	Other debits	7.6	—	3.9	—
	Advance given	150.0	150.0	—	—
	Interest received	6.6	—	—	—
	Warranty debits	11.1	—	5.9	—
Varroc Lighting	Purchases	1,101.2	(161.9)	593.6	(81.3)
	Sale of Material	0.2	—	0.9	—
	Other Debits	2.5	—	—	—
	Tooling advance given	3.0	1.5	2.0	1.6
	Tooling advance recovered	3.1	—	1.2	—
	Warranty debits	0.7	—	0.2	—

## Disclosure of Transactions with Related Parties as required by the Accounting Standard - 18 (Contd.)

Name of related party and Nature of relationship	Nature of transaction	2006-07		2005-06	
		Transaction Value	Outstanding amounts carried in the Balance Sheet	Transaction Value	Outstanding amounts carried in the Balance Sheet
		(Rs. In Million)	(Rs. In Million)	(Rs. In Million)	(Rs. In Million)
Endurance Transmission (I) Pvt. Ltd.	Purchases	—	—	3,513.4	(389.1)
	Sale of Material	—	—	5.4	—
	Other debits	—	—	3.1	—
	Warranty debits	—	—	2.5	—
Endurance Systems (India) Pvt. Ltd.	Contribution to Equity (300,000 shares of Rs.10 each)	—	3.0	—	3.0
	Purchases	3,589.4	(316.5)	2,322.1	(255.0)
	Sale of Material	87.8	—	56.6	—
	Other debits	8.3	—	0.4	—
	Warranty debits	2.6	—	9.4	—
Endurance Technologies Pvt. Ltd. (Previously Anurang Engg. Co. Pvt. Ltd.)	Purchases	7,554.8	(970.0)	1,263.6	(139.8)
	Sale of Material	734.1	361.2	82.5	—
	Other Debit	16.0	—	6.3	—
	Tooling advance given	—	—	100.0	99.7
	Tooling advance recovered	99.7	—	81.3	—
	Loan given	50.0	—	50.0	50.0
	Interest on Advance	1.3	—	2.0	—
	Warranty Debits	2.3	—	—	—
	Other Credits	0.3	—	0.8	—
Durovalves (I) Pvt. Ltd.	Contribution to Equity(565,000 shares of Rs.10 each)	—	5.7	—	5.7
	Contribution to 12.5% Preference Shares (1,130,000 Shares of Rs.10/- each)	11.3	11.3	—	—
	Dividend received	0.7	—	0.7	—
	Purchases	288.8	(11.9)	346.5	(11.5)
	Warranty debits	0.1	—	—	—
	Other Debit	0.1	—	0.1	—
Mouldkraft (Hindustan) Pvt. Ltd.	Purchases	471.5	(46.5)	7.4	20.7
	Other Debit	0.5	—	27.8	—
	Sale of Materials	13.4	—	—	—
Infin Machine Tools Pvt. Ltd.	Purchases	—	—	0.1	—
Mukand Global Finance Ltd.	Loan recovered	40.0	—	100.0	40.0
	Interest Received	28.6	—	24.0	—
	Rent received	0.7	—	0.6	—
	Provision for doubtful advances written back	42.3	—	—	—
Hind Lamps Ltd.	Loan recovered	—	—	40.0	—
	Interest Received	—	—	8.3	—
Bajaj Ventures Ltd.	Purchases	—	—	—	—



## Disclosure of Transactions with Related Parties as required by the Accounting Standard - 18 (Contd.)

Name of related party and Nature of relationship	Nature of transaction	2006-07		2005-06	
		Transaction Value	Outstanding amounts carried in the Balance Sheet	Transaction Value	Outstanding amounts carried in the Balance Sheet
		(Rs. In Million)	(Rs. In Million)	(Rs. In Million)	(Rs. In Million)
Bajaj Hindustan Ltd.	Contribution to Equity [13,068,511 shares of Rs.1 each, (previous year 8,560,532 shares of Rs. 1 each)]	736.4	871.8	61.4	135.4
	Dividend Received	6.8	—	4.3	—
Mukand Engineers Ltd.	Insurance Premia paid	—	—	0.2	—
	Other transactions	9.2	8.7	—	—

Following is the list of related parties coming under (e) above, with whom Bajaj Auto Ltd. does not have any transactions during the financial year 2006-07.

Anant Trading Co.  
 Bachhraj & Co. Pvt. Ltd.  
 Bachhraj Factories Pvt. Ltd.  
 Bachhraj Trading Co.  
 Bajaj International Pvt. Ltd.  
 Bajaj Sevashram Pvt. Ltd.  
 Bajaj Trading Co.  
 Baroda Industries Pvt. Ltd.  
 Benchmark Asset Management Co. Pvt. Ltd.  
 Bhoopati Shikshan Pratisthan  
 Catalyst Finance Ltd.  
 Conquest Investments & Finance Ltd.  
 Econium Investments & Finance Ltd.  
 Friendly Financial Services Ltd.  
 Fusion Investments & Financial Services Ltd.  
 Hercules Hoists Ltd.  
 Hospet Steels Ltd.  
 Jamnalal Sons Pvt. Ltd.  
 Kamalnayan Investments & Trading Pvt. Ltd.  
 Lineage Investments Ltd.  
 Madhur Securities Pvt. Ltd.  
 Mukand Engineers Ltd.  
 Mahakalp Arogya Pratisthan  
 Niche Financial Services Pvt. 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.  
 Yogesh Securities Pvt. Ltd.

## Financial information of Subsidiaries for the year ended March 31, 2007

Particulars	Bajaj Auto Holdings Ltd.	Bajaj Allianz General Insurance Co. Ltd	Bajaj Allianz Life Insurance Co.Ltd	PT. Bajaj Auto Indonesia
	Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million
a) Paid -Up Share Capital	2.5	1,101.3	1,503.7	562.1
b) Share Premium	—	975.5	5,501.6	—
Other reserves	377.4	2,038.9	(2,760.0)	(97.1)
c) Total Assets	379.9	4,115.7	4,245.3	465.0
d) Total Liabilities	379.9	4,115.7	4,245.3	465.0
e) Investments*	314.1	13,004.1	6,536.5	—
f) Turnover/Operating result	30.3	1,192.0	277.1	82.1
g) Profit Before Taxation	30.0	1,170.3	(717.0)	(126.9)
h) Provision for Taxation	1.5	416.6	—	(39.8)
i) Profit After Taxation	28.5	753.7	(717.0)	(87.1)
j) Proposed Dividend	—	—	—	—

\* For details of investments refer schedule 8 of the consolidated financial statements

## Independent Accountants' Review Report

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The Board of Directors  
Bajaj Auto Limited

We have reviewed the accompanying Reconciliation of Significant Differences in Consolidated Shareholders' Equity and Consolidated Net Income Between Indian Generally Accepted Accounting Principles ("Indian GAAP") and US Generally Accepted Accounting Principles ("US GAAP") of Bajaj Auto Limited and its subsidiaries ("the Company") as of March 31, 2007 and 2006, and for the years then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in the Reconciliation is the representation of the management of the Company.

A review consists principally of inquiries of Company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the

objective of which is the expression of an opinion regarding the Reconciliation taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying Reconciliation in order for the Reconciliation to be in conformity with US GAAP.

The United States dollar amounts are presented in the accompanying Reconciliation solely for the convenience of the readers and have been translated to United States dollars on the basis disclosed for the period shown.

KPMG  
Mumbai : 17 May 2007

Reconciliation of Significant Differences in Consolidated Shareholders' Equity and Consolidated Net Income between Indian Generally Accepted Accounting Principles ("Indian GAAP") and US Generally Accepted Accounting Principles ("US GAAP")

		(Rs In millions)	(US \$ In thousands)*	
		As at March 31,		
	Notes	2006	2007	2007
1. Reconciliation of consolidated shareholders' equity				
Consolidated shareholders' equity as reported under Indian GAAP	1	52,010	61,508	1,403,331
US GAAP adjustments increasing/(decreasing) consolidated shareholders' equity as reported under Indian GAAP				
Export incentives	2	(346)	—	—
Equity method of accounting	3	(518)	(1,218)	(27,789)
Accounting for investments	4	(177)	(1,396)	(31,850)
Unrealised investment gains/(losses), net of tax effect	4	15,098	21,187	483,390
Fixed assets and depreciation	5	(276)	(189)	(4,312)
Non-monetary exchange of asset	6	(78)	(77)	(1,757)
Retirement benefits	7	310	114	2,601
Share warrants	8	594	167	3,810
Premium on insurance venture	9	(780)	(702)	(16,016)
Accounting for foreign exchange derivative contracts	10	—	89	2,031
Deferred taxes	11	(199)	(264)	(6,023)
Proposed dividend (including dividend tax thereon)	12	4,615	4,735	108,031
<b>Consolidated shareholders' equity in conformity with US GAAP</b>		<b>70,253</b>	<b>83,954</b>	<b>1,915,447</b>

\* Solely for the convenience of the reader and without any representation on rates used, the reconciliation as of March 31, 2007 have been translated into United States dollars at \$ 1 = Rs 43.83 which is the TT selling rate of commercial banks in India.

See accompanying notes to the above Reconciliation.

See Independent Accountants' Review Report attached.


Reconciliation of Significant Differences in Consolidated Shareholders' Equity and Consolidated Net Income between Indian Generally Accepted Accounting Principles ("Indian GAAP") and US Generally Accepted Accounting Principles ("US GAAP")

		(Rs In millions)	(US \$ In thousands)*	
		As at March 31,		
	Notes	2006	2007	2007
<b>2. Reconciliation of consolidated net income</b>				
Consolidated net income as reported under Indian GAAP	1	11,046	12,494	285,056
US GAAP adjustments increasing/(decreasing) consolidated net income as reported under Indian GAAP				
Export incentives	2	37	242	5,521
Equity method of accounting	3	(53)	(643)	(14,670)
Accounting for investments	4	430	(1,114)	(25,416)
Fixed assets and depreciation	5 & 6	129	88	2,008
Retirement benefits	7	56	(12)	(274)
Share warrants	8	159	(446)	(10,176)
Premium on insurance venture	9	78	78	1,780
Accounting for foreign exchange derivative contracts	10	-	89	2,031
Deferred taxes	11	(84)	(13)	(297)
Consolidated net income in conformity with US GAAP		11,798	10,763	245,563
<b>3. Basic and diluted earnings per share</b>				
		(Rs)	(Rs)	(US \$)
Based on consolidated net income in conformity with US GAAP	13	116.60	106.37	2.43
Weighted average equity shares outstanding during the year		101,183,510	101,183,510	101,183,510

\* Solely for the convenience of the reader and without any representation on rates used, the Reconciliation for the year ended March 31, 2007 have been translated into United States dollars \$ 1 = Rs 43.83 which is the TT selling rate of commercial banks in India.

See accompanying notes to the above Reconciliation.

See Independent Accountants' Review Report attached.



Notes to the Reconciliation of Significant Differences between Indian Generally Accepted Accounting Principles ("Indian GAAP") and US Generally Accepted Accounting Principles ("US GAAP") for the year ended 31 March 2007 and 31 March 2006

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**1. Basis of preparation of the Reconciliation**

Bajaj Auto Limited ('the Company') prepares its consolidated financial statements in rupees in accordance with Indian GAAP, which differ in certain respects from US GAAP. The significant differences between Indian GAAP and US GAAP, which impact consolidated shareholders' equity and consolidated net income as of March 31, 2007 and 2006 and for the years then ended, respectively, are shown as reconciling amounts in the Reconciliation. Such significant differences between Indian GAAP and US GAAP are discussed below.

**2. Export incentives**

The Company is eligible for certain export incentives from Government of India based on incremental export turnover over the previous year. These target based export incentives entitle the Company to import raw materials and capital goods without payment of customs duty. These incentives can only be used for imports for captive consumption purposes.

Under Indian GAAP, such target based export incentives are recognised in the year of exports when it is determined that the Company is entitled to the incentive and has the ability to utilise the same. In view of the absence of transferability of these incentives to a third party, under US GAAP, these incentives are recognised as income in the year when the goods are imported and the benefit is utilised.

**3 Equity method of accounting**

The Company's equity investments in Bajaj Auto Finance Limited ('BAFL'), Maharashtra Scooters Limited ('MSL'), Bajaj Allianz General Insurance Company Limited ('BAGICL') and Bajaj Allianz Life Insurance Company Limited ('BALICL') have been considered as follows:

**BAFL**

Under US GAAP and Indian GAAP, the Company's 44.42 % equity holding (fiscal 2006: 41.51%) in BAFL is accounted under the equity method of accounting. During fiscal 2007, the Company converted a portion of the warrants issued by BAFL during fiscal 2006 resulting in an increase in the Company's equity holding in BAFL from 41.51% to 44.42%. As explained in Note 8 to the Reconciliation, Under US GAAP the fair value of the warrants on the date of conversion has been included in the cost of acquisition of the additional shares acquired through the exercise of the warrants.

During the current year, BAFL has issued Non Convertible Debentures ('NCD') to its shareholders through a rights issue, which are redeemable at par upon completion of 36 months from the date of issuance. Along with each NCD, shareholders are entitled to receive one detachable stock purchase warrant which can be converted into equity shares any time between 12 to 35 months from the date of issuance. In accordance with Accounting Principles Board Opinion No. 14, "Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants", the Company determined the fair value of the NCD and the warrants. The fair value of the warrants has been accounted for as additional paid in capital. The resulting discount on the NCD's is recognised as an interest expense over the period of the NCD based on effective interest method.

Under Indian GAAP, the NCD's have been recorded at cost.

**MSL**

Under Indian GAAP, the Company's 24% equity holding (fiscal 2006: 24%) in MSL is accounted as per the joint venture method of accounting, which requires the investor to report its interest using proportionate consolidation method. Under US GAAP, these investments are accounted as per equity method of accounting. The difference in method of accounting under Indian GAAP and US GAAP does not require any further reconciliation adjustment in the consolidated net income or the consolidated shareholders' equity of the Company.

**BAGICL and BALICL**

Under Indian GAAP, the Company consolidates its majority owned equity investments (74 % each) in BAGICL and BALICL as the Company owns more than one half of the voting rights of these companies.

Under US GAAP existence of substantive minority rights that provide the minority shareholder with right to effectively participate in significant decisions, overcomes the presumption that the investor with a majority voting interest should consolidate its investee. Accordingly, under US GAAP, the Company's investment of 74% in BAGICL and BALICL are accounted by the equity method after eliminating all material inter-company transactions. The difference in method of accounting under Indian GAAP and US GAAP does not result in any adjustment to the consolidated net income or consolidated shareholders' equity.

Notes to the Reconciliation of Significant Differences between Indian Generally Accepted Accounting Principles ("Indian GAAP") and US Generally Accepted Accounting Principles ("US GAAP") for the year ended 31 March 2007 and 31 March 2006

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Reconciliation items for the significant differences between Indian GAAP and US GAAP for the accounting of insurance activities are described below:

**Insurance premium and claims**

Under Indian GAAP, premium income with respect to life insurance contracts is recognised when the income is due. Premium income with respect to non-life insurance contracts is recognised over the contract period or the period of risk whichever is appropriate on gross basis subject to minimum specified under Section 64 (1)(ii)(b) of the Insurance Act, 1938. Any significant revisions to or cancellations of premiums are accounted for in the year in which they occur.

Under US GAAP, insurance contracts are classified as short duration or long duration contracts. Depending on the classification of the products; premium income with respect to:

- Short duration contracts are recognised over the period of contract or period of risk. Further the liability for unpaid claims (including estimates of costs for claims relating to insured events that have occurred but have not been reported to the insurer) and a liability for claim adjustment expenses is accrued when insured events occur; and
- Long duration contracts are recognised when premium is due. Further liability for expected costs is accrued over the current and expected renewal periods of the contracts. In case of unit linked products, amounts received as payments for such contracts are recorded as liabilities and accounted for in a manner consistent with the accounting for interest-bearing or other financial instruments.

**Acquisition costs**

Under Indian GAAP, acquisition costs, which primarily relate to costs of acquisition of new and renewal of old insurance contracts, are expensed in the year in which they are incurred.

Under US GAAP, acquisition costs (net of commission income on reinsurance ceded), which vary with and are primarily related to the acquisition of new business are deferred and amortised pro rata over the contract periods in which the related premiums are earned. Deferred acquisition costs are reviewed to determine if they are recoverable from future income, and if not, are charged to expense. All other acquisition expenses are charged to expense as incurred.

**4. Accounting for investments**

Under Indian GAAP, the Company classifies all its debt and equity securities other than those covered in Note 3 above, as long term investments. During fiscal 2006, under Indian GAAP, the Company adopted a policy of amortisation / accretion of premium and discount arising on acquisition of debt securities, using the effective interest method. The investments in debt securities are recorded at amortised cost and equity securities are accounted at cost; less provision, if any, for other than temporary decline or impairments in carrying value, which are charged against earnings.

Under US GAAP, the Company classifies these investment securities as either 'held-to-maturity' or 'available-for-sale'. Held to maturity securities are those securities in which the Company has the ability and intent to hold the security until maturity. Securities not classified as held-to-maturity are classified as available-for-sale securities.

Held-to-maturity securities are recorded at cost, adjusted for amortisation or accretion of premium and discount. Available-for-sale securities are recorded at fair value with unrealised holding gains and losses, net of the related tax effect, excluded from earnings and reported as a separate component of consolidated shareholders' equity until realised. Premiums and discounts are amortised on or accreted to the related available-for-sale security as an adjustment to yield using the effective interest method including adjustment for interest accruals.

Non-readily marketable equity securities for which there is no determinable fair value are recorded at cost subject to an impairment charge for other than temporary decline in value.

A decline in market value of available-for-sale or held-to-maturity security below cost that is deemed to be other than temporary, results in reduction in carrying amount to fair value. Decline in market value below cost in case of debt securities resulting from general increase in market interest rates is not deemed to be other than temporary diminution when the Company has the intent and the ability to hold the debt securities for a sufficient period of time, which may be to maturity to recover the cost. Impairment, if any, is charged to income and a new cost basis is established.

Pre-acquisition dividend received, if any, is reduced from the cost of investments under US GAAP.



Notes to the Reconciliation of Significant Differences between Indian Generally Accepted Accounting Principles ("Indian GAAP") and US Generally Accepted Accounting Principles ("US GAAP") for the year ended 31 March 2007 and 31 March 2006

**5. Fixed assets and depreciation**

Under US GAAP, fixed assets are recorded at historical cost and depreciated on a systematic basis over their estimated useful lives. Under Indian GAAP, depreciation is provided based on the asset lives specified in the Indian Companies Act, 1956 that may not necessarily be reflective of the useful lives of the assets. Accordingly, the Reconciliation includes a depreciation adjustment based on the estimated useful lives of fixed assets.

**6. Non-monetary exchange of asset**

Under US GAAP, the exchange of a non-monetary asset for a similar non-monetary asset used in the earnings process is recorded at the carrying value of the asset surrendered. During 1999, the Company exchanged its tenancy rights in a property, which had no recorded value, for ownership rights in a similar property. Accordingly, for US GAAP, the transaction was recorded at zero value whereas under Indian GAAP, the excess of fair value of acquired property over the carrying value of tenancy rights surrendered was recorded as a gain in the income statement. In December 2004, FASB issued Statement of Financial Accounting Standard No. 153 (SFAS 153) - "Exchanges of Nonmonetary Assets" which amends the earlier Accounting Principles Board Opinion No. 29 "Accounting for Nonmonetary Transactions". This standard is applicable prospectively for non-monetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. Adoption of SFAS 153 did not have any impact on the Company's consolidated net income and consolidated shareholders' equity.

**7. Retirement benefits**

Under Indian GAAP, the Company adopted the Revised Accounting Standard 15, Employee Benefits ('Revised AS 15') effective March 31, 2006. The transitional gratuity liability determined upon actuarial valuation arising as at the date of adoption has been adjusted directly to the consolidated shareholders' equity, net of deferred taxes, under Indian GAAP in accordance with the transitional provisions of Revised AS 15.

The Company adopted Statement of Financial Accounting Standard No. 158 (SFAS 158), "Employers' Accounting for Defined Benefit Pension and Other Post Retirement Plans". This statement requires recognition of the funded status of a defined benefit plan in the statement of financial position as an asset or a liability if the plan is over funded or under funded, respectively.

Upon adoption, the Company recognised an additional liability of Rs. 184 million with a corresponding reduction in shareholders equity in accordance with transitional provisions of SFAS 158.

**8. Share warrants**

During fiscal 2006, BAFL issued share warrants to BAL under a scheme of private placement on a preferential basis. BAL has the option to convert these warrants into equity shares within a period of 18 months from the date of grant. Under US GAAP, these options are recognised as derivative asset and recorded at its fair value. The fair value of this derivative asset as on the date of grant is recognised as other asset with a corresponding credit to shareholders equity.

During the current year BAFL issued NCD's with detachable share warrants to its shareholders including BAL under a rights issue. In accordance with US GAAP, the Company determined the fair value of the NCD and detachable share warrants. The fair value of the warrants has been accounted for as a derivative asset. The resulting discount on the NCD's is recognised as interest income over the period of the NCD based on effective interest method.

Changes in fair value of the options are recognised in the income statement until exercise. Upon exercise, the fair value of the options as at the date of exercise is included in the cost of investments.

Under Indian GAAP, the NCD's with detachable warrants are recorded at cost.

**9. Premium on insurance ventures**

During fiscal 2002 the Company received an upfront non-refundable payment of Rs. 1,170 million from Allianz AG, the overseas joint venture partner in BAGICL and BALICL. This sum was received from Allianz AG, for the Company's reputation, its commitment to be associated in the joint venture, value, goodwill and other considerations and obligations specified in the shareholders' agreements. Under Indian GAAP, the upfront non-refundable payment was recognised as income in fiscal 2002.

US GAAP require fair valuation of each of these considerations and obligations. However as the fair values of each of these features cannot be reasonably ascertained, the premium on insurance venture is being recognised ratably over an estimated period of 15 years.

Notes to the Reconciliation of Significant Differences between Indian Generally Accepted Accounting Principles ("Indian GAAP") and US Generally Accepted Accounting Principles ("US GAAP") for the year ended 31 March 2007 and 31 March 2006

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**10. Accounting for foreign exchange derivative contracts**

Under Indian GAAP premium/discount on foreign exchange derivative contracts are recognised ratably over the period of the contract. Under US GAAP, foreign exchange derivative contracts not designated as hedges are measured at fair value with changes in fair value at each balance sheet date recognised in the income statement.

**11. Deferred taxes**

Under Indian GAAP, deferred tax assets and liabilities are recognised for the future tax consequences attributable to timing differences that result between the profits offered for income taxes and the profits as per the financial statements. Deferred tax assets and liabilities are measured using the tax rates and the tax laws that have been enacted or substantively enacted by the balance sheet date. The effect on deferred tax assets and liabilities of a change in tax rate is recognised in the period that includes the enactment date. Deferred tax assets in respect of carry forward losses are recognised only to the extent that there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Other deferred tax assets are recognised only if there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets are reassessed for the

appropriateness of their respective carrying values at each balance sheet date.

Under US GAAP deferred tax assets and liabilities are recognised for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and carry-forward losses. Such deferred tax assets and liabilities are measured using enacted tax rates. The measurement of deferred tax assets under US GAAP is reduced, if necessary, by a valuation allowance for tax benefits whose future realization is uncertain.

**12. Proposed dividend**

Under Indian GAAP, dividends on equity shares and the related dividend tax are recorded as liabilities when it is proposed by the Board of Directors, although such dividend liability does not crystallize unless it is approved by the shareholders. Under US GAAP, dividends are recognised when approved by shareholders. Accordingly, for purposes of US GAAP Reconciliation, such dividends have been restored to consolidated shareholders' equity until approval.

**13. Earnings per share**

Under US GAAP and Indian GAAP earnings per share are calculated by dividing consolidated net income by the weighted average number of common shares outstanding during the year.









*Distinctly Ahead*

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