

## CHAIRMAN'S LETTER

### Dear Shareholder

Last year I had written to you expressing my concerns about your company's relatively poor financial performance in 2000-01. However, even at that difficult moment of time, I had written that Bajaj Auto has a clear vision of the future; that it is going through a well-planned process of transformation; and that "A year's adversity does nothing to change my belief in this vision."

I am happy to inform you that your company has bounced back. Bajaj Auto's sales has increased from Rs.35.88 billion in 2000-01 to Rs.41.26 billion in 2001-02 — a growth of 15 per cent under difficult market conditions.

Far more satisfying is your company's growth in operating profits (EBITDA). Last year it had hit a rock bottom of Rs.3.05 billion. This year has seen operating profit increase by 103 per cent to Rs.6.2 billion — the second highest in the history of your company. As a result, your company's operating profit margin has increased from a trough of 9.8 per cent in 2000-01 to 16.8 per cent in 2001-02. Profit after tax has virtually doubled — from Rs.2.63 billion in 2000-01 to Rs.5.21 billion in 2001-02.

How did your company achieve this turnaround in a difficult year, where overall GDP growth is not expected to cross 5.2 per cent, and which began with the economic aftershocks of a terrible earthquake, was punctuated by 11 September and the terrorist attack on Parliament, and ended with the appalling riots in Gujarat?

It has everything to do with corporate pride, leadership, determination, self-belief and a culture where, stung by the reversals of 2000-01, every employee of Bajaj Auto was determined to prove what your company was capable of. In essence, we did four things, and we did them well.

First, we went flat out to increase our volume and market share in motorcycles. Bajaj Auto has clearly out-performed the industry in this segment. Your company sold 656,000 motorcycles in 2001-02 — an increase of 55 per cent over 2000-01, compared to the overall market growth rate of 41 per cent. Today, motorcycles account for 55 per cent of Bajaj Auto's two-wheeler sales volume and, with market share increasing to 23 per cent, your company is the clear number two in the motorcycle segment. The growth in motorcycles has been driven by our Boxers — the second largest brand in the country and the market leader in the entry level, utility category. I am also delighted that we have achieved considerable success with the introduction of the 150 cc and 180 cc Pulsars — motorcycles meant for the premium segment. Introduced in November 2001, the Pulsar has been voted as the best motorcycle of the year by more than one magazine, and has already notched sales in excess of 12,000. We will continue our thrust in motorcycles and keep on increasing market share.

Second, we have probably succeeded in arresting the decline in the sales of geared scooters. To be sure, our sales of



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geared scooters fell by 6.4 percent from 435,700 in 2000-01 to 407,600 in 2001-02. But that was significantly less than the overall industry decline of 12 per cent. As you know, Bajaj Auto was built upon the success of the Chetak and the Supers and, much as I like what motorcycles are doing to your company's revenues and profits, I should be pardoned for being sentimental about scooters. Unlike most others, I don't believe that the days of geared scooters are numbered. Scooters have their plus points, as do motorcycles. As the market leader in this segment, your company will use its strong in-house R&D capabilities to engineer the positives of a scooter with the virtues of a motorbike. When we do, I visualise Bajaj Auto roaring back into a creatively new scooter space.

wheelers — from the four-stroke petrol and diesel varieties to the low-emission CNG models. With every passing year, more and more cities are banning old three-wheelers and mandating their replacement with non-polluting ones. What started with Delhi has now spread to Mumbai, Bangalore and Hyderabad. Other cities are bound to follow. Being the unchallenged leader in this category, your company is reaping the benefits of cleaning the air — and the market to boot.

In the coming year, I look forward to your company more aggressively leveraging its new Spirit and Saffire models to create a stronger presence in the market for ungeared scooters. And, while step-thrus may be considered passé by some, I still believe that they offer value-for-money to certain sections of consumers. Therefore, Bajaj Auto will try to grow this market with its new M-80 model.

Last year, I had informed you of Bajaj Auto's foray into non-life and life insurance with Allianz AG of Germany — one of the largest insurance companies in the world. Two companies were set up: Bajaj Allianz General Insurance Company Limited and Allianz Bajaj Life Insurance Company Limited. Both companies commenced operations during the year. I am happy to inform you that your company received Rs.1.17 billion from Allianz AG as goodwill. Even more heartening is the fact that, in 2001-02, Bajaj Allianz General Insurance issued the largest number of policies among all private players in the non-life segment, and became number one in this line of business. Allianz Bajaj Life Insurance commenced operations in October 2001, and I hope it will do as well as its non-life brethren.

**“We are reaping the benefits of producing environmentally friendly three-wheelers — from the four-stroke petrol and diesel varieties to the low-emission CNG models.”**

Third, we had said in the last two annual reports that because the material cost in motorcycles is greater than that of scooters, a major switch from the latter to the former would reduce Bajaj Auto's operating margins. You may, therefore, rightly ask how then has your company increased operating margins so successfully? The answer lies in our drastically cutting costs. Effective implementation of Total Productive Maintenance (TPM), optimising the supply chain through vendor rationalisation, indigenisation and value engineering have achieved results. In 1996-97, your company's output per employee per year was under 68 vehicles. Today, it exceeds 100. We will continue reducing costs and increasing productivity in the years to come.

Fourth, we are reaping the benefits of producing environmentally friendly three-

In the difficult milieu of last year, I had ended on an optimistic note. Given the significantly better performance in 2001-02, let me end with a note of caution. It is all too easy to think that we have won the battle. We have not. After all, let us never forget that this was the year when Bajaj Auto was unseated from being the number one two-wheeler manufacturer in India. On behalf of all of you — the loyal shareholders of a company that is a mosaic of India — I urge everyone in Bajaj Auto to put in even greater effort in the years to come to take the company right up to where it truly belongs. Right at the top. And then some more.

With your support and the dedication of every person working in and associated with Bajaj Auto, we can do it.



**Rahul Bajaj**  
Chairman and Managing Director

**"I urge everyone in Bajaj Auto to put in even greater effort in the years to come to take the company right up to where it truly belongs. Right at the top. And then some more."**

## Board of Directors

**Rahul Bajaj**  
Chairman and Managing Director

**Madhur Bajaj**  
Vice Chairman and Whole-time Director

**D S Mulla**

**Kantikumar R Podar**

**Atul C Kirloskar**

**Shekhar Bajaj**

**D J Balaji Rao**

**D S Mehta**  
Whole-time Director

**J N Godrej**

**S H Khan**

**Rajiv Bajaj**  
President and Whole-time Director  
(w.e.f. 5.3.2002)

### Secretary

**J Sridhar**

## Management

**Rahul Bajaj**  
Chairman and Managing Director

**Madhur Bajaj**  
Vice Chairman

**R A Jain**  
Executive Director

**D S Mehta**  
Whole-time Director

**Rajiv Bajaj**  
President

**Ranjit Gupta**  
Vice President (Insurance)

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

**R L Ravichandran**  
Vice President (Business  
Development and Marketing)

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

**P B Menon**  
Vice President (Projects)

**Sanjiv Bajaj**  
Vice President (Finance)

## Auditors

**Dalal & Shah**  
Chartered Accountants

## International Accountants

**KPMG**

## Cost Auditors

**A P Raman**  
Cost Accountants

## Bankers

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

Registered under the  
Indian Companies Act, VII of 1913

## Registered Office

Akurdi, Pune 411 035

## Works

- Akurdi, Pune 411 035
- Bajaj Nagar, Waluj,  
Aurangabad 431 136
- Chakan Industrial Area,  
Chakan, Pune 410 501

From left to right:  
Sitting: R.A.Jain, Rahul Bajaj, Madhur Bajaj  
Standing: Ranjit Gupta, N.H.Hingorani,  
R.L.Ravichandran, Rajiv Bajaj, Sanjiv Bajaj,  
C.P.Tripathi, P.B.Menon



## MANAGEMENT DISCUSSION AND ANALYSIS

For the last couple of years, this chapter of our Annual Report has focused on a single theme — 'Change'. It is about the processes of transforming Bajaj Auto from being a producer of traditional scooters and three-wheelers to becoming a highly modern, flexible, quality, design, cost and market-driven supplier of various models of attractive two- and three-wheelers — with each model addressing specific needs and preferences of heterogeneous customers.

Change is rarely painless. It is not just a matter of new products and offerings. It is about fundamentally re-orienting the mindset of a large company. What makes corporate change even more difficult is that it has to be brought about without disrupting the business. It is something like re-engineering a huge super-tanker on high seas. Nobody really knows at what point of the change process will the

super-tanker hit a serious tropical storm, when everyone has to concentrate on navigating the ship to safe waters. And, once the storm passes, will it shake one's resolve in continuing with the process of change? Will the crew abandon transformation, decide that enough-is-enough, and revert to doing what it knew best?

Bajaj Auto's tropical storm occurred in 2000-01. Right in the middle of a transformation process that was initiated in the late 1990s, the company was hit by an unprecedented fall in profits. Sales dipped by 3.2 per cent. Worse still, the company's operating profit margin (EBITDA as a share of operating income) fell from 18.2 per cent of net sales in 1999-00 to 9.8 per cent in 2000-01. Although we at Bajaj Auto were sure that 2000-01 was an aberration, many shareholders and analysts began to

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discount the company, and some wondered whether this was the beginning of the end.

The facts of 2001-02 prove that Bajaj Auto's performance in the previous year was indeed an aberration. Sales have increased by 15 per cent, from Rs.35.88 billion in 2000-01 to Rs.41.26 billion in 2001-02. Operating profit has risen by 103 per cent, from Rs.3.05 billion in 2000-01 to Rs.6.2 billion in 2001-02 — the second highest ever. Consequently, the company's operating profit margin has increased from 9.8 per cent in 2000-01 to 16.8 per cent in 2001-02. Profit after tax has almost doubled — from Rs.2.63 billion in 2000-01 to Rs.5.21 billion in 2001-02.

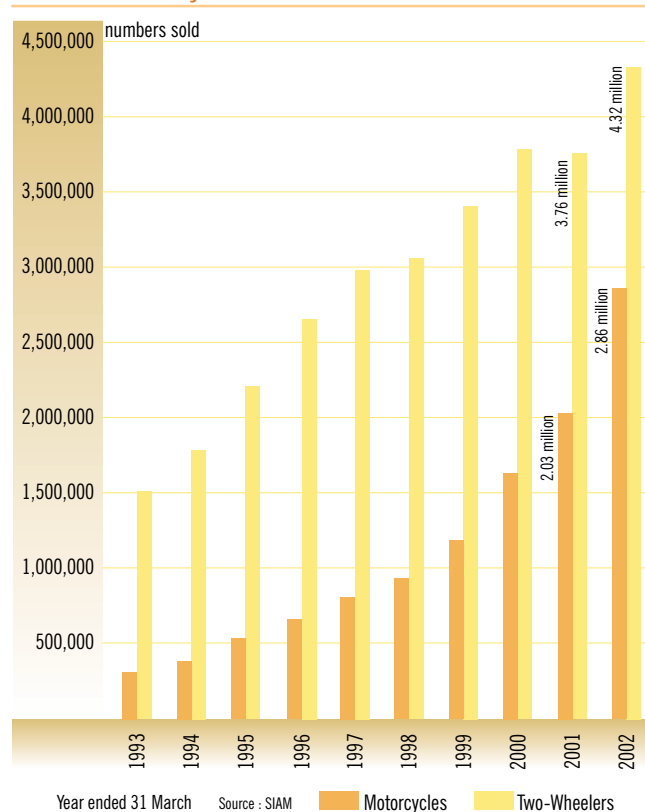
Bajaj Auto has weathered the storm without diluting the process of change. And, as we shall show in this chapter, the transformation has started yielding results.

As we have done in past years, the chapter is divided into three broad segments. The first looks at market conditions in 2001-02, and details how Bajaj Auto's products have fared in the various product segments. This is followed by a discussion on the company's operations. The chapter finally examines various aspects of Bajaj Auto's financials.

## Markets

We start discussions with the two-wheeler market. Chart A gives the domestic sale of two-wheelers for the industry as a whole. After a year of stagnation, the industry witnessed a 15 per cent growth in the sale of two-wheelers. Consequently, for the decade 1993-2002, the domestic two-wheeler market has grown at a compounded annual rate of 11.7 per cent.

CHART A: Industry's sale of two wheelers



As Chart A suggests, underpinning this growth in two-wheelers' sales is a fundamental shift in consumer preference from traditional geared scooters to motorcycles. Thanks to a compound annual growth rate of 25 per cent during the decade 1993-2002, motorcycles now account for 66 per cent of the sales volume of all two-wheelers — up from 20 per cent a decade ago. Chart B and Table 1 illustrate the distinct change in taste over the last ten years. The motorcycles segment seems like a clear winner; though relatively small, modern ungeared scooters are doing well; and the traditional geared scooter seems like a clear loser.

While there is no doubt that Bajaj Auto will continue focusing more and more on motorcycles and ungeared scooters, the company interprets the trend in more



**TABLE 1: How the two-wheeler market has changed in a decade (number of vehicles sold)**

Year	Two-wheelers	Geared scooters	Ungeared scooters	Motorcycles	Mopeds	Step-thrus	Total two-wheelers
1993	1,503,172	41.8%	9.4%	20.2%	20.0%	8.6%	100.0%
1994	1,763,210	43.3%	7.9%	21.6%	17.6%	9.6%	100.0%
1995	2,208,231	42.6%	8.6%	23.9%	15.1%	9.8%	100.0%
1996	2,660,005	40.6%	9.1%	24.8%	16.8%	8.7%	100.0%
1997	2,965,474	38.4%	8.9%	27.1%	16.5%	9.1%	100.0%
1998	3,042,347	35.4%	8.8%	30.0%	15.5%	10.3%	100.0%
1999	3,403,471	32.7%	8.3%	34.6%	14.6%	9.8%	100.0%
2000	3,776,719	25.9%	10.0%	42.7%	14.1%	7.3%	100.0%
2001	3,745,516	16.0%	10.9%	54.1%	12.9%	6.1%	100.0%
2002	4,318,531	12.3%	9.5%	66.2%	8.7%	3.3%	100.0%

disaggregate terms. We think of the two-wheeler market in four categories:

**1. Models whose on-road price is under Rs.20,000.**

We have concluded that, despite our cost advantages, this is an unviable category for Bajaj Auto. At most, 10 per cent of the market will be in this group.

**2. Models that are priced between Rs.20,000 and Rs.40,000.**

We call this the 'entry level, utility' category. We are, and will continue to be, very firmly ensconced in this zone. Today, our two-wheelers in this category are Boxer, Boxer AT, Boxer CT, two-stroke and four-stroke geared scooters, Spirit and the M-80 two- and four-stroke. We believe that approximately 55 to 60 per cent of the Indian market will be in this zone in the near future.

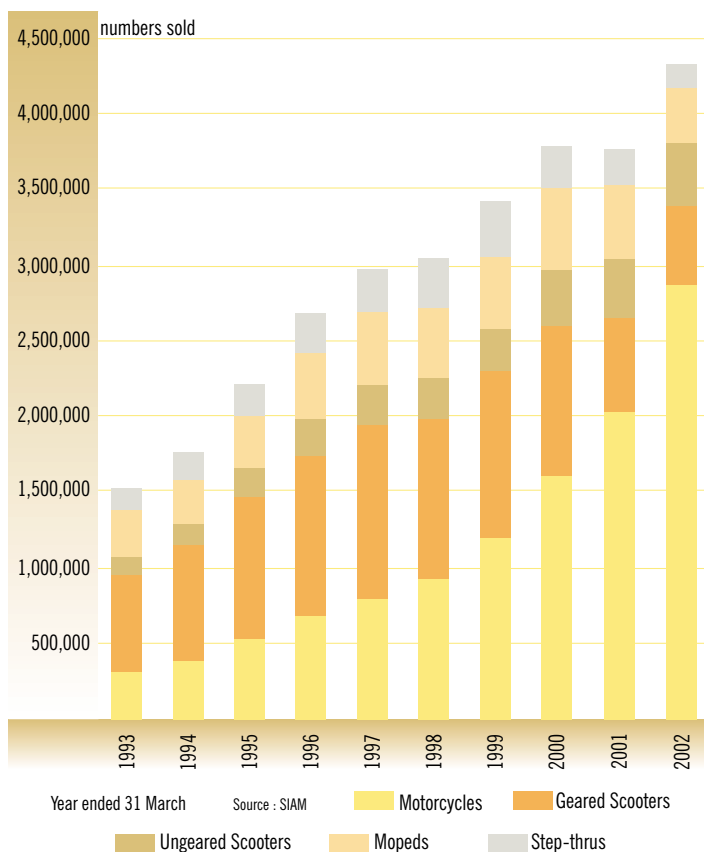
**3. Models that are priced between Rs.40,000 and Rs.60,000.**

For the want of any better word, we call this the 'executive' segment. These are models that are up to Japanese and European standards of engineering, styling and manufacturing, and anyone who produces such models should be able to compete with multinational players of tomorrow. We also want to be strongly present in this segment, which we think will account for something like 30 per cent of the market. Today, Bajaj Auto's Saffire, Caliber, Caliber Croma and the Pulsar 150 fall into this category.

**4. Models priced above Rs.60,000.**

This is the 'premium' segment, which will have considerable 'eyeball prominence', but probably account for a relatively small, but important share of

**CHART B: Industry's sale of two wheelers, segment-wise**



the market. Our Eliminator and Pulsar 180 fall in this category.

Bajaj Auto is very strong in the second segment, and will continue growing this market — which should increase at a faster rate than the 'executive' category. We were relatively weak in the third segment, but have now the relevant products developed for this segment and have seeded it with three motorcycle models. Despite competition from multinationals and today's motorcycle majors, we will grow in this segment in no uncertain terms. And we will be in the premium segment for its technology statement and brand prominence.

Our strategy is simple. We will be aggressive in the 'utility' segment for volumes; we will expand our presence in the 'executive' segment for brand; and we will populate the 'premium' segment for brand as well as for learning.

## Motorcycles

Traditionally, Bajaj Auto was seen as a scooter manufacturer that also produced some models of motorcycles. To survive and grow in a market which was rapidly switching to motorcycles, the company had to change its strategy. It had to show that it could consistently introduce motorcycles that combined the traditional Bajaj Auto qualities of ruggedness, fuel economy and price competitiveness with style, high end features and riding comfort.

The transition began in the mid-1990s, and it was not easy. Early models didn't make the grade, especially compared to the competition. Over time, however, we started learning from our initial failures and, by getting closer to customers, began to produce and deliver models that started capturing market share.

**TABLE 2: Steady growth in Bajaj Auto's market share for motorcycles (numbers)**

Year ended 31 March	Market	BAL	Growth of the market	Growth of BAL's sales	BAL's market share
1993	303,839	34,672	-11.5%	15.2%	11.4%
1994	380,558	42,080	25.2%	21.4%	11.1%
1995	528,043	75,087	38.8%	78.4%	14.2%
1996	660,672	89,675	25.1%	19.4%	13.6%
1997	802,266	129,263	21.4%	44.1%	16.1%
1998	913,956	136,017	13.9%	5.2%	14.9%
1999	1,176,779	200,183	28.8%	47.2%	17.0%
2000	1,612,895	255,176	37.1%	27.5%	15.8%
2001	2,033,196	422,016	26.1%	65.4%	20.8%
2002	2,861,375	656,018	40.7%	55.4%	22.9%

Today, Bajaj Auto is not only the clear number two in motorcycles, but is also showing growth rates that are faster than that of the overall motorcycle market. Table 2 shows the differential growth rate in motorcycle sales, and the company's rise in market share.

As Table 2 shows, Bajaj Auto has been a clear out-performer in motorcycles. The company sold over 656,000 motorcycles in 2001-02 compared to 422,000 in 2000-01 — an increase of 55 per cent versus the overall market growth rate of 41 per cent. In 2001-02, motorcycles accounted for almost 55 per cent of the company's two-wheeler sales volume.

As in last year, the driver of Bajaj Auto's motorcycle sales has been the Boxer. During 2001-02, 497,137 Boxers were sold — a growth of 93 per cent over the sales in 2000-01. In the process the Boxer brand, with its three variants, became the largest selling motorcycles in the 'utility' segment, and the second-largest motorcycle brand in the country. Boxer accounts for a little over three-quarters of the motorcycle sales of the company, and we expect the market to continue growing over the next few years. We are planning to launch a new 100 cc bike in the third quarter of

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2002-03 to further strengthen our presence in this segment, by targeting our college-going youth.

Even before 2001-02, Bajaj Auto had established its presence in the executive and premium segments through the 111 cc Caliber, the Caliber Cromo and the 175 cc Eliminator. During 2001-02, we sold almost 131,000 units on account of these three brands. In November 2001, in order to establish an even stronger presence in these two segments, the company introduced its Pulsar in two variants — 150 cc and 180 cc. With its masculine looks and high performance, the Pulsar has received excellent reviews and has been selected as the best new motorbike of the year by a number of magazines and newspapers. It is a matter of pride for the company that this motorcycle has been conceptualised, designed, developed and commercially produced by Bajaj Auto's engineers within a span of 30 months.

Launched in select cities, the Pulsar has already achieved sales of 12,190 units by 31 March 2002. The brand is shortly going national, and Bajaj Auto hopes to achieve average sales in excess of 10,000 per month in 2002-03.

The coming year, 2002-03, will see the introduction of a 125 cc motorcycle, jointly developed with Kawasaki to be produced at Bajaj Auto's Waluj plant and slated for launch in the fourth quarter. This model will be marketed by Kawasaki for the world market.

With the current motorcycle portfolio, Bajaj Auto now has models spanning the entire price spectrum of the market — from the entry-level Boxer AT priced at Rs.29,990 ex-showroom to the Eliminator priced at Rs.85,000. Each model caters to different needs of our heterogeneous customer base and, in the

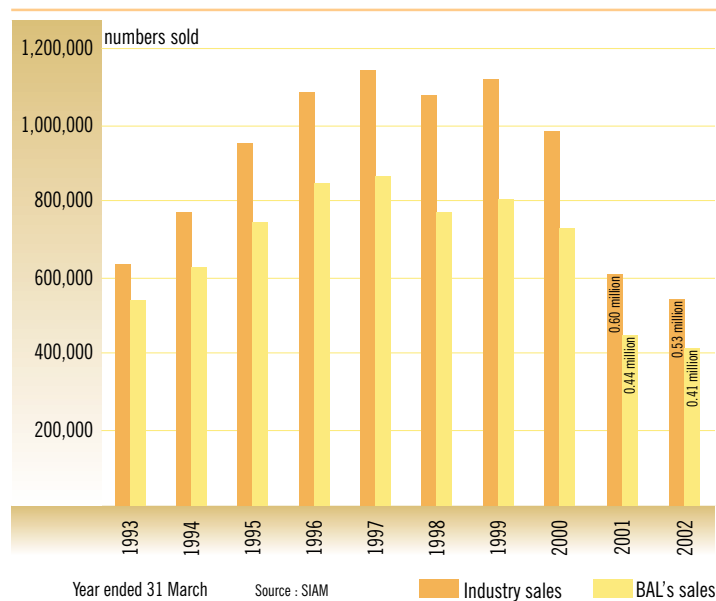
process, offers consumer value across the entire motorcycle spectrum.

### Geared Scooters

As Chart C shows, the decline in the geared scooter market continued in 2001-02. Overall industry sales fell from 0.60 million in 2000-01 to 0.53 million in 2001-02 — a reduction of almost 12 per cent. The faint silver lining was that Bajaj Auto's sales fell by a smaller percentage — 6.4 percent, from 0.44 million in 2000-01 to 0.41 million units in 2001-02. So, in a declining market, the company could marginally increase its market share from 73 per cent to 76 per cent.

The reasons for the decrease in the overall market size of this segment have been detailed in the last year's management discussion and analysis. Nothing has substantively changed since then. To an extent, the steep decline in 1999-2000 and 2000-01 has been arrested by Bajaj Auto introducing utility

CHART C: Geared scooter sales continue to fall



versions of the Chetak and Super in January 2000. We have also launched a four-stroke version of Chetak in January 2002. This vehicle gives a fuel efficiency of 75 kilometres per litre under standard test conditions — an increase of 25 per cent compared to the existing geared scooters. We have also launched the Legend NXT-2, a two-stroke futuristically styled scooter to appeal to aesthetically conscious customers. A four-stroke variant — the Legend NXT-4 — will be launched in 2002-03.

We believe that the above new products will help to effect a bottoming-out of the geared scooter market. To err on the side of caution, Bajaj Auto is projecting a sale of no more than 31,000 units per month for 2002-03. We hope the market will do better than that.

### Ungearred Scooters

These vehicles are primarily used by urban women and college students who prefer an automatic transmission, self-start, less body weight and a size that allows for easy manoeuvrability. With a total industry sales of 0.41 million units, the segment accounts for around 10 per cent of the two-wheeler market. After a sharp 34 per cent growth in 1999-2000, and a further 8 per cent increase in 2000-01, the market increased a mere 0.9 per cent in 2001-02.

Bajaj Auto has three models in this segment — the 60 cc Spice and the Spirit, and the 92 cc Saffire — and has a market share of 16 per cent. During the year, the upgrades of Spirit and Saffire were launched. The company's performance in this segment has not been up to expectations, and sales have dropped by 12 per cent to a little over 66,500 units. We are hoping that with a general increase in urban affluence, the

new versions of Spirit and Saffire will help the company boost its sales in this segment in 2002-03.

### Step thrus

Bajaj Auto continues to lead in this segment with a market share of 48 per cent. However, the segment as a whole has seen a decline in numbers, with industry-wide sales dropping by 38 per cent — from 0.23 million in 2000-01 to 0.14 million in 2001-02. This was because of the rationalisation of the excise duty structure announced in February 2001, which reduced the price differential vis-à-vis motorcycles. As the market leader, Bajaj Auto, too, saw its sales shrink from over 120,500 units in 2000-01 to just a little over 68,000 units in 2001-02.

While the excise duty rationalisation has been a blow to the fortunes of the step-thru segment, it is still viewed by a section of consumers as a low cost, fuel efficient workhorse. Our strategy in this segment is to deliver value at relatively low prices, enhance product differentiation, and try to slowly grow the market. During the year, Bajaj Auto has launched a four-stroke version of the M80 which, we hope, will play an important role in achieving our objective.

### Bajaj Auto's two-wheeler product portfolio

Four years ago, when Bajaj Auto commenced the process of transformation, the company had a product mix that was well out of line with that of the two-wheeler market. Thanks to the process of change — delivered through new models and flexible manufacturing capabilities within all its three plants — the company's

**TABLE 3: Bajaj Auto (BAL) is aligning its product mix with that of the market (% units sold)**

Year	Geared scooters		Ung geared scooters		Motorcycles		Step-thrus	
	Industry	BAL	Industry	BAL	Industry	BAL	Industry	BAL
1999	32.7%	65.3%	8.3%	3.9%	34.6%	16.0%	9.8%	14.8%
2002	12.3%	34.0%	9.5%	5.5%	66.2%	54.8%	3.3%	5.7%

product portfolio today is in line with the market as a whole. Table 3 shows this very clearly.

### Three-wheelers

At the level of the industry, the three-wheeler segment has shown a growth of almost 9 per cent over the previous year — from 0.21 million units in 2000-01 to 0.23 million units in 2001-02. Bajaj Auto continues to maintain its leadership in this market with a 70 per cent market share. In the year, Bajaj Auto sold over 160,500 units, compared to over 155,000 in 2000-01. Our one millionth rear engine autorickshaw rolled out on 13 October 2001, creating a landmark for the three-wheeler business. With this over two million Bajaj three-wheelers have been produced.

The market can be segmented into passenger and goods carrier categories. While Bajaj Auto continued its dominance in the passenger segment, it has lost ground in the goods carrier segment. This is primarily due to availability of new vehicles in the market with higher carrying capacity. To address this, the company intends to launch a range of goods carriers with higher payload capacities in the fourth quarter of this fiscal year.

The demand in the passenger segment of this market is driven by the permits issued by the various state and local governments. Further, increased concern for the environment is resulting in courts and governments issuing guidelines

barring vehicles beyond a certain age from plying within city limits — and registration of new vehicles are increasingly restricted only to those which run on clean fuels.

Bajaj Auto today is the only manufacturer, offering a variety of environmentally friendly vehicles running on clean fuels like CNG and LPG. We intend to leverage this technological strength to capture the replacement demand with our clean-fuel vehicles. A beginning was made in Delhi over a year ago, and in the last year alone Bajaj Auto sold over 14,000 CNG autorickshaws in the capital. With Mumbai, Bangalore and Hyderabad having recently announced restrictions on registering vehicles not running on clean fuels, we believe Bajaj Auto will enjoy considerable up-side in this segment in the years to come.

### Operations

Over the past few years the three plants at Akurdi, Waluj and Chakan have emerged as flexible, high quality, cost effective manufacturing facilities producing world class products at competitive prices. This has been possible through a focused upgradation towards flexible manufacturing capacities, higher quality and productivity through the continued implementation of TPM (Total Productive Maintenance), and a skilled and motivated workforce.

**TABLE 4: Distribution of products across plants**

Plant	2000-01	2001-02
Akurdi	Gearred scooters, Step thrus, Three-wheelers	Gearred scooters, Step thrus
Waluj	Ungeared scooters, Gearred scooters, BAL-KHI motorcycles, Step thrus, Three-wheelers	BAL-KHI motorcycles, Three-wheelers
Chakan	Ungeared scooters	Ungeared scooters, BAL motorcycles

## Flexible manufacturing facilities

In the year under review, Bajaj Auto realigned its manufacturing facilities to optimise production and further improve quality and consolidate the supply base. The distribution of products across plants is given in Table 4.

Although products are distributed across the three plants, each is flexible enough to meet peaks in the requirements of other plants — thus optimally utilising any spare capacity. The surplus capacity and manpower at the Akurdi plant continues to be utilised to supply parts for Bajaj Auto-Kawasaki motorcycles and three-wheelers at Waluj, and for the indigenously designed Pulsar motorcycle and ungeared scooters at Chakan. Table 5 shows the installed capacities plant-wise as on 31 March 2002.

**TABLE 5: Plant-wise capacities as on 31 March 2002**

Plant capacity (numbers per year)	
Akurdi	960,000
Waluj	1,140,000
Chakan	240,000
<b>Total</b>	<b>2,340,000</b>

The TPM movement continues at the Akurdi plant, where in 2001-02 it has been extended to all manufacturing cells. In addition, the TPM initiative was adopted at Waluj on 5 May 2001. A group of vendors have also been identified, and TPM is currently being implemented at their plants. TPM has

contributed to gains in production rate per hour, higher overall equipment effectiveness (OEE), significantly lower breakdown and losses per month.

## Building research and development capabilities

Bajaj Auto continues to develop motorcycles with Kawasaki and use the support of design houses like Tokyo R&D to develop new products. However, we are equally clear that to be one of the leading two- and three-wheeler manufacturers in the world, we must build world-class in-house R&D capabilities, supplemented with equally world-class production facilities. We believe that in the coming years, the strength of in-house R&D capability will clearly distinguish Bajaj Auto from competition — both local and those dependent on foreign support.

Bajaj Auto has a R&D setup since 1973. This belief in in-house R&D has resulted in regular introduction of Bajaj designed products like the two-stroke M80 and the rear engine three-wheeler. However, realising the rapidly changing needs of the discerning customers, the company has introduced in the past five years a number of exciting new products in quick succession — the Spirit and Saffire, the M80 four-stroke step thru, the fuel efficient Chetak four-stroke scooter, the Pulsar motorcycle, and the environmentally friendly CNG three-wheeler. Product development time has crashed from 48 months for the Saffire to barely 30 months for the Pulsar.

Realising the need to get closer to its customers, Bajaj Auto is in the process of increasing the number of dealers to cover all towns with a population of over 100,000.

A team of 350 engineers supported by another 100 staff drives the product engineering initiatives of the company. Five product platform groups continuously churn out upgrades and new products, while simultaneously addressing customer field problems and improving quality and performance of existing products. This strategic resource is equipped with the latest R&D equipment and facilities. In the last five years Bajaj Auto has invested over Rs.1.9 billion in this area. In 2001-02, the company embarked on the creation of a brand new product development and testing complex at Akurdi. We believe that these investments will propel the company into an exciting future.

### Partnering with vendors

Bajaj Auto's drive towards vendor rationalisation continued in 2001-02, resulting in a current base of 285. Further rationalisation is planned to reduce the vendor base to around 225 by the end of 2002-03. A smaller base is expected to pay rich dividends as vendors will enjoy larger orders and better capacity utilisation — which should create the impetus to invest in advanced manufacturing and product development technologies. As discussed earlier, the implementation of TPM across critical vendors should further this initiative.

We have also been instrumental in supporting our vendor base with foreign tie-ups in critical areas like electricals, suspension and braking, and transmission. This smaller but highly capable group of vendors provide design support, supply quality parts directly to the production line, and regularly improve product reliability while reducing cost.

### Reaching out to customers

The 400-plus strong dealer base, supported by over 1,000 authorised service centres, represent the face of the company to its customers. Over the past few years, Bajaj Auto has standardised dealer showrooms and service areas to present a common and consistent external face. Themes like Planet-Bajaj, and Eliminator and Pulsar enclaves have created a pleasurable buying experience for customers.

Realising the need to get closer to its customers, Bajaj Auto is in the process of increasing the number of dealers to cover all towns with a population of over 100,000. A new class of dealers is being developed to specifically cater to the increasing rural demand. Existing dealers are also encouraged to participate in this move.

To measure and improve the quality of service to customers, the company is developing a Customer Satisfaction Index model which will be implemented across select dealerships in the coming year.

### Our people — our most important asset

From a mammoth organisation of 21,000 employees five years ago, Bajaj Auto is transforming itself into a flatter, leaner, more decentralised organisation that will be capable of faster decision-making to rapidly adapt to changing business situations. Currently, the company employs 13,482 people. Table 6 shows how output per person per year has increased from 67.7 vehicles per year in 1997 to 100.6 in 2002.

In 2001-02, the company embarked on an organisation restructuring exercise. Focused sales, service and product

development teams were created for two- and three-wheelers; and the production, maintenance and quality functions were integrated into a common manufacturing function. These initiatives should lead to greater ownership and faster action at all operating levels. The next phase of restructuring will aim to reduce another management layer, further enhancing accountability and speed of decision-making.

With the objective of grooming future talent, a 'development centre' exercise was undertaken covering 90 young executives — and the output is being used in further development through training, job rotation and career planning. For middle-level management, leadership competencies are being identified and built using 'grid' methodologies.

Commitment of a team is directly related to the role of top management. Their quality and style determines the culture of the organisation. To facilitate development of top management, a 360-degree feedback exercise was conducted in 2001-02. 27 top management executives were given feedback from superiors, peers and subordinates, based on which self-development plans have been initiated.

While building internal talent, there is also the unfortunate but inevitable requirement to identify those whose skill sets are not in line with future needs. VRS programmes were continued in 2001-02 to provide an exit option to such employees. A total of 171 employees accepted the Voluntary Retirement Scheme in 2001-02.

### Living in the information age — ERP implementation

To keep abreast with rapidly changing external and internal environments, Bajaj

**TABLE 6: Growing employee productivity at Bajaj Auto**

Year	Production (numbers)	No. of employees	Output per employee
1997	1,439,174	21,273	67.7
1998	1,354,482	18,589	72.9
1999	1,381,765	18,585	74.3
2000	1,432,471	17,213	83.2
2001	1,212,748	13,819	87.8
2002	1,356,463	13,482	100.6

Auto decided to upgrade its information systems with the installation of 'mySAP' — an ERP solution from SAP India.

The 16-month roll-out process started in December 2001, and will go live in stages starting from July 2002.

The information system will seamlessly link the entire supply chain in real time — from dealers to the manufacturing plants to the vendors. In addition, it will cover all major internal operational transactions and also offer strategic business support solutions to management. Underlying this ERP implementation is a business process re-engineering activity across the company aimed at eliminating waste and creating a leaner, more responsive environment. This ERP plan involves a total expenditure of around Rs.300 million, of which Rs.99 million was incurred in 2001-02.



## Financials

The strategy of Bajaj Auto to continuously drive the top-line growth through aggressive marketing while continuously striving to improve efficiencies in its operations, has resulted in significant improvement in the financials for the current year. Sales for the year was Rs.41.26 billion as against Rs.35.88 billion in 2000-01 — an increase of 15 per cent. Total turnover of Bajaj Auto for the year under review increased from Rs.39.64 billion to Rs.44.03 billion. Earnings before interest, depreciation, tax and amortisation (EBITDA) on operations increased from 9.8 per cent of net sales and other operating income, to 16.8 per cent in 2001-02. Profit after tax for the year increased from Rs.2,626 million to Rs.5,211 million — an increase of 98 per cent.

We start this part of the discussion on financials with the summarised profit and loss account, which is given in Table 7.

TABLE 7: Summarised profit and loss account, 2001-02 (Rs. million)

	2001-2002	2000-2001
<b>Operations</b>		
Sales	41,256	35,880
Less: excise duty	5,256	5,621
Net sales	36,000	30,259
Other operating income	958	1,019
<b>Total operating income</b>	<b>36,958</b>	<b>31,278</b>
Cost of materials consumed, net of expenditure capitalised	23,412	20,623
Share of material cost	63.3%	65.9%
Stores and tools	544	595
Share of stores and tools	1.5%	1.9%
Labour cost	2,379	2,444
Share of labour cost	6.4%	7.8%
Factory and administrative expenses	1,949	2,046
Share of factory and administrative expenses	5.3%	6.5%
Sales and after sales expenses	2,469	2,518
Share of sales and after sales expenses	6.7%	8.1%
<b>Total expenditure</b>	<b>30,753</b>	<b>28,226</b>
<b>Operating profit (EBITDA)</b>	<b>6,205</b>	<b>3,052</b>
<b>Operating profit as a share of total operating income</b>	<b>16.8%</b>	<b>9.8%</b>
Interest	34	74
Depreciation	1,337	1,229
<b>Net operating profit</b>	<b>4,834</b>	<b>1,749</b>
<b>Non-operating income</b>		
Income	1,602	2,640
Expenses	202	139
Depreciation	234	430
<b>Non-operating income, net</b>	<b>1,166</b>	<b>2,071</b>
<b>Windfarm operations</b>		
Income	211	100
Expenses	107	111
Depreciation	226	114
<b>Windfarm operations, net</b>	<b>(122)</b>	<b>(125)</b>
<b>Extraordinary items</b>		
• Expenses – VRS	—	799
• Income – Premium received on insurance venture	1,170	—
<b>Profit before taxation</b>	<b>7,048</b>	<b>2,896</b>
Provision for taxation – current	1,404	270
– deferred	433	—
<b>Profit after taxation</b>	<b>5,211</b>	<b>2,626</b>
Prior years adjustments	(29)	(126)
<b>Disposable surplus</b>	<b>5,182</b>	<b>2,500</b>

**TABLE 8: Break-up of sales (value in Rs. million)**

Product	2001-2002		2000-2001		% to total units		% to total value	
	Units	Value	Units	Value	2001-02	2000-01	2001-02	2000-01
Motorcycles	656,018	18,934	422,016	12,767	48.3%	34.9%	45.9%	35.6%
Scooters geared	407,670	7,506	435,699	8,346	30.0%	36.0%	18.2%	23.2%
Scooters ungeared	66,603	1,523	75,596	1,639	4.9%	6.3%	3.7%	4.6%
Step-thrus	68,005	1,342	120,590	2,261	5.0%	10.0%	3.2%	6.3%
<b>Total two-wheelers</b>	<b>1,198,296</b>	<b>29,305</b>	<b>1,053,901</b>	<b>25,013</b>	<b>88.2%</b>	<b>87.2%</b>	<b>71.0%</b>	<b>69.7%</b>
<b>Three wheelers</b>	<b>160,684</b>	<b>9,758</b>	<b>155,177</b>	<b>8,801</b>	<b>11.8%</b>	<b>12.8%</b>	<b>23.7%</b>	<b>24.5%</b>
<b>Total vehicles</b>	<b>1,358,980</b>	<b>39,063</b>	<b>1,209,078</b>	<b>33,814</b>	<b>100.0%</b>	<b>100.0%</b>	<b>94.7%</b>	<b>94.2%</b>
Spare parts	N.A.	2,193	N.A.	2,066			5.3%	5.8%
<b>Total sales</b>	<b>1,358,980</b>	<b>41,256</b>	<b>1,209,078</b>	<b>35,880</b>			<b>100.0%</b>	<b>100.0%</b>

### Analysis of sales

Gross sales for the year 2001-02 was Rs.41.26 billion against Rs.35.88 billion in 2000-01. The dominant share of motorcycles in the overall product portfolio is evident in Table 8, which gives the details of sales in volume and value across Bajaj Auto's product categories.

### Exports

With scale economies, cost competitiveness and the quality of its products, Bajaj Auto believes that the world could be its market. As a first step towards reaching out, Bajaj Auto has identified two countries — Brazil and Indonesia — to test international marketing and sales strategies in regions as diverse as South America and South East Asia.

**TABLE 9: Product-wise exports of Bajaj Auto (numbers)**

Product	2001-2002	2000-2001
Motorcycles	15,811	5,804
Scooters geared	8,694	6,656
Scooters ungeared	2,536	3,028
Step-thrus	2,651	624
<b>Total two-wheelers</b>	<b>29,692</b>	<b>16,112</b>
<b>Three wheelers</b>	<b>14,619</b>	<b>14,540</b>
<b>Total vehicles</b>	<b>44,311</b>	<b>30,652</b>

Our exports increased from Rs.1.35 billion in 2000-01 to Rs.1.59 billion in 2001-02. In volume terms, our exports grew by 45 per cent — from 30,652 units to 44,311 units. This makes Bajaj Auto the country's largest exporter of two- and three-wheelers. Product-wise exports for the current and the previous financial year are given in Table 9.

However, this growth in exports is only the beginning. Much more needs to be achieved before we can claim to be a global company.

### Materials, stores and tools

Materials, stores and tools form a major part of Bajaj Auto's total costs. During the year, therefore, major initiatives were undertaken in this area. In June 2000, we had targeted a reduction in total cost of our motorcycle range of products by Rs.4,000 per unit, of which material, stores and tools comprised a major portion. Through our efforts in the areas of supply chain, value engineering and indigenisation, the target was achieved. Also, closer interaction with vendors in managing their costs has also ensured that Bajaj Auto had a better control over its input costs.

Consequently, the percentage of materials to net sales and other operating income has reduced from 65.9 per cent in 2000-01 to 63.3 per cent in 2001-02; and stores and tools from 1.9 per cent to 1.5 per cent. It should be noted that the reduction in material cost is despite the fact that the sales mix is distinctly tilted in favour of motorcycles — which has a higher material content compared to that of geared scooters.

## Factory and administration costs

During the year, Bajaj Auto undertook a comprehensive review of its factory and administrative costs incurred in the various plants. Table 10 highlights some of the areas where the company saved aggregate costs, despite a 12 per cent increase in the number of Bajaj Auto's two- and three-wheelers sold. With net sales and other operating income increasing from Rs.31.28 billion in 2000-01 to Rs.36.96 billion in 2001-02, Bajaj Auto has reduced the share of factory and administrative costs from 6.5 per cent in 2000-01 to 5.3 per cent in 2001-02.

TABLE 10: Savings in factory and administration costs (Rs. million)

	2001-2002	2000-2001	Reduction
Power, fuel and water	636	710	10.4%
Repairs to buildings and roads	57	93	38.7%
Repairs to machinery	238	331	28.1%
Repairs – others	25	48	47.9%
<b>Total</b>	<b>956</b>	<b>1,182</b>	<b>19.1%</b>

## Sales and after sales expenses

The share of this item of expenditure to the net sales and other operating income has reduced from 8.1 per cent in 2000-01 to 6.7 per cent in 2001-02. Of these, advertisement cost has dropped from 3.3 per cent of net sales and other operating income in 2000-01 to 2.4 per cent this year. Moreover, by ensuring continuous improvement in the quality of components through collaborative efforts with vendors, we have been able to contain the costs incurred on warranty. This is despite an extended warranty period on certain range of motorcycles.

## Treasury operations

Table 11 gives Bajaj Auto's non-operating income by financial categories.

During the year, Bajaj Auto has provided a sum of Rs.82.7 million towards impairment in carrying costs of its financial assets. In addition, as part of its attempt to liquidate non-performing equity assets, it has booked a loss of

TABLE 11: Income from investment of surplus funds (Rs. million)

	2001-2002	2000-2001
Dividends	592	342
Interest on debentures and bonds	291	536
Interest on government securities	18	30
Interest on inter-corporate deposits and other loans	364	494
Income from mutual fund units	79	139
Lease rent and equalisation	234	439
Profit on sale of investments	—	250
Surplus on redemption of securities	—	129
Interest on fixed deposits	6	45
Others	—	20
Sub-Total	1,584	2,424
Interest on tax refunds	18	216
<b>Total Non-operating Income</b>	<b>1,602</b>	<b>2,640</b>
Non-operating expenses	436	569
<b>Net non-operating income</b>	<b>1,166</b>	<b>2,071</b>

Rs.738 million. The loss on the equity has been set-off against the gains made under the same head — resulting in a net loss of Rs.19 million. We intend to continuously identify and liquidate the non-performing assets in our portfolio.

The guiding principle of Bajaj Auto's investment strategy has been that of prudence. To this extent, a major portion of investment in surplus funds are in fixed income securities. As per our current policy, we earmark 75 per cent of total surplus funds for investment in fixed income securities. Table 12 profiles Bajaj Auto's investments in the current and the previous financial year.

During the previous financial year, Bajaj Auto bought back 15 per cent of its equity share capital at Rs.7.28 billion. In addition, the VRS scheme involved a one-time pay out of Rs.800 million. To fund this requirement, Bajaj Auto encashed a major portion of fixed investment securities. As a result, the share of the fixed income securities in its portfolio stood lower at 56.2 per cent. During the year, Bajaj Auto invested Rs.1.92 billion in the insurance joint ventures, and received Rs.1.17 billion as goodwill premium. This investment has been the only major equity investment made during the year.

The cost and market value of total investments as of 31 March 2002 was Rs.22.56 billion and Rs.21.01 billion, versus Rs.16.36 billion and Rs.15.22 billion as of 31 March 2001, respectively.

## Operating working capital and return on capital employed

Bajaj Auto's focus was not only restricted to reducing its operating costs, but also extended to optimum working capital management. This resulted in a reduction

of working capital, and in an improvement in its return on capital employed. Table 13 highlights the various components of the operating working capital as on 31 March 2002, with the corresponding figures as on 31 March 2001.

**TABLE 12: Bajaj Auto's investment of surplus funds (Rs. million)**

As at 31 March	2002	% to total	2001	% to total
Government securities and bank deposits	5,797	25.6	4	—
Mutual funds including UTI	510	2.3	696	4.3
Debentures and bonds	4,040	17.9	2,860	17.5
Preference shares	917	4.1	1,115	6.8
Inter-corporate deposits	2,609	11.6	3,613	22.1
Loan to Bajaj Auto Holdings Ltd.	184	0.8	53	0.3
Leased assets	—	—	846	5.2
<b>Fixed income investments</b>	<b>14,057</b>	<b>62.3</b>	<b>9,187</b>	<b>56.2</b>
Equity shares and equity share based mutual funds	8,499	37.7	7,174	43.8
<b>Total</b>	<b>22,556</b>	<b>100.0</b>	<b>16,361</b>	<b>100.0</b>

**TABLE 13: Operating working capital (Rs. million)**

As at 31 March	2002	2001
<b>Current assets</b>		
Inventories	1,791	2,534
Sundry debtors	1,982	1,207
Cash and bank balances	152	213
Other current assets	1,275	1,628
Sub-total	5,200	5,582
<b>Less: Current liabilities</b>		
Acceptances	30	40
Sundry creditors	3,909	3,526
Advance against orders	151	153
Other current liabilities	93	100
Cash credit	318	560
Sub-total	4,501	4,379
<b>Working capital</b>	<b>699</b>	<b>1,203</b>

**TABLE 14: Return on operating capital (Rs. million)**

	As at 31 March 2002	As at 31 March 2001
Fixed assets	10,910	11,373
Technical know-how	128	160
Working capital	699	1,203
<b>Total</b>	<b>11,737</b>	<b>12,736</b>
Operating profit after interest and depreciation	4,834	1,749
<b>Pre-tax return on operating capital employed</b>	<b>41%</b>	<b>14%</b>

Thanks to the partnership programme of Bajaj Auto with its vendors, the company succeeded in minimising overall inventory levels. Inventory of raw materials and components has reduced from 13 days as 31 March 2001 to 7 days on 31 March 2002; spare parts from 88 days to 60 days; and finished goods from 8 days to 6 days.

Debtors, however, increased from Rs.1,207 million as on 31 March 2001 to Rs.1,982 million on 31 March 2002. This was the outcome of four bank holidays during the last week of March 2002.

Increase in the pre-tax return on operating capital employed — from 14 per cent in 2000-2001 to 41 per cent in 2001-02 — is the result of our prudent approach to capacity expansion. Table 14 gives the pre-tax return on operating capital. Since we plan no significant increase in capacity in 2002-03, we expect a growth in the return on operating capital through higher operating margins and better working capital management.

### Wind power project

The wind power project has been completed in the current financial year. A total of 138 windmills have been set up in Supa (Ahmednagar district, Maharashtra) and Vankusavade (Satara

district, Maharashtra). With the completion of these windmills, Bajaj Auto has a total installed capacity of 65.2 MW of power. The total capital cost involved in setting up these windmills was Rs.2,941 million. It is expected that the wind power project will meet approximately 90 per cent of Bajaj Auto's current power requirements.

The project is extremely beneficial on a standalone basis and has a payback period of three years with an internal rate of return in excess of 28 per cent. In addition to hedging Bajaj Auto's power costs, this investment also provides sales tax incentives and an income tax shield.

### Extraordinary item of income/ expenditure

During the year, Bajaj Auto invested Rs.1.92 billion in the equity share capital of two joint-ventures which was promoted with Allianz AG, for the foray in the general and life insurance sectors. The company received Rs.1.17 billion from Allianz AG as premium towards goodwill. This is a one-time income, and is reflected under extraordinary income in the profit and loss account.

### Consolidation of accounts and segment reporting

The Company has consolidated financial statements of Bajaj Auto Limited and its subsidiaries in accordance with Accounting Standard 21 issued by The Institute of Chartered Accountants of India. The Consolidated accounts have been prepared for each business segment and the segment wise results are summarised in Table 15.

TABLE 15: Segment Revenue and Segment Results (Rs. million)

Segment Revenue		Segment Results Profit/(Loss) from each segment before Interest and tax	
Automotive	42,214	Automotive	4,863
Insurance	367	Insurance	(334)
Investment and others	1,817	Investment and others	1,036
<b>Total</b>	<b>44,398</b>	<b>Total</b>	<b>5,565</b>
Less: Inter segment Revenue	219	Less: Interest	25
<b>Total</b>	<b>44,179</b>	Add: Premium on Insurance Venture	1,170
		<b>Profit before Tax</b>	<b>6,710</b>

## Cautionary statement

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



## CORPORATE GOVERNANCE

Bajaj Auto has been committed to good corporate governance practices long before the advent of Clause 49 of the Listing Agreement with stock exchanges. Being a value-driven organisation, we have always worked towards building trust with shareholders, employees, customers, suppliers and diverse stakeholders on four key elements of corporate governance — transparency, fairness, disclosure and accountability. The company's position in today's corporate world has as much to do with performance as with its reputation for integrity and transparency.

During 2001-02, as in the past several years, Bajaj Auto's corporate governance practices and disclosures have not only complied with the statutory and regulatory requirements, but also gone well beyond the legal mandate. Given below are the company's corporate governance policies and practices in accordance with the provisions of clause 49 of the Listing Agreement.

### Board of directors

#### Composition

The board of Bajaj Auto consists of eleven directors, seven of whom are non-executive. Six out of the seven non-executive directors are independent (see Table 1). During the year, the board of directors appointed, subject to the approval of the shareholders in the forthcoming general meeting, Rajiv Bajaj, President, as a director for a period of five years with effect from 5 March 2002.

With the induction of Rajiv Bajaj, the company now has four whole-time,

executive directors on the board, inclusive of the Chairman, Vice-chairman and two other whole-time directors. According to clause 49, if the Chairman is an executive, at least half of the board should consist of non-executive, independent directors. This provision is more than adequately met at Bajaj Auto. There are seven non-executive directors, of which six are independent as defined by clause 49 — which ensures a good blend of executive and independent directors, and achieves the desired level of independence of the board. All non-executive directors are persons of eminence, and bring a wide range of expertise and experience to the board.

As per statutory requirements, at least two-third of the board should consist of retiring directors. Of these, one-third are required to retire every year and, if eligible, may seek re-appointment by the shareholders. Eight out of the eleven directors in Bajaj Auto will be retiring directors. The board has no institutional directors.

#### Board procedures

During the year 2001-02, the board of directors met seven times on the following dates: 7 May 2001, 28 July 2001, 18 September 2001, 24 October 2001, 16 January 2002, 5 March 2002 and 8 March 2002. The gap between any two meetings never exceeded three months, compared to the mandated requirement of no more than four months in clause 49. The dates of the meetings were generally decided well in advance.

Being a value-driven organisation, we have always worked towards building trust with shareholders, employees, customers, suppliers and diverse stakeholders on four key elements of corporate governance — transparency, fairness, disclosure and accountability.

## Attendance record of directors

Table 1 gives the composition of the board and the attendance record of all the directors at the seven board meetings held during 2001-02, as well as at the last annual general meeting.

## Information supplied to the board

The board of Bajaj Auto is presented with all the relevant information on various vital matters affecting the working of the company, as well as those that require deliberation at the highest level. Extensive information is provided on various critical items such as: (i) production, sales and capital expenditure budgets, (ii) sales and financial performance statistics, (iii) review of plant-wise business, (iv) staff matters, including senior appointments and extensions, (v) legal proceedings by or against the company, (vi) share transfer and demat compliance, (vii) quarterly financial results, (viii) joint venture arrangements, (ix) significant labour and human relations matters, (x) voluntary retirement schemes, (xi) IT strategies and related investments, (xii) leave and licence agreements, (xiii) legal compliance reporting system, (xiv) insider trading disclosure procedures, and other such matters.

## 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.

It can be seen that 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 was a director.

**TABLE 1: Composition of the board and attendance record of directors for 2001-02**

Name of director	Category	Meetings attended	Whether attended last AGM on 28 July 2001
Rahul Bajaj	Chairman and Managing Director, executive	7	Yes
Madhur Bajaj	Vice Chairman and whole-time director, executive	7	Yes
D S Mulla	Non-executive, independent	6	Yes
Kantikumar R Podar	Non-executive, independent	4	No
Atul C Kirloskar	Non-executive, independent	6	Yes
Shekhar Bajaj	Non-executive	5	Yes
D J Balaji Rao	Non-executive, independent	5	Yes
D S Mehta	Whole-time director, executive	5	Yes
J N Godrej	Non-executive, independent	3	No
S H Khan	Non-executive, independent	6	Yes
Rajiv Bajaj *	President and whole-time director, executive	2	NA

**Note:** \* Appointed effective from 5 March 2002

**TABLE 2: Outside directorships/committee positions as on 31 March 2002**

Name of director	In listed companies	In unlisted public limited companies	As chairman/member of board committees
Rahul Bajaj	3	3	-
Madhur Bajaj	3	4	-
D S Mulla	6	1	7
Kantikumar R Podar	4	-	-
Atul C Kirloskar	6	2	3
Shekhar Bajaj	3	5	2
D J Balaji Rao	4	1	6
D S Mehta	5	4	8
J N Godrej	4	7	7
S H Khan	1	4	2
Rajiv Bajaj	1	1	-

**Notes** (1) Private limited companies, foreign companies and companies under section 25 of the Companies Act, 1956 are excluded for the above purposes. (2) Only audit committee, shareholders' grievance committee and remuneration committee are considered for the purpose of committee positions as per listing agreement.

## Pecuniary relationship or transactions of non-executive directors

1. Shekhar Bajaj and J N Godrej are directors and shareholders of Bajaj Electricals Limited and Godrej & Boyce Manufacturing Company Limited respectively. Both companies are vendor companies of Bajaj Auto. Purchases of goods from these companies have been in the ordinary course of business and, for the year ended 31 March 2002, amounted to Rs.141 million and Rs.21 million respectively.

2. Inter-corporate loans amounting to Rs.40 million were extended and/or renewed to Bajaj Electricals Limited during the year under review. The outstanding amount of loan as at 31 March 2002 was Rs.40 million.

3. Shekhar Bajaj is a director of Hind Musafir Agency Private Limited, an accredited travel agency. Necessary government approval for availing of the travel related services from this company has been obtained by Bajaj Auto in terms of the provisions of section 297 of the Companies Act, 1956. This approval is valid upto 31 March 2005. During the year under review, the total value of services availed of by Bajaj Auto from Hind Musafir Agency Private Limited amounted to Rs.15 million.

4. The Register of Contracts maintained by the company according to the provisions of 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 held from time to time.

## Audit committee

### Constitution and composition

Bajaj Auto set up its audit committee way back 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 not only to comply with various requirements under the Companies Act, 1956 and clause 49 of the Listing Agreement, but also to bring about greater effectiveness of the committee.

The present audit committee consists of four directors:

1. D S Mulla, Chairman
2. D J Balaji Rao
3. J N Godrej
4. Atul Kirloskar (appointed on 7 May 2001).

All members of the audit committee are independent, non-executive directors. D J Balaji Rao has a strong financial and accounting background.

### Meetings and attendance and topics discussed

During 2001-02, the audit committee met four times — on 7 May 2001, 20 July 2001, 24 October 2001 and 16 January 2002. 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 of the company and those executives of the company who were considered necessary for providing inputs to the committee. The Company Secretary acted as the secretary to the audit committee.

During the year, out of the four audit committee meetings, D S Mulla (chairman) was present at all the meetings, D J Balaji Rao was present at three and J N Godrej at two meetings. Atul Kirloskar attended all the three meetings held after his appointment as a member of the committee.

The terms of reference of the audit committee are extensive and include all that is mandated in clause 49 of the Listing Agreement and section 292A of the Companies Act, 1956. Apart from overseeing and monitoring the financial reporting system within the company and considering unaudited and audited financial results for the relevant quarter, half-year and the year before being adopted by the board, the audit committee focused its attention on topics such as review of annual budgets, annual internal audit plan, legal compliance reporting system, introduction of the enterprise resource planning (ERP) package, review of investment guidelines, presentation of segment-wise reporting, review of internal control systems, major accounting policies and practices, compliance with accounting standards and risk management. The committee also continued to advise the management on areas where greater internal audit focus is needed and on new areas to be taken up for audit purposes.

## Remuneration committee

Bajaj Auto constituted a remuneration committee of the board at its board of directors' meeting held on 16 January 2002, with the following non-executive independent directors as its members:

1. D J Balaji Rao (Chairman)
2. D S Mulla
3. Atul Kirloskar

The following terms of reference have been specified for the committee:

- To determine the company's policy on and approve, remuneration packages for executive directors and their relatives working in the company, including pension rights and compensation payment.
- To approve the remuneration payable to the managerial personnel (under the Companies Act, 1956), taking into account the financial position of the company, trend in the industry, the appointee's qualification, experience, past remuneration and performance.

During the year under review, the remuneration committee met on 5 March 2002 and approved the following:

1. Remuneration payable to Rajiv Bajaj, President and whole-time director, subject to the approval of the shareholders.
2. Revision in remuneration payable to Sanjiv Bajaj, Vice President (Finance), and a relative of some directors, subject to the approval of the shareholders and the Central Government.
3. Revision in commission payable to Madhur Bajaj, Vice Chairman and whole-time director, subject to the approval of the board.

## Remuneration of directors

### Remuneration of non-executive directors

Non-executive directors are paid a sitting fee of Rs.2,000 for every meeting of the board or committee attended by them. Based on their attendance at the board and the committee meetings, the non-executive directors, as per approval of the Central Government obtained during

the year, can be paid upto an aggregate amount of Rs.2.4 million per year by way of commission on net profits. This approval is valid for a period of five years commencing from 2001-02.

### Remuneration of executive directors

The terms of remuneration of Rahul Bajaj, Madhur Bajaj and D S Mehta have already been fixed by the board of directors and approved by the shareholders. The terms regarding commission payable to Madhur Bajaj were revised with effect from 1 April 2002 by the board at its meeting held on 5 March 2002 as per recommendation made by the remuneration committee and this was within the overall approval given earlier by the shareholders. The terms of remuneration of Rajiv Bajaj, who was appointed as an additional director with effect from 5 March 2002, were fixed by the board of directors at its meeting held on the same date, after the approval given by the remuneration committee. Rajiv Bajaj's appointment to the board and remuneration are to be approved at the forthcoming general meeting of the company.

On their retirement, all the executive directors, including the managing director, are entitled to superannuation benefits payable in the form of an annuity from the Life Insurance Corporation 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, such instruments do 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.

**TABLE 3: Remuneration paid/payable to directors during 2001-02**

Director	Relationship with other directors	Sitting fees Rs.	Salary and perquisites Rs.	Commission Rs.	Total Rs.
Rahul Bajaj	Cousin of Shekhar Bajaj and Madhur Bajaj and father of Rajiv Bajaj	-	3,365,411	2,400,000	5,765,411
Madhur Bajaj	Cousin of Rahul Bajaj and brother of Shekhar Bajaj	-	2,336,357	1,200,000	3,536,357
D S Mulla	-	24,000	-	240,000	264,000
Kantikumar R Podar	-	8,000	-	80,000	88,000
Atul C Kirloskar	-	18,000	-	180,000	198,000
Shekhar Bajaj	Cousin of Rahul Bajaj and brother of Madhur Bajaj	10,000	-	100,000	110,000
D J Balaji Rao	-	20,000	-	200,000	220,000
D S Mehta	-	-	1,164,581	-	1,164,581
J N Godrej	-	10,000	-	100,000	110,000
S H Khan	-	12,000	-	120,000	132,000
Rajiv Bajaj *	Son of Rahul Bajaj	-	172,161	130,646	302,807

\*Appointed effective from 5 March 2002.

**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 is for a period of five years from the date of appointment.

During the year 2001-02, 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 the year 2001-02.

Sanjiv Bajaj, son of Rahul Bajaj, was elevated from General Manager (Corporate Finance) to Vice President (Finance) during the year under review. The revision in his remuneration, which has been approved by the remuneration committee and the board at their meetings held on 5 March 2002, is subject to the approval of shareholders and central government. During the year under review, Sanjiv Bajaj was paid Rs.845,402 as salary, including monetary / non-monetary perquisites.

Rajiv Bajaj, son of Rahul Bajaj, prior to his appointment as an additional director from 5 March 2002, was the President

of Bajaj Auto. During the year under review, his salary, including monetary / non-monetary perquisites and commission paid or payable was Rs. 2,338,953.

Neelima Bajaj, daughter of Madhur Bajaj, who was working as Senior Manager (Marketing Services), resigned on 21 October 2001. During the year under review, she was paid Rs. Nil as salary, including monetary / non-monetary perquisites.

## Management discussion and analysis

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

## Warning against insider trading

Comprehensive guidelines advising and cautioning the management staff and other relevant business associates on the procedure to be followed while dealing with the securities of Bajaj Auto are in place. In light of the recent SEBI (Insider Trading) Amendment Regulations, 2002, a fresh set of guidelines is being issued by the company on the subject. The code of conduct and corporate disclosure practices framed by the company will help in ensuring compliance of the amended regulations.

## Shareholders

### Disclosure regarding appointment or reappointment of directors

Rajiv Bajaj, 35, earlier the President of Bajaj Auto, was appointed by the board of directors as an additional director under section 260 of the Companies Act, 1956, at the board meeting held on 5 March 2002. His tenure is for a period of five years with effect from his date of appointment. His appointment as whole-time director is subject to the approval of the shareholders at the forthcoming general meeting. Rajiv Bajaj is a B.E. (Mech) first class with distinction from University of Pune and an M.Sc. with distinction in Manufacturing Systems Engineering from University of Warwick, U.K. Prior to his appointment as Vice President (Products) and subsequently as President, he had obtained extensive on-the-job experience in Bajaj Auto. He has been leading the technological, product and sales re-orientation of the company. Rajiv Bajaj holds directorships in the following companies in addition to Bajaj Auto: (i) Bajaj Auto Finance Limited and (ii) Bajaj Auto Holdings Limited. He does not hold any position as a member or chairman of any committee of the board of any of the companies.

Shekhar Bajaj and Atul Kirloskar are retiring by rotation and are eligible for reappointment. Their attendance record in the board / general meetings during the year under review is given in Table 1.

Shekhar Bajaj, 53, B.Sc. and MBA (USA), is currently the Chairman and Managing Director of Bajaj Electricals Limited, a company engaged in manufacture of wide range of household electrical appliances. He was the President of the Associated Chamber of Commerce and Industries of India (ASSOCHAM) and



President of Indian Merchants Chamber (IMC). He has also been the President of the Council for Fair Business Practices (CFBP). He is past President of Electric Lamp and Component Manufacturers' Association of India, and Chairman of the Fan Manufacturers Association of India. He is associated with numerous business, social and cultural organisations. Shekhar Bajaj holds directorships / committee memberships in the following companies in addition to his directorship in Bajaj Auto:

#### Board Chairmanships:

1. Bajaj Electricals Limited
2. Bajaj Ventures Limited
3. Hercules Hoists Limited
4. Hind Lamps Limited
5. Bachraj Factories Limited
6. Bajaj International (P) Limited

#### Directorships:

1. Bajaj Sevashram Limited
2. IDBI Bank Limited
3. Conquest Investment & Finance Limited
4. Hind Musafir Agency (P) Limited
5. Primus Investments & Finance Limited
6. Shekhar Holdings Pvt. Limited

#### Committee Position:

1. IDBI Bank Limited  
(Two Committees)

Atul Kirloskar, 46 years, a graduate in engineering from Worcester Polytechnic, is currently the Chairman and Managing Director of Kirloskar Oil Engines Limited, the flagship company of the Kirloskar group where he is working since 1984. Prior to this, he was the CEO of Cummins Diesel Sales and Service during the period 1981-84. A sports enthusiast, he is connected with various cultural and sports organisations. Atul Kirloskar holds directorships and committee memberships in the following listed companies besides Bajaj Auto:

#### Board Chairmanships:

1. G G Dandekar Machine Works Limited
2. Kirloskar Ferrous Industries Limited
3. Kirloskar Kisan Equipment Limited
4. Kirloskar Mahle Filter Systems Limited
5. Kirloskar Oil Engines Limited
6. Navsai Farms Private Limited
7. Navsai Investment Private Limited

#### Directorships:

1. Bharat Forge Limited
2. Kirloskar Systems Limited
3. Swaraj Engines Limited
4. Kirloskar Drilling Co. Limited, Kenya
5. Kirloskar Kenya Limited, Kenya
6. Kirloskar Steels Pvt. Limited
7. Toyota Kirloskar Motor Limited

#### Committee Positions:

1. Bharat Forge Limited
2. Kirloskar Ferrous Industries Limited
3. Kirloskar Systems Limited

## Communication to shareholders

Quarterly and half-yearly financial results are published in *The Economic Times* and *Sakal*, along with the official press release. 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 website, [www.bajajauto.com](http://www.bajajauto.com) on which important public domain information including presentations made to the media, analysts and institutional investors are posted. All financial and other vital official news releases are also properly communicated to the concerned stock exchanges, besides being placed on the website. The website also contains information on matters, such as dividend and bonus history, answers to frequently asked queries (FAQs) by the various categories of shareholders and details of the corporate contact persons.

## Shareholders' and investors' grievance committee

The board of directors of Bajaj Auto constituted the shareholders' and investors' grievance committee of the directors in 2000. Currently it comprises D S Mulla (chairman), D J Balaji Rao and J N Godrej. All members are independent directors. The 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 which can facilitate better investor services and relations.

During the period under review, the committee met on 5 March 2002 to review the status of investors services rendered, with D S Mulla and D J Balaji Rao being present. J Sridhar, Company Secretary, also attended the meeting and was appointed the compliance officer to look into shareholders' grievances on a day-to-day basis. The meeting discussed the various reports placed before the committee — investors' queries and complaints regarding transfer, dividend, annual reports etc., buy-back of shares, procurement of new software for verification of signatures, Electronic Clearing Service for dividend payment, complaints of investors routed by SEBI, amounts transferable to Investor Education and Protection Fund as well as matters such as transfer, transmission, dematerialisation and rematerialisation of shares.

The power to approve share transfer / transmission as well as the dematerialisation and / or rematerialisation has been delegated to Rahul Bajaj, Managing Director, and, in his absence, to D S Mulla, director of the company. All physical transfers as well as the

requests for dematerialisation / rematerialisation are processed in weekly cycles. Bajaj Auto has not appointed any registrar or share transfer agent. The work regarding dematerialisation and / or rematerialisation of shares is also handled in-house through its own connectivity with the National Securities Depository Limited and Central Depository Services (India) Limited.

The committee has noted that Bajaj Auto promptly attends to all shareholders' and investors' queries / grievances through correspondence, fax or e-mail. No query / complaint received during the year under review has remained pending to be addressed / resolved. More details have been furnished in the chapter on *Shareholder Information*.

## 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:

54 <sup>th</sup> AGM	17 July, 1999 at 11.15 a.m.
55 <sup>th</sup> AGM	29 July, 2000 at 12.15 p.m.
56 <sup>th</sup> AGM	28 July, 2001 at 12.15 p.m.

The company has not, so far, adopted postal ballot for passing any resolution at the general meetings, because there were no key / critical matters which were required to be placed before the shareholders for their consideration or approval.

## Material disclosure and compliance

Material transactions entered into with related parties have been already disclosed in this chapter. None of the transactions of the company of material value with directors or their relatives had any potential conflict with the interests of Bajaj Auto.

There was neither any non-compliance by the company on any matters relating to capital markets during the last three years; nor did the company attract any penalties or strictures by the stock exchanges, SEBI, or any statutory authority.

## General shareholder information

General information of interest to the shareholders is set out in the following chapter of this annual report, titled *Shareholder Information*.

## Report on corporate governance

This chapter, read together with the information given in the chapters entitled *Management Discussion and Analysis* and *Shareholder Information*, constitute a detailed compliance report on corporate governance during 2001-02.

## Auditors' certificate on corporate governance

The company has obtained the certificate from the auditors of the company regarding compliance with the provisions relating to corporate governance laid down in clause 49 of the Listing Agreement with the stock exchanges. This report is annexed to the Directors' Report for the

year 2001-02. This certificate 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 carefully examined the code and has noted that it is in compliance with almost all the critical parameters, especially in matters of transparency and disclosures.

## SHAREHOLDER INFORMATION

### Annual General Meeting

Date: 27 July 2002  
 Time: 11.30 a.m.  
 Venue: Registered office at Mumbai-  
 Pune road, Akurdi, Pune 411035

### Financial calendar

Audited annual results for year ending  
 31 March 2002  
 – Mid-May  
 Mailing of annual reports  
 – Second half of June  
 Annual general meeting  
 – Second half of July  
 Unaudited first quarter financial results  
 – Second half of July  
 Unaudited second quarter financial results  
 – Second half of October  
 Unaudited third quarter financial results  
 – Second half of January

### Dividend announcement

The board of directors of Bajaj Auto has proposed a dividend of Rs.14 per equity share (140 per cent) for the financial year ended 31 March 2002, subject to approval by the shareholders of the company at the annual general meeting. This includes a special dividend of Rs.2 per share (20 per cent) on account of the one time premia received from Allianz AG, Germany, the company's partner in the two insurance joint ventures.

Dividend paid in the previous year was Rs.8 per equity share (80 per cent).

### Dates of book closure

The Register of Members and Share Transfer Books of the company will remain closed from Saturday, 13 July to Saturday, 27 July 2002, both days inclusive, for the purpose of annual general meeting and payment of dividend declared.

### 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 31 July 2002:

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 12 July 2002 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 12 July 2002.

### Payment of dividend

Dividend will be paid by account payee / non negotiable instruments or through the Electronic Clearing Service (ECS) as recently notified by the SEBI through the stock exchanges. Considering the numerous advantages which the dividend payments through ECS offer to the shareholders, the company has already written to all the shareholders setting out in detail the procedure to be followed for availing of the facility. Shareholders who

are interested in getting additional details or clarifications in this regard are requested to get in touch with the company.

Payment of dividend will be subject to deduction of tax at source in accordance with the provisions of the applicable tax laws.

### Unclaimed dividends

Unclaimed dividends upto 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 the year 1994-95 are requested to claim the amount from Registrar of Companies, Pune, PMT Bldg, Deccan Gymkhana, Pune 411 004.

In view of the amended section 205-C of the Companies Act, 1956, followed by the issue of Investor Education & Protection Fund (Awareness and Protection of the Investors) Rules, 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 by the company to a fund called the Investor Education and Protection Fund (the fund) set up by the Central Government.

Accordingly, unpaid / unclaimed dividend starting with 1995-96 shall become transferable to the fund on 5 October 2003, followed by the transfers of the amounts of unpaid / unclaimed dividends every year in respect of the dividends for the subsequent years. No claims shall lie thereafter against the fund or the company in respect of such amounts transferred. Shareholders are therefore requested to verify their records and send claims, if any, for the relevant years from 1995-96

onwards, before the respective amounts become due for transfer to the fund.

### Registrar and transfer agent

Bajaj Auto has no external Registrar or Share Transfer Agent. All work relating to physical transfer, transmission, splitting of share certificates, dematerialisation and rematerialisation 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. As stipulated, an intimation in the form of an 'option letter' is sent to the purchaser / transferee upon completion of the process of registration of transfer of shares. A shareholder who wishes to exercise the option of direct dematerialisation of shares without taking the physical delivery can send the demat request form as well as the option letter, duly signed and authenticated by the depository participant — simultaneously generating the electronic request — within 30 days of the date of option letter. If this procedure is not followed within the prescribed time, the company will proceed to despatch the share certificates, duly endorsed in favour of the purchaser / transferee.

Total number of shares transferred in physical category during 2001-02 was 1,956,944 (compared to 4,635,006 in 2000-01). Of these, 491,475 shares were directly dematerialised against receipt of option forms.

## Dematerialisation of shares

During 2001-02, 5,286,162 shares (including the shares dematerialised under the scheme of 'Transfer-cum-demat') were dematerialised — compared to 9,788,492 shares during 2000-01. The distribution of shares in physical and electronic mode as on 31 March 2002 and 31 March 2001 is given in Table 1

## Global Depository Receipts (GDRs)

Bajaj Auto issued GDRs in 1994 and the underlying shares against each of the GDRs were issued in the name of the overseas depository namely, Bankers Trust Company (whose name has changed to Deutsche Bank Trust Company Americas from 15 April 2002). As on 31 March 2002, 4,702,378 GDRs were outstanding, and represented an equal number of underlying equity shares. Of these, 3,449,490 shares were held in electronic form, and 1,252,888 were in physical form.

Following a decision in the Union Budget 2001, the RBI Notification No.FEMA.41/2001 dated 2 March 2001 has laid down some enabling provisions for the operation of limited two-way fungibility regarding GDRs issued by the Indian companies. SEBI registered brokers can now act as intermediaries to buy shares on behalf of the overseas investors and

reissue GDRs to them. Similarly, shares can be sold by the overseas investors in India, and the corresponding number of GDRs will be reduced from the number of shares underlying GDRs held by the overseas depository. The number of GDRs shall not exceed the number originally issued.

## Stock code

1. BSE, Mumbai	490
2. NSE	BAJAJAUTO
3. Reuters	BJAT.BO
4. Bloomberg	BJA.IN
5. ISIN	INE118A01012

## Listing on stock exchanges

Shares of Bajaj Auto are listed on the following stock exchanges:

Name	Address
1. Pune Stock Exchange Ltd. (Regional Stock Exchange)	Shivleela Chambers, 752 Sadashiv Peth R B Kumthekar Marg, Pune 411 030
2. BSE, Mumbai	1 <sup>st</sup> Floor, Phiroze Jeejeebhoy Towers Dalal Street, Mumbai 400 001
3. The Delhi Stock Exchange Association Ltd. (DSE)	DSE House, 3/1, Asaf Ali Road New Delhi 110 002
4. 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 London EC2N 1HP, UK.

During the period under review, the listing fees payable to each of the above stock exchanges have been paid in full by the company.

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

Categories	Position as on 31 March 2002		Position as on 31 March 2001		Dematerialisation done during 2001-02	
	No. of shares	% to total shareholding	No. of shares	% to total shareholding	No. of shares	% to total shareholding
Physical	55,916,756	55.26	61,202,918	60.49	5,286,162	5.23
Demat:						
NSDL	44,365,716	43.85	39,753,278	39.29	4,612,438	4.56
CDSL	901,038	0.89	227,314	0.22	673,724	0.67
Sub-Total	45,266,754	44.74	39,980,592	39.51	5,286,162	5.23
<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>

TABLE 2: Monthly highs and lows of Bajaj Auto's shares in 2001-02 (in Rs.)

Month	BSE		NSE		LONDON SE (GDRs)	
	High	Low	High	Low	High	Low
April 2001	259.95	216.00	260.00	215.00	270.54	228.12
May 2001	278.45	208.00	278.85	211.10	302.01	225.34
June 2001	291.50	248.00	296.85	245.50	319.50	296.26
July 2001	261.50	226.00	265.00	224.00	322.93	291.03
August 2001	280.00	245.16	277.90	255.30	335.73	317.00
September 2001	274.25	234.00	273.80	232.15	345.62	265.26
October 2001	338.81	245.00	338.90	245.50	336.04	251.87
November 2001	390.00	331.65	392.00	330.10	419.69	343.09
December 2001	405.00	365.10	405.00	361.10	449.58	397.98
January 2002	472.50	376.55	472.50	376.15	496.20	422.19
February 2002	488.85	432.50	493.00	430.40	465.84	439.25
March 2002	504.70	452.00	503.90	451.05	503.79	454.06

## 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.

Chart A depicts the comparable movements of Bajaj Auto's shares against the BSE Sensex, during the year ended 31 March 2002.

CHART A: Bajaj Auto versus BSE Sensex, 2001-2002

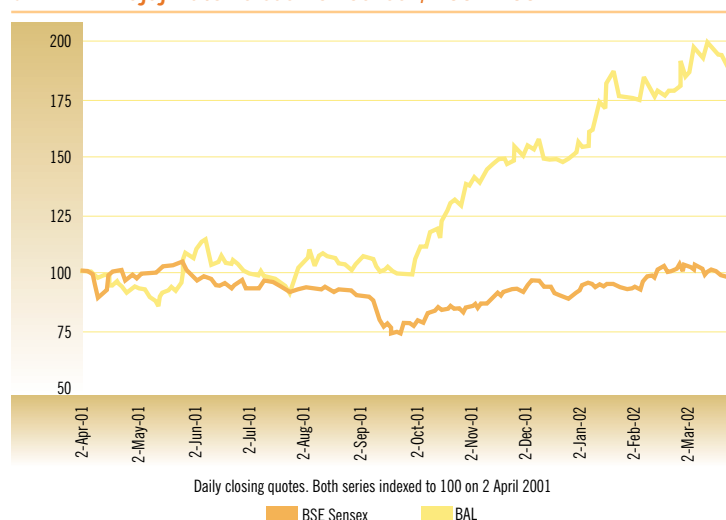


TABLE 3: Distribution of shareholdings across categories

	As on 31 March, 2002		As on 31 March, 2001	
	No. of shares	% to total capital	No. of shares	% to total capital
Promoters and persons acting in concert	28,926,682	28.59	28,913,112	28.57
Friends and associates of promoters	17,680,314	17.47	18,286,878	18.07
GDRs *	4,702,378	4.65	4,702,378	4.65
Foreign Institutional Investors	13,840,873	13.68	13,141,626	12.99
Public Financial Institutions	5,146,583	5.09	5,522,956	5.46
Mutual funds	2,464,060	2.44	630,663	0.62
Nationalised and other banks	629,045	0.62	612,912	0.61
NRIs and OCBs	459,180	0.45	534,030	0.53
Other	27,334,395	27.01	28,838,955	28.50
<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.

## Distribution of shareholdings

Table 3 gives details about the pattern of shareholdings among various categories as on 31 March 2002, while Table 4 gives the data according to size classes.



## Shareholders' and investors' grievances

The board of directors of Bajaj Auto has constituted a shareholders' / investors' grievance committee consisting of three 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 pertained to non-receipt of dividend, non-receipt of annual report, non-receipt of transferred shares, and change of address and / or bank particulars. There was nothing pending to be addressed or resolved.

During the period under review, six letters were received from SEBI concerning 12 complaints filed by the shareholders on various matters. In respect of these complaints, replies have already been filed with SEBI in the prescribed format. Copies of the replies have been given to the complainants as well.

## 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 all the registered shareholder/s. The prescribed form for such nomination is being sent by the company to the shareholders upon request. Nomination facility in respect of shares held in electronic form is also available with depository participant (DP) as per the bye-laws and business rules applicable to NSDL and CDSL.

TABLE 4: Distribution of shareholding according to size class as on 31 March 2002

No. of shares	Number of shareholders		Shares held in each class	
	Number	%	Number	%
Up to 100	15,717	50.34	804,209	0.80
101 to 200	5,161	16.53	792,523	0.78
201 to 500	4,427	14.18	1,454,341	1.44
501 to 1,000	2,116	6.78	1,500,815	1.48
1,001 to 5,000	2,596	8.32	5,693,234	5.63
5,001 to 10,000	520	1.67	3,640,941	3.60
10,001 to 100,000	536	1.72	16,214,289	16.02
100,001 and above	145	0.46	71,083,158	70.25
<b>Total</b>	<b>31,218</b>	<b>100.00</b>	<b>101,183,510</b>	<b>100.00</b>

## 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  
District Pune (Maharashtra)

## 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) 740-6603, 740-6063

Fax: (020) 740-7380

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

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

## BAJAJ AUTO HIGHLIGHTS

Rs. in millions

	2001-02	2000-01	1999-00	1998-99	1997-98
<b>Income</b>					
Sales and Other Income	44,027	39,639	42,156	39,072	35,041
Gross Profit after Interest but before Depreciation and Tax	7,675	5,468	9,705	8,912	8,327
Profit for the year	5,211	2,626	6,137	5,405	4,642
Dividends and Corporate Dividend Tax	1,417	892	1,325	1,060	1,051
<b>Assets Employed</b>					
Net Fixed Assets	13,683	13,623	11,143	9,218	6,829
Technical Know-how	128	160	4	7	7
Investments	19,661	11,846	19,524	14,591	11,432
Net Working Capital	3,353	5,873	6,327	6,698	5,496
Total	36,825	31,502	36,998	30,514	23,764
<b>Financed By</b>					
A Borrowed Funds					
i Cash Credit and Commercial Paper	318	560	1,016	411	127
ii Debentures	-	-	-	-	148
iii Sales Tax Deferral	5,890	4,516	3,864	2,996	2,202
iv Others	1,959	61	77	90	105
Total	8,167	5,137	4,957	3,497	2,582
B Shareholders' Funds					
i Share Capital	1,012	1,012	1,194	1,194	1,194
ii Reserves	27,646	25,353	30,847	25,823	19,988
Total	28,658	26,365	32,041	27,017	21,182
<b>Others</b>					
Gross Fixed Assets	25,401	24,902	21,216	18,023	15,725
Contribution to Country's Exchequer	6,185	7,191	7,403	7,538	7,107
Exports	1,596	1,351	1,378	1,584	1,408
Employee Cost	2,379	2,444	2,356	2,309	2,198

## BAJAJ AUTO HIGHLIGHTS (contd.)

		2001-02	2000-01	1999-00	1998-99	1997-98
<b>Production</b>						
Two-wheelers	Nos.	<b>1,198,121</b>	1,053,552	1,259,248	1,202,150	1,161,743
Three-wheelers	Nos.	<b>158,342</b>	159,196	173,223	179,615	192,739
<b>Employees</b>						
	Nos.	<b>13,482</b>	13,819	17,213	18,585	18,589
<b>Equity Share Data</b>						
Sales and Other Income per equity share	Rs.	<b>435</b>	356 #	353	327	293 @
Earnings per equity share	Rs.	<b>51</b>	22 #	53	46	39 @
Cash earnings per equity share	Rs.	<b>69</b>	38 #	65	57	51 @
Book value of equity share	Rs.	<b>283</b>	261	268	226	177 @
Market Price: Bombay Stock Exchange						
a High	Rs.	<b>505</b>	392	650	690	969
b Low	Rs.	<b>208</b>	221	257	483	474 @
Dividend	%	<b>140</b>	80	100	80	80 @
Dividend Cover (Including Corporate Dividend Tax)	Times	<b>3.7</b>	2.8	4.8	5.2	4.4
<b>Ratios</b>						
$\frac{\text{Gross Profit}}{\text{Sales and Other Income}}$	%	<b>17.43</b>	13.79	23.02	22.81	23.77
$\frac{\text{Profit for the year}}{\text{Net Worth}}$	%	<b>18.18</b>	9.96	19.15	20.01	21.91
$\frac{\text{Net Worth}}{\text{Total Assets}}$	%	<b>54</b>	57	59	59	58
$\frac{\text{Long Term Debt}}{\text{Net Worth}}$	Times	<b>0.21</b>	0.17	0.12	0.11	0.11
# On weighted average equity capital						
@ After bonus issue in the ratio 1:2						

## DIRECTORS' REPORT

### Introduction

The directors present their 57<sup>th</sup> annual report and the audited statements of accounts for the year ended 31 March 2002.

The directors are pleased to inform that the company has performed creditably during the year under review and in line with the expectations expressed in the previous year's report. The total sale of two- and three-wheelers went up from 1.209 million during the previous year to 1.359 million in the year under review, thereby showing a growth of 12 per cent. This translates into a growth of 15 per cent in value. With the introduction of new motorcycles, scooters and other vehicles, the company should post a healthy growth in the current year.

There was a substantial improvement in the sale of motorcycles during the year under review to 656,018, a 55 per cent growth over the previous year. In comparison, the total market for motorcycles grew by 41 per cent. The sale of geared and ungeared scooters fell while that of three-wheelers grew modestly when compared to the previous year. There was a decline in step-thru sales during the year under review.

### Operations

	2001-02 Nos.	2000-01 Nos.
<b>Production</b>		
Motorcycle	655,275	427,088
Geared scooter	410,082	446,845
Ungeared scooter	63,641	58,381
Step thru	69,123	121,238
Three wheeler	158,342	159,196
<b>Total</b>	<b>1,356,463</b>	<b>1,212,748</b>

### Financial results

	2001-02 Rs. million	2000-01 Rs. million
Sales & other income	44,027	39,639
Gross profit before interest & depreciation	7,709	5,542
Interest	34	74
Profit before depreciation	7,675	5,468
Depreciation	1,797	1,773
Extraordinary item of expenditure - Compensation paid under voluntary retirement scheme	-	799
Premium on Insurance Ventures	1,170	-
Profit before taxation	7,048	2,896
Provision for taxation	1,837	270
Profit after tax provision	5,211	2,626
Disposable surplus after adjustments for earlier years	5,182	2,500
Proposed dividend (inclusive of tax)	1,417	892
Balance carried to General Reserve	3,765	1,608
Earnings per share (Rs.)	51.21	22.46

Margins improved during the year under review as compared to the previous year mainly on account of higher volumes and a series of initiatives taken to reduce costs and raise productivity through fixed cost reduction, vendor rationalisation, value engineering and other means.

### Dividend

The directors recommend for consideration of the shareholders at the ensuing annual general meeting, payment of a dividend of Rs.14 per share (140 per cent), amounting to Rs.1,417 million for the year ended 31 March 2002. This includes a special dividend of Rs.2 per share (20 per cent) on account of the one-time premia received from Allianz AG, Germany, the company's partner in the two insurance joint ventures.

Dividend of Rs.8 per share (80 per cent) was paid for the year ended 31 March 2001.

During the year under review, interim dividend had been declared at the meeting of the board of directors on 5 March 2002 at the rate of Rs.14 per share (including Rs.2 as special dividend) and this had been proposed to be paid to the shareholders on or before 31 March 2002, for which the company had approached the stock exchanges to consider a reduced notice period for closure of books. The permission for the same, which had been first given in principle by the regional as well as the other stock exchanges, was, however, subsequently withdrawn, in view of SEBI's advice to the stock exchanges against granting permission for accepting a lesser notice period. This meant that there was no possibility of making the payment of dividend on or before 31 March 2002. As a result, the company decided to rescind the decision to pay interim dividend to its shareholders.

### Research & development and technology absorption

The company's versatile R&D facility, supplemented by foreign technology inputs is equipped to undertake a variety of R&D assignments in the design and development of two and three wheeled vehicles and their engines.

During the year under review, the company renewed its technical assistance arrangements with Kawasaki Heavy Industries Ltd. It further reinforced the technological help from Kawasaki & Tokyo R&D, Japan in a few additional projects of product development and technical consultancy. A consultancy assignment was also concluded for setting up a state-of-the-art test facility for two- and three-wheelers.

During the year under review, the company launched Pulsar 150 and Pulsar 180 motorcycle models, which have received a good response in the market.

The company upgraded the Boxer and developed a variant of its popular Caliber motorcycle called Caliber Croma. All these models have been launched.

The company has designed a 125 cc motorcycle with Kawasaki Heavy Industries Ltd., which is in the final stage of development. This motorcycle will be launched towards the end of the current year.

The company has developed a 112 cc four-stroke scooter engine and this has been adopted on Chetak four-stroke scooter.

The company has developed a high power two-stroke engine using side draught carburetor. The Legend NXT-2 scooter, using this engine, was launched during the year under review.

The company has upgraded the four-stroke scooters namely Legend and Chetak 4S to meet the stringent requirements of the US regulations and your company has started supplies to the United States of America. Further, a project of upgrading the three wheelers to meet these regulations is in hand and supplies are expected to start in the current financial year.

After successful introduction of the autorikshaw running on CNG in Delhi and Mumbai, the company has indigenously designed and developed a goods carrier running on CNG. A pilot lot of 25 vehicles was manufactured. The model will be launched in the current year.

The company has designed and developed a rear engine diesel goods carrier, which is at the final stage of testing. This vehicle will be launched in the current year.

Spirit 50 cc vehicle homologated for EEC countries has been upgraded to meet the next stage of stringent emission norms applicable in EEC countries. This model has been re-homologated and the supplies to these countries have commenced.

Expenditure on research and development during the year under review was:

	2001-02 Rs. million	2000-01 Rs. million
i. Capital (including technical knowhow)	36.3	286.8
ii. Recurring	337.8	323.5
iii. Total research and development expenditure as a percentage of total sales, net of excise duty	1.04	2.02

### Conservation of energy

As a part of the constant efforts to conserve energy and natural resources, following steps have been taken:

Conservation of electrical energy:

- Installation of conserve air system at Akurdi and Chakan plants. This has helped the company achieve 15 per cent savings in energy cost for providing compressed air in the plants.
- Commissioning of heatless vaporisers for vaporising LPG required in heat treatment shops.
- Optimum use of automatic power factor correction units to achieve a power factor near unity. This has helped the company not only in getting certain incentives from MSEB, but also in achieving better voltage control and longer life of electronic devices and components.
- Improvement in use of lights and electronic ballast.
- Review of all areas covered by AC, redefining the requirements and maintaining AC temperature at optimum level on a case to case basis.
- Close monitoring of cellwise energy consumption and reduction in energy consumption by avoiding wastage, optimising horse power of motors, etc..

Conservation of water:

- Creating overall awareness to avoid wastage of water.

- Close monitoring and controlled distribution of water.
- Improving quality of treated effluent from effluent treatment plants(ETPs) by upgrading and installing 'at source' ETPs.
- Extending use of treated effluent in additional areas such as process plants in electroplating and paint shops.

Reducing cost of LPG and other fuels used:

- Reducing consumption of fuels by close monitoring at different user locations.
- Extending use of Reliance LPG in Heat Treatment shops at Waluj and Paint shop at Akurdi.

### Details of investment made to reduce energy and water consumption:

- Total investment of Rs.6.5 million has been made to install conserve air system and rearrangement of compressors to reduce consumption of electrical energy.
- Total investment of Rs.1 million has been made to reorganise use of air conditioners and lighting arrangement.
- To improve the recycling of treated effluent, total investment of Rs.7.5 million has been made to upgrade the main ETP at Waluj and Rs.3 million for 'at source' neutralisation system at Electroplating Shop, Akurdi.
- Total investment of Rs.0.5 million has been made in changing over from regular LPG to Reliance LPG, commissioning heatless vaporisers, etc.

### Impact of measures taken in reduction:

- Due to measures taken to conserve electrical energy, there is an overall reduction of 5 per cent in electrical units consumed in three plants.
- Due to continuous efforts in reducing water consumption, there is a 29 per cent reduction in total water consumption.

### Wind power project

112 windmills of 0.35 MW capacity each which were installed during the previous year at Vankusavade, Satara district, generated during the year under review 65 million units of electricity.

20 windmills of 1 MW capacity each were progressively completed at Supa, Ahmednagar district by December 2001 and generated 11 million units of electricity till 31 March 2002.

In addition to the above, a new project which was initiated to install 6 windmills of 1 MW capacity each at Vankusavade, Satara district has been commissioned on 30 March 2002.

Power generated by the windmills is fed into the MSEB grid and the units thus credited are adjusted against the monthly electricity bills for the plants at Akurdi and Waluj. Similar adjustment will commence shortly at the Chakan plant.

With the commissioning of all the phases, total annual power generation is expected to be around 116 million units. This covers 90 per cent of the current annual power requirements of the company.

Till 31 March 2002, the company has availed of sales tax benefit to the extent of Rs.389 million. In addition to this, the company has benefited by way of depreciation benefit and income tax shield.

The cumulative capital investment made in wind power projects at Satara and Ahmednagar districts is Rs.2.941 billion.

### Foreign exchange earning & outgo

The company's exports during the year under review recorded an appreciable growth from Rs.1.351 billion to Rs.1.596 billion. Exports, during the year under review, consisted of 44,311 two- and three-wheelers as against 30,652 two- and three-wheelers during the previous year, a growth of 45 per cent.

The export of company's two-wheelers grew substantially by 85 per cent, while the level of three-wheelers export remained almost unchanged over last year. Motorcycles registered an increase of 172 per cent, while the geared scooters grew by 31 per cent.

In spite of the fallout of September 11 events and other contributing factors, the response to the product range from all major overseas markets of the company was positive. Sales in South American region went up by 85 per cent and in the South East Asian region by 41 per cent.

The company organised its first-ever overseas convention, 'The Bajaj Convencion Latin Americano – Lima 2001', in Peru in July 2001. All Bajaj distributors in Latin American countries took part in this event, where the new range of four-stroke scooters and the motorcycles was formally launched. The response has been very positive and contributed to the growth in exports to the region and a boost to the brand image.

The company re-entered the prestigious market of United States of America during the year with Legend and Chetak four-stroke scooters. Both the models are meeting the Department of Transport (DOT) and Environment Protection Agency (EPA) standards of all the states in the country.

The company's products have re-entered Indonesia and entered Brazil, during the year under review. They are both potentially large markets and are expected to be the future growth engines in the international markets for the company.

The export of motorcycles to Sri Lanka registered a significant growth, in spite of the adverse economic conditions that prevailed throughout the year in that country. Exports to Bangladesh also registered a good growth during the year under review.

The total foreign exchange earned by the company during the year under review was Rs.1,623 million as against Rs.1,391 million during the last year.

The total foreign exchange outflow during the year under review was Rs.1,796 million towards import of raw materials, components, machinery spares, capital equipment and other expenditure as against Rs.3,384 million during the last year.

### Industrial relations

The wage settlement dated 21 June 1998 covering the workmen at Akurdi plant expired on 30 November 2001. The Bharatiya Kamgar Sena, the recognised union has given its notice dated 1 October 2001 for termination of the said settlement and submitted its charter of demands dated 30 November 2001. Your company has also given its charter of expectations to the Union. Negotiations are in process.

The company announced and operated during the year under review, a voluntary retirement scheme for staff, both at Akurdi and Waluj plants. The scheme was availed of by a total of 171 staff members.

Relations with staff members and workmen at Akurdi, Waluj and Chakan Plants continue to be peaceful and cordial.

The following major matters are in different stages in various courts:

- The company has filed eight Special Leave Petitions in the Supreme Court against the orders of the Bombay High Court pertaining to granting of benefits of permanency in employment to the temporary workmen of Akurdi and Waluj plants. Hearings are in progress.
- The matter of abolition of contract labour by the State Advisory Board in Writ Petition No 4023 / 2001 filed by the contract labour.
- The matter regarding contract labour before the Labour Court.

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

Jankidevi Bajaj Gram Vikas Sanstha (JBGVS) continued with the integrated development of 20 villages in Pune district and 4 in Aurangabad district and in social welfare activities of Samaj Seva Kendra, Akurdi. JBGVS acted as a catalyst and encouraged active participation of the villagers laying adequate stress on empowerment of women. The following were the highlights of the activities:

- A novel project for purification and chlorination of river water having long term benefits of providing potable drinking water in three villages was launched with financial participation of Rotary Club of Poona North and Zilla Parishad. Three plants working on gravity and costing about Rs.1 million, were installed.
- In another village, with financial help of Rotary Club of Poona North, Aqua Guard water purifiers were fitted to the drinking water tank of the local High School.
- Kapila Dairy Project for landless tribals involving the purchase of 50 cows and construction of 50 cowsheds, is nearing completion.
- Women from 94 saving groups have saved Rs.1.2 million so far and some have started income generation activities.
- In village Bokud Jalgaon of Aurangabad district, land levelling / farm bunding (Net Plan) was completed on 20 hectares land, with 94 per cent financial contribution by the farmers and balance by JBGVS.
- 12 literacy classes for 258 villagers, mostly women have been started in Pune area and 2 in Aurangabad area.

### Developments in information technology applications

To meet the rapidly changing and complex business information requirements of today, the company is upgrading its IT Systems with the introduction of an Enterprise Resource Planning (ERP) package during the year under review.

SAP India have been selected for their ERP package, 'my SAP' and Pricewaterhouse Coopers is entrusted with the work of implementation thereof. The process of implementation is planned in a phased manner and is expected to be completed by April, 2003. The overall project cost for the above is expected to be around Rs.300 million.

### Insurance joint ventures

Bajaj Allianz General Insurance Company Ltd., a joint venture between Bajaj Auto (74 per cent) and Allianz AG (26 per cent) received its licence from the Insurance Regulatory & Development Authority on 3 May 2001. The company has a paid up capital of Rs.1.1 billion. The company sold its first policy on 10 May 2001 and it has already achieved a gross written premium of Rs.1.42 billion in the operations upto March 2002, thus making it the largest private sector general insurance company in the country. The company has during the year set up eight regional and 21



branch offices and offers a complete range of general insurance products to its customers.

Allianz Bajaj Life Insurance Company Ltd., a joint venture between Bajaj Auto (74 per cent) and Allianz AG (26 per cent), received its licence from the Insurance Regulatory and Development Authority in August 2001. Allianz Bajaj, with a paid up capital of Rs.1.5 billion, sold its first policy in September, 2001 and has been able to sell 21,000 policies with a premium of Rs.71.4 million and has emerged as one of the fastest growing life insurance companies in the private sector. The company has already established regional and branch offices in 18 cities. It offers five individual life products in 46 packages, two group products in four packages and two products specially developed for the rural market. The company has recently introduced the Save Care Economy single premium endowment plan. Keeping in line with the commitment to the rural and social sectors, the company has issued over 3,800 policies in the rural sector and covered over 2,500 lives in the social sector.

### Consolidated financial statements

The directors also present the consolidated financial statements, duly incorporating the financial statements of the subsidiaries (Bajaj Auto Holdings Ltd., Bajaj Allianz General Insurance Co Ltd. and Allianz Bajaj Life Insurance Co Ltd.) pursuant to the amendments made to the listing agreement recently.

### Directors

Rajiv Bajaj, President has been appointed as a director for a period of five years with effect from 5 March 2002. The appointment of and remuneration payable to Rajiv Bajaj as an additional director and whole-time director are subject to the approval of the shareholders in the ensuing annual general meeting.

Shekhar Bajaj and Atul Kirloskar retire from the board by rotation and being eligible offer themselves for reappointment.

### 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 or loss 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.

### Statutory disclosures

A statement relating to the subsidiary companies, Bajaj Auto Holdings Ltd, Bajaj Allianz General Insurance Company Ltd. and Allianz Bajaj Life Insurance Company Ltd. pursuant to section 212 of the Companies Act, 1956 is attached to the balance sheet.

Particulars of employees required under section 217 (2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975, as amended are given in the statement attached as Annexure 1.

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 the preceding paras.

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

Certificate from auditors of the company regarding compliance of conditions of corporate governance is annexed to this report as Annexure 2.

A Cash Flow Statement for the year 2001-02 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 management discussion and analysis report and shareholder information report.

### Reconciliation of accounts under US GAAP and IAS

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

A statement of reconciliation of significant differences in shareholders' equity and net income as at and for the year ended on 31 March 2002 and 2001 between Indian Generally Accepted Accounting Standards (GAAS), US GAAP and IAS, notes to reconciliation and an independent Accountants' Review Report are set out in this annual report.

### Auditors' report

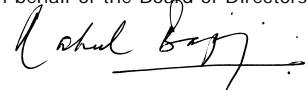
The observations made in the Auditors' Report, read together with the relevant notes thereon are self-explanatory and hence, do not call for any comments under section 217 of the Companies Act, 1956.

### Auditors

The members are requested to appoint the 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 received a Government Order for conduct of the audit of cost accounts, maintained by the company for the year ending 31 March 2003. 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



11 May 2002

Chairman



## Annexure 1

Information as per section 217(2A)(b)(ii) read with the Companies (particulars of employees) Rules, 1975 and forming part of Directors' Report for the year ended 31 March 2002

Sr. No.	Name	Designation/ Nature of Duties	Gross Remuneration (Rupees)	Qualifications	Age (Years)	Total Experience (Years)	Date of Commencement of Employment	Last Employment and Designation
<b>A) Employed throughout the financial year</b>								
1	Bajaj Madhur	Vice Chairman	3,514,690	B Com , MBA	49	22	21-06-1986	Bajaj International Pvt Ltd. Chief Executive
2	Bajaj Rahul	Chairman and Managing Director	5,665,411	BA (Hons), LLB, MBA (Harvard)	64	42	01-04-1970 Stationed as Director - Managing Agents at Pune from 01-01-1965	Bajaj Tempo Ltd. Dy. Gen. Manager
3	Gupta Ranjit	Vice President (Insurance)	2,799,947	Inter SC, MME, AMIPE, FIEE	59	36	19-03-1988	Maruti Udyog Ltd. General Manager
4	Menon P B	Vice President (Projects)	3,123,705	B Sc (Mech. Engg.), M E (Mech.)	57	25	12-07-2000	Apollo Tyres Ltd. Head-Limda Plant
5	Ravichandran R L	Vice President (Busn Dev. and Mktg.)	3,381,909	B Com, PGDBM	52	32	27-01-1998	TVS-Suzuki Ltd. Vice-President (Marketing and Sales)
6	Tripathi C P	Vice President (Operations)	2,579,954	B Sc, B Tech, DIIP	60	36	22-01-1996	Escorts Ltd. Chief General Manager (Material and Prod.)
<b>B) Employed for part of the financial year</b>								
1	Joshi N J	Co Secretary	1,349,668	M Com, ACS	61	41	26-12-1973	C T R Mfg. Industries Ltd. Asst. Company Secretary

### Notes

- Gross remuneration includes Salary, Bonus, Allowances, Commission, Cost of other perquisites calculated on the basis of rules prescribed in this behalf by the Department of Company Affairs but excludes Compensation paid under Voluntary Retirement Scheme. It also includes company's Contribution to Provident Fund, Superannuation Fund and other Funds.
- All employees have adequate experience to discharge the responsibilities assigned to them.
- The nature of employment in all cases is contractual. Appointment of Rahul Bajaj is for a period of five years with effect from 1 April 2000. Appointment of Madhur Bajaj is for a period of five years with effect from 6 November 2000.
- The services of all the above employees, who were on the rolls of the company as on 31 March 2002 are terminable by either side by giving three months' notice.
- None of the employees mentioned above is a relative of any directors of the company, other than Madhur Bajaj (Sr. No. 1 under "A") who is brother of Shekhar Bajaj, director of the company and Rahul Bajaj (Sr. No. 2 under "A") who is father of Rajiv Bajaj, wholetime director of the company.

## Annexure 2

Auditors' Certificate regarding compliance of Corporate Governance

To  
The Board of Directors  
Bajaj Auto Limited  
Akurdi  
PUNE 411 035

### Re : REPORT ON CORPORATE GOVERNANCE

We have examined 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, 2002.

The objective of our examination is to give our opinion on whether the Company has complied with the conditions of Corporate Governance as stipulated in the provisions of Clause 49 of the Listing Agreement entered into by the Company with the Stock Exchanges of India.

Our examination 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 examination 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 examination, 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  
Partner  
Mumbai:  
11<sup>th</sup> May, 2002

## Report of the Auditors to the Members

We have audited the attached Balance Sheet of BAJAJ AUTO LIMITED, as at 31<sup>st</sup> March, 2002 and also the annexed Profit and Loss Account of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our Audit.

- (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 Manufacturing and Other Companies (Auditor's Report) Order, 1988, issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, we annex hereto a Statement on the matters specified in paragraphs 4 and 5 of the said Order;
- (3) Further to our comments in Annexure referred to in paragraph 1 above, we report that:
  - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the Books of the Company;
  - (c) The Balance Sheet and Profit and Loss Account dealt with by the report are in agreement with the Books of Account of the Company;
  - (d) In our opinion, the Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956, to the extent applicable.
  - (e) On the basis of the written representations received from the Directors as on 31<sup>st</sup> March, 2002, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31<sup>st</sup> March, 2002 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 Accounts, 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 31<sup>st</sup> March, 2002; and
    - (ii) In the case of the Profit and Loss Account, of the Profit for the year ended on that date.

For and on behalf of  
DALAL & SHAH  
Chartered Accountants

Anish Amin  
Partner

MUMBAI: 11 May, 2002.

## Annexure to the Auditors' Report

### 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 31<sup>st</sup> March, 2002.

On the basis of such checks as we considered appropriate and in terms of information and explanations given to us, we state that:

- i) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. As explained to us, all the assets have been physically verified by the management at reasonable intervals during the year. According to the information and explanations given to us, discrepancies noticed on such physical verification were not significant and the same have been properly dealt with in the Books of Account;
- ii) None of the fixed assets have been revalued during the year;
- iii) (a) The stocks of finished goods, stores, spare parts, raw materials, components and auto spare parts have been physically verified by the management at reasonable intervals during the year and / or at the close of the year;
- (b) As explained to us, the procedures of physical verification of Stocks referred to in (a) above followed by the management are, in our opinion, reasonable and adequate in relation with the size of the Company and the nature of its business;
- (c) According to the records produced to us for our verification, there were no material discrepancies noticed on physical verification of stocks referred to in (a) above, as compared to book records and the same have been properly dealt with in the books of account;
- (d) We have examined and verified the stock verification records of the Company and also wherever necessary, we have physically verified the stocks and taken assistance from the technical staff of the Company. On the basis of such examination and verification, we are satisfied that the valuation of stocks is fair and proper, in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year;
- iv) The rate of interest and other terms and conditions on which unsecured loans have been taken from companies listed in the register maintained under Section 301 of the Companies Act, 1956, are, in our opinion, not prima facie prejudicial to the interest of the Company. The Company has not taken any loans, secured or unsecured, from firms or other parties listed in the said register. As explained to us, there are no companies under the same management within the meaning of Section 370 (1-B) of the Companies Act, 1956;
- v) Loans and Advances in the nature of loans given by the Company:
  - (a) The rate of interest and other terms and conditions on which unsecured loans have been granted to Companies listed in the register maintained under Section 301 of the Companies Act, 1956, are, in our opinion, not prima facie prejudicial to the interest of the Company. No loans, secured or unsecured, have been granted to firms or other parties listed in the said register. As explained to us, there are no companies under the same management within the meaning of Section 370(1-B) of the Companies Act, 1956;
  - (b) (1) A sum of Rs.53.000 Million was outstanding as on 1<sup>st</sup> April, 2001 against unsecured loans repayable on demand given to Bajaj Auto Holdings Limited, the Company's wholly owned subsidiary and a further loan amounting to Rs.343.000 Million has been given during the year, total loans of Rs.212.000 Million have been demanded and received during the year. Interest is being recovered regularly;
  - (2) Employees and other parties to whom loans have been given by the Company are repaying the principal amount as stipulated and are also regular in payment of interest where applicable, except in the case of certain parties for which the Company has taken legal and other reasonable steps to secure recovery of the principal and interest;
- vi) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to the purchase of stores, raw materials including components, plant and machinery, equipments and other assets and also for the sale of goods and auto spare parts;

## Annexure to the Auditors' Report (contd.)

- vii) According to the information and explanations given to us, the transactions of purchase and sale of goods and materials made in pursuance of contracts or arrangements entered during the year in the register maintained under Section 301 of the Companies Act, 1956, aggregating to Rs.50,000/- or more in respect of each party, have been made at prices which are reasonable having regard to prevailing market prices as available with the Company for such goods and materials or prices at which transactions for similar goods have been made with other parties. As explained to us, there were no transactions during the year for supply of services with any party listed in above referred register;
- viii) As explained to us, the Company has a regular procedure for determination of unserviceable or damaged stores, raw materials, components, auto spare parts or finished goods and necessary provision for the loss arising on the items so determined, have been made in the books of account of the Company;
- ix) In our opinion, the Company has complied with the provisions of Section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted by it from the public;
- x) In our opinion, the Company has maintained reasonable records for the sale and disposal of realisable scrap. The Company has no by-products;
- xi) In our opinion, the Company has an adequate internal audit system commensurate with the size and nature of its business;
- xii) 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;
- xiii) According to the records of the Company, the Provident Fund dues and the Employees' State Insurance dues, wherever applicable, have been regularly deposited during the year with the appropriate authorities;
- xiv) According to the records of the Company, no undisputed amounts payable in respect of Income-tax, Wealth-tax, Sales Tax, Customs Duty and Excise Duty were outstanding as at the last day of the financial year, for a period of more than six months from the date they became payable;
- xv) On the basis of (i) the examination of the Books of Account, (ii) the vouchers produced to us for our verification, (iii) the explanations given and representations made to us on our inquiries and (iv) the check and control relating to authorising the expenditure on the basis of contractual obligations to the employees, accepted business practices having regard to the Company's needs and exigencies, we have not come across any expenses charged to revenue, which, in our opinion and judgement and to the best of our knowledge and belief, could be regarded as personal expenses;
- xvi) The Company does not fall within the meaning of clause (o) of Section 3(1) of the Sick Industrial Companies (Special Provisions) Act, 1985;
- xvii) In respect of the trading activities of the Company, which form an insignificant part of its income, there were no damaged goods during the year.
- xviii) In case of finance activities of the Company, adequate documents and records are maintained in a case where the company has granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xix) In respect of Investment activities of the company, proper records have been maintained of the transactions and contracts and timely entries have been made therein. All investments have been held by the company in its own name except to the extent and for reason specified in the footnote to Schedule 7 annexed to the accounts.

For and on behalf of  
DALAL & SHAH  
Chartered Accountants

Anish Amin  
Partner

MUMBAI: 11 May, 2002.

## Balance Sheet as at 31 March

		2002		2001
Schedule	Rupees	Rupees	Rupees	Rupees
<b>I. Sources of Funds</b>				
1. Shareholders' Funds				
a) Capital	1	1,011,835,100		1,011,835,100
b) Reserves & Surplus	2	27,645,939,801		25,353,462,756
			28,657,774,901	26,365,297,856
2. Deferred Tax Adjustments [See note 18 ]				
a) Deferred Tax Liabilities		2,360,542,635		—
b) Deferred Tax Assets		(454,808,999)		—
			1,905,733,636	—
3. Loan Funds				
a) Secured Loans	3	318,335,238		559,742,451
b) Unsecured Loans	4	5,942,654,402		4,577,399,881
			6,260,989,640	5,137,142,332
<b>Total</b>			<b>36,824,498,177</b>	<b>31,502,440,188</b>
<b>II. Application of Funds</b>				
1. Fixed Assets				
a) Gross Block		25,361,345,023		24,678,226,880
b) <b>Less:</b> Depreciation		11,892,929,498		11,890,640,449
c) Net Block	5	13,468,415,525		12,787,586,431
d) Lease Adjustment Account-Plant and Machinery		175,000,000		611,656,878
		13,643,415,525		13,399,243,309
e) Capital Work in progress, expenditure to date (including Machinery in transit <b>Rs. 79,950</b> [ Previous Year Rs.15,714,927])		39,587,423		224,289,922
			13,683,002,948	13,623,533,231
2. Technical Know-how	6		128,017,678	160,264,233
3. Investments	7		19,660,660,351	11,845,752,660
4. Current Assets, Loans and Advances	8			
a) Inventories		1,790,979,026		2,534,384,036
b) Sundry Debtors		1,981,655,342		1,207,179,109
c) Cash and Bank Balances		252,009,887		213,455,325
d) Other Current Assets		553,152,557		567,162,920
e) Loans and Advances		15,320,342,046		16,094,135,322
		19,898,138,858		20,616,316,712
<b>Less:</b> Current Liabilities and Provisions	9			
a) Liabilities		4,549,352,518		4,675,592,823
b) Provisions		11,995,969,140		10,067,833,825
		16,545,321,658		14,743,426,648
Net Current Assets			3,352,817,200	5,872,890,064
<b>Total</b>			<b>36,824,498,177</b>	<b>31,502,440,188</b>
Notes forming part of the Accounts	14			

As per our attached report of even date

Rahul Bajaj

Chairman and Managing Director

For and on behalf of Dalal and Shah  
Chartered Accountants

Madhur Bajaj

D.S.Mulla

Kantikumar R.Podar

Shekhar Bajaj

Directors

Anish Amin  
PartnerJ.Sridhar  
Secretary

D.J.Balaji Rao

D.S.Mehta

J.N.Godrej

S.H.Khan

Rajiv Bajaj

Mumbai: 11 May 2002

**Profit and Loss Account for the year ended 31 March**

		<b>2002</b>		2001
	Schedule	Rupees	Rupees	Rupees
<b>Income</b>				
Sales including Excise Duty		41,256,009,231		35,879,559,212
Wind power generated, captively consumed		211,453,394		99,937,131
Other Income	10	<u>2,559,521,820</u>		3,659,831,519
			44,026,984,445	39,639,327,862
<b>Expenditure</b>				
Materials	11	23,643,750,139		20,899,450,494
Excise Duty		5,255,879,308		5,620,746,488
Other Expenses	12	7,651,024,857		7,853,099,187
Interest	13	33,817,261		73,939,010
Depreciation		<u>1,796,957,082</u>		1,772,917,551
		38,381,428,647		36,220,152,730
<b>Less : Expenses, included in above items, capitalised</b>		<u>232,126,886</u>		275,783,193
			38,149,301,761	35,944,369,537
Profit for the year before extra ordinary item of expenditure and taxation			5,877,682,684	3,694,958,325
Extraordinary Item of Income/Expenditure				
Premium on Insurance venture [See note 17]			1,170,000,000	—
Compensation paid under voluntary retirement scheme			—	(799,401,513)
Profit before Provision for Taxation			7,047,682,684	2,895,556,812
Taxation				
Current Tax [ including <b>Rs.3,600,000</b> for Wealth tax (previous year Rs.3,600,000)]		1,403,600,000		270,000,000
Deferred Tax [See note 18]		<u>433,195,315</u>		—
			1,836,795,315	270,000,000
Profit for the year			5,210,887,369	2,625,556,812
Tax credits relating to earlier years			—	88,277,920
			5,210,887,369	2,713,834,732
Prior Period adjustments				
Expenses			29,302,863	26,210,437
Privilege Leave entitlement			—	188,149,170
			5,181,584,506	2,499,475,125
Transfer to General Reserve			3,765,015,366	1,607,441,300
Proposed Dividend			1,416,569,140	809,468,080
Corporate Dividend Tax thereon			—	82,565,745
Balance Carried to Balance Sheet			—	—
Notes forming part of the Accounts	14			
Net Profit			<u>5,181,584,506</u>	2,499,475,125
Weighted average number of Shares			101,183,510	111,359,647
Basic and diluted Earnings per Share (Rs.)			51.21	22.46

As per our attached report of even date

Rahul Bajaj

Chairman and Managing Director

For and on behalf of Dalal and Shah  
Chartered Accountants

Madhur Bajaj

D.S.Mulla

Kantikumar R.Podar

Shekhar Bajaj

Directors

Anish Amin  
PartnerJ.Sridhar  
Secretary

D.J.Balaji Rao

D.S.Mehta

J.N.Godrej

S.H.Khan

Mumbai: 11 May 2002

Rajiv Bajaj

## 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 31 March, 2002

## Schedule 1 - Share Capital

			As at 31 March 2001
	Rupees	Rupees	Rupees
<b>Authorised</b>			
150,000,000 Equity Shares of Rs.10 each		1,500,000,000	1,500,000,000
<b>Issued,Subscribed and Paid up</b>			
* <b>101,183,510</b> (119,390,814) Equity Shares of Rs.10 each	1,011,835,100		1,193,908,140
<b>Less:</b> — (18,207,304) Equity Shares of Rs 10 each purchased (Buy Back) and extinguished in accordance with section 77A of the Companies Act,1956	—		182,073,040
<b>101,183,510</b> Equity Shares of Rs 10 each		1,011,835,100	1,011,835,100
<b>Total</b>		<u>1,011,835,100</u>	<u>1,011,835,100</u>

**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** Shares issued by way of Euro Equity Issue represented by Global Depository Receipts evidencing Global Depository Shares, at a price of **U.S.\$ 25.33** per Share [ inclusive of premium ]

## Schedule 2 - Reserves and Surplus

			As at 31 March 2001
	Rupees	Rupees	Rupees
<b>Capital redemption reserve</b>			
As per last account		182,073,040	—
Transferred from General Reserve in accordance with Section 77AA of the Companies Act,1956 on buy back of Equity Shares		—	182,073,040
		182,073,040	182,073,040
<b>Contingency Reserve</b>			
As per last account		17,500,000	17,500,000
<b>General Reserve</b>			
As per last account	25,153,889,716		27,937,266,289
<b>Less :</b> Utilised for buy back of Equity Shares in accordance with Section 77A of the Companies Act, 1956	—		4,208,744,833
<b>Less :</b> Transferred to Capital Redemption Reserve in accordance with Section 77AA of the Companies Act,1956 on buy back of equity shares	—		182,073,040
<b>Less :</b> Transitional adjustment on account of Deferred Tax, net [See Note 18]	1,472,538,321		—
Set aside this year	3,765,015,366		1,607,441,300
<b>Total</b>		<u>27,446,366,761</u>	<u>25,153,889,716</u>
		<u>27,645,939,801</u>	<u>25,353,462,756</u>



### Schedule 3 - Secured Loans

			As at 31 March 2001
	Rupees	Rupees	Rupees
From Banks, against hypothecation of Stores, Raw Materials, Finished Goods, Stock in Process and Book Debts – Cash Credit		318,335,238	451,026,697
Working Capital Demand Loan		—	108,715,754
<b>Total</b>		<u>318,335,238</u>	<u>559,742,451</u>

### Schedule 4 - Unsecured Loans

			As at 31 March 2001
	Rupees	Rupees	Rupees
Sales tax deferral liability under Package Scheme of Incentives 1983, 1988 and 1993		5,889,623,171	4,516,419,555
Fixed Deposits		53,031,231	60,980,326
<b>Total</b>		<u>5,942,654,402</u>	<u>4,577,399,881</u>

## Schedule 5 - Fixed Assets

Particulars	Gross Block (a)				Depreciation				Net Block		
	As at 31 March 2001	Additions	Deductions and Adjustments	As at 31 March 2002	Upto 31 March 2001	Deductions and Adjustments	For the Year (c)	Upto 31 March 2002	As at 31 March 2002	As at 31 March 2001	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	
Land Freehold	43,745,689	39,882,260	—	<b>83,627,949</b>	—	—	—	—	<b>83,627,949</b>	43,745,689	
Land Leasehold	376,316,899	—	4,210,566	<b>372,106,333</b>	—	—	—	—	<b>372,106,333</b>	376,316,899	
Buildings (b) & (d)	1,986,205,078	73,865,470	464,170	<b>2,059,606,378</b>	534,030,170	—	55,974,601	<b>590,004,771</b>	<b>1,469,601,607</b>	1,452,174,908	
Waterpumps, Reservoirs and Mains	52,180,753	42,891	—	<b>52,223,644</b>	20,679,792	—	1,893,691	<b>22,573,483</b>	<b>29,650,161</b>	31,500,961	
Plant & Machinery	13,412,707,428	1,002,770,085	93,592,915	<b>14,321,884,598</b>	6,746,872,813	64,144,049	921,700,929	<b>7,604,429,693</b>	<b>6,717,454,905</b>	6,665,834,615	
Dies & Jigs	2,411,849,282	247,831,221	81,750,088	<b>2,577,930,415</b>	960,819,653	7,094,054	211,452,700	<b>1,165,178,299</b>	<b>1,412,752,116</b>	1,451,029,629	
Electric Installations	376,844,401	792,179	23,934	<b>377,612,646</b>	180,294,310	—	12,975,294	<b>193,269,604</b>	<b>184,343,042</b>	196,550,091	
Factory Equipments	701,561,037	60,674,493	8,643,699	<b>753,591,831</b>	383,072,418	7,671,046	49,116,460	<b>424,517,832</b>	<b>329,073,999</b>	318,488,619	
Furniture & Fixtures	335,633,092	7,764,934	3,060,729	<b>340,337,297</b>	189,737,365	1,954,665	17,705,872	<b>205,488,572</b>	<b>134,848,725</b>	145,895,727	
Electric Fittings	85,505,926	5,052,181	—	<b>90,558,107</b>	49,967,508	—	5,097,557	<b>55,065,065</b>	<b>35,493,042</b>	35,538,418	
Vehicles & Aircraft	300,761,139	22,565,582	14,637,793	<b>308,688,928</b>	93,838,836	8,835,769	22,091,714	<b>107,094,781</b>	<b>201,594,147</b>	206,922,303	
Wind Energy Generators	1,702,400,000	1,136,820,000	—	<b>2,839,220,000</b>	116,801,717	—	225,221,099	<b>342,022,816</b>	<b>2,497,197,184</b>	1,585,598,283	
Leased Assets :-											
Plant & Machinery	2,611,372,335	—	1,667,150,000	<b>944,222,335</b>	2,377,261,777	1,667,150,000	234,110,558	<b>944,222,335</b>	—	234,110,558	
Dies & Moulds	281,143,821	—	41,409,259	<b>239,734,562</b>	237,264,090	37,818,450	39,616,607	<b>239,062,247</b>	<b>672,315</b>	43,879,731	
<b>As at 31st March,2002</b>	<b>Total</b>	<b>24,678,226,880</b>	<b>2,598,061,296</b>	<b>1,914,943,153</b>	<b>25,361,345,023</b>	<b>11,890,640,449</b>	<b>1,794,668,033</b>	<b>1,796,957,082</b>	<b>11,892,929,498</b>	<b>13,468,415,525</b>	<b>12,787,586,431</b>
<b>As at 31st March,2001</b>	<b>Total</b>	<b>20,411,482,261</b>	<b>4,559,426,784</b>	<b>292,682,165</b>	<b>24,678,226,880</b>	<b>10,323,442,917</b>	<b>205,720,019</b>	<b>1,772,917,551</b>	<b>11,890,640,449</b>	<b>12,787,586,431</b>	

- 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. 117,537,975** and cost of shares therein **Rs.750**  
Sale deeds in respect of Premises (At Delhi) of the value of **Rs.925,044** is under execution.
- ii. Includes Premises on ownership basis **Rs.53,784,850** represented by **66** equity shares and **182** debentures of the face value of **Rs.660** and **Rs.18,900,000** respectively.
- c) Refer Para 2(B) & (C) of Statement on Significant Accounting Policies annexed to the Accounts.
- d) Includes office premises given on lease **Rs.82,541,077** Accumulated depreciation **Rs.3,587,786** Depreciation for the year **Rs.1,345,420**

## Schedule 6 - Technical Know-How

		As at 31 March 2001
	Rupees	Rupees
As per last account	160,264,233	4,389,420
<b>Add:</b> Cost of technical know-how acquired during the year	—	190,573,701
	160,264,233	194,963,121
<b>Less:</b> Written off during the year	32,246,555	34,698,888
<b>Total</b>	<b>128,017,678</b>	<b>160,264,233</b>

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

		As at 31 March 2001	
		Rupees	Rupees
<b>In Government and Trust Securities</b>			
<b>Quoted</b>			
—	(-) 8.07% Government of India Stock 2017 of face value of Rs.650,000,000	698,469,250	—
—	(-) 9.40% Government of India Stock 2012 of face value of Rs.150,000,000	172,395,000	—
—	(-) 9.81% Government of India Stock 2013 of face value of Rs.250,000,000	300,176,643	—
—	(-) 9.85% Government of India Stock 2015 of face value of Rs.200,000,000	245,070,111	—
—	(-) 10.25% Government of India Stock 2021 of face value of Rs.150,000,000	184,471,433	—
—	(-) 10.45% Government of India Stock 2018 of face value of Rs.450,000,000	549,577,716	—
—	(-) 10.47% Government of India Stock 2015 of face value of Rs.700,000,000	866,258,667	—
—	(-) 10.71% Government of India Stock 2016 of face value of Rs.550,000,000	700,908,620	—
—	(-) 11.43% Government of India Stock 2015 of face value of Rs.750,000,000	965,680,933	—
—	(-) 11.50% Government of India Stock 2011 of face value of Rs.100,000,000	131,866,389	—
—	(-) 11.83% Government of India Stock 2014 of face value of Rs.103,500,000	139,080,325	—
—	(-) Zero % 364 Days Government of India Treasury Bills of the face value of Rs.280,000,000	264,084,454	—
29,500,000	(34,500,000) Units of Rs.10 each of Unit Trust of India Under Unit Scheme 1964	340,996,962	497,148,461
*	40,000,000 (10,000,000) Units of Rs.10 each of Unit Trust of India under Monthly Income Plan 1999	410,710,986	99,520,000
	Other	534,403,158	11,604,265
		6,504,150,647	608,272,726
<b>Unquoted</b>			
	6 Years National Saving Certificates of the face value of Rs.11,500	11,500	11,500
2,240	Units of Rs.100 each of Unit Trust of India under Venture Capital Unit Scheme 1990 Vecaus II	224,000	224,000
	(-) Contribution held in Mortgage Backed Loan Receivables Securities Trust (Series IV) (Redeemable in parts in terms of schedule specified therein aggregating to Rs.330,091,508)	263,989,229	—
		264,224,729	235,500
	Carried Over	6,768,375,376	608,508,226

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

				As at 31 March 2001
		Rupees	Rupees	Rupees
Brought Over			6,768,375,376	608,508,226
<b>In fully paid Preference Shares</b>				
<b>Unquoted</b>				
500,000	13.50% Redeemable Cumulative Non-Convertible Preference Shares of Rs.100 each in The Arvind Mills Limited	50,000,000		50,000,000
—	(300,000) 13% Redeemable Cumulative Preference Shares of Rs.100 each in Atul Limited	—		10,000,000
—	(50,000) 13% Optionally Convertible Cumulative Redeemable Preference Shares of Rs.100 each in Aurangabad Electricals Private Limited	—		5,000,000
3,000,000	11% Cumulative Non-participating Redeemable Preference Shares of Rs.10 each in Bajaj Electricals Limited	30,000,000		30,000,000
300,000	12% Redeemable Non Convertible Cumulative Preference Shares of Rs.100 each in Birla VXL Limited	30,000,000		30,000,000
—	(2,000,000) 10.50% Cumulative Redeemable Preference Shares of Rs.10 each in Dani Trading and Investments Limited	—		20,000,000
2,000,000	(-) 9.75% Cumulative Redeemable Preference Shares of Rs.10 each in Dani Trading and Investments Limited	20,000,000		—
200,000	12% Redeemable Cumulative Preference Shares of Rs.100 each in Duncans Industries Limited	20,000,000		20,000,000
—	(8,000,000) 10.50% Cumulative Redeemable Preference Shares of Rs.10 each in Geetanjali Trading and Investments Private Limited	—		80,000,000
8,000,000	(-) 9.75% Cumulative Redeemable Preference Shares of Rs.10 each in Geetanjali Trading and Investments Private Limited	80,000,000		—
3,000,000	16% Redeemable Cumulative Preference Shares of Rs.10 each in Goodvalue Marketing Company Limited	30,000,000		30,000,000
250,000	12% Cumulative Redeemable Preference Shares of Rs.100 each in Himachal Futuristic Communications Limited	25,000,000		25,000,000
20,661,200	10.50% Redeemable Cumulative Preference Shares of Rs.10 each in IFCI Limited	206,612,000		206,612,000
140,000	12% Cumulative Redeemable Preference Shares of Rs.100 each in Khandwala Securities Limited	14,000,000		14,000,000
	Carried Over	505,612,000		520,612,000
	Carried Over		6,768,375,376	608,508,226

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

				As at 31 March 2001
		Rupees	Rupees	Rupees
Brought Over			6,768,375,376	608,508,226
<b>In fully paid Preference Shares (contd.)</b>				
<b>Unquoted (contd.)</b>				
Brought Over		505,612,000		520,612,000
170,000	12% Cumulative Redeemable Preference Shares of Rs.100 each in KJMC Financial Services Limited	17,000,000		17,000,000
2,000,000	12% Non Convertible Cumulative Redeemable Preference Shares of Rs.10 each in Kopran Limited	20,000,000		20,000,000
700,000	12% Optionally Convertible Cumulative Redeemable Preference Shares of Rs.100 each in KDL Biotech Limited	74,675,000		74,675,000
—	(400,000) 10.50% Non Convertible Redeemable Preference Shares of Rs.100 each in Makan Investments & Trading Company Limited	—		40,000,000
2,000,000	13.50% Redeemable Cumulative Preference Shares of Rs.10 each in Marvel Industries Limited	20,000,000		20,000,000
100,000	14.75% Cumulative Redeemable Preference Shares of Rs.100 each in Pentafour Products Ltd - balance after part redemption	5,000,000		5,000,000
100,000	16% Redeemable Cumulative Preference Shares of Rs.100 each in The Pharmaceutical Products of India Limited	10,000,000		10,000,000
—	(5,000,000) 11% Cumulative Redeemable Preference Shares of Rs.10 each in Rallis India Limited	—		50,000,000
10,000,000	11.50% Cumulative Redeemable Preference Shares of Rs.10 each in SICOM Limited	100,000,000		100,000,000
5,000,000	11% Cumulative Redeemable Preference Shares of Rs.10 each in SICOM Limited	50,000,000		50,000,000
300,000	14.50% Redeemable Cumulative Preference Shares of Rs.100 each in Southern Petrochemical Industries Corporation Limited	29,955,000		29,955,000
—	(500,000) 17% Redeemable Non Convertible Cumulative Preference Shares of Rs.100 each in Sterling Holiday Resorts (India) Limited	—		50,000,000
10,000,000	13% Cumulative Redeemable Preference Shares of Rs.10 each in Sushmita Holdings Limited	100,000,000		100,000,000
300,000	10.50% Cumulative Redeemable Preference Shares of Rs.100 each in Titan Industries Limited	30,000,000		30,000,000
200,000	9.25% Redeemable Cumulative Preference Shares of Rs.100 each in Titan Industries Limited	20,000,000		20,000,000
Carried Over		982,242,000		1,137,242,000
Carried Over			6,768,375,376	608,508,226

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

				As at 31 March 2001
		Rupees	Rupees	Rupees
	Brought Over		6,768,375,376	608,508,226
<b>In fully paid Preference Shares (contd.)</b>				
	<b>Unquoted (contd.)</b>			
	Brought Over	982,242,000		1,137,242,000
—	(750,000) 12.25% Redeemable Cumulative Preference Shares of Rs.10 each in United Shippers Limited (Series II)	—		7,500,000
200,000	15% Cumulative Redeemable Preference Shares of Rs.100 each in Viral Filaments Limited - balance after part redemption	19,500,000		19,500,000
			1,001,742,000	1,164,242,000
<b>In fully paid Equity Shares</b>				
<b>Trade Quoted</b>				
4,693,800	Shares of Rs.10 each in Bajaj Auto Finance Limited	180,786,257		180,786,257
2,742,848	Shares of Rs.10 each in Maharashtra Scooters Limited	2,400,000		2,400,000
			183,186,257	183,186,257
<b>In Subsidiary Company</b>				
<b>Unquoted</b>				
111,000,000	(-) Shares of Rs.10 each in Allianz Bajaj Life Insurance Co Limited (became a subsidiary during the year)	1,110,000,000		—
81,400,000	(100) Shares of Rs.10 each in Bajaj Allianz General Insurance Co Limited (became a subsidiary during the year)	814,000,000		1,000
24,500	Shares of Rs.100 each in Bajaj Auto Holdings Limited - a wholly Owned Subsidiary	2,450,000		2,450,000
			1,926,450,000	2,451,000
<b>Other Quoted</b>				
2,139,561	Shares of Rs.10 each in Bajaj Tempo Limited	460,592,511		460,592,511
228,500	(305,500) Shares of Rs.10 each in GTL Limited-Formerly, Global Tele-Systems Limited	168,506,029		249,521,822
43,039,450	(43,139,450) Shares of Rs.10 each in ICICI Limited	2,785,457,309		2,791,929,179
	Other	2,050,715,578		2,850,023,668
			5,465,271,427	6,352,067,180
<b>Unquoted</b>				
1	Share of Rs.100 each in The Poona District Motor Transport Co-operative Society Limited	100		100
565,000	Shares of Rs.10 each in Durovalves India Private Limited	5,650,000		5,650,000
300,000	Shares of Rs.10 each in Endurance Systems India Private Limited	3,000,000		3,000,000
	Carried Over	8,650,100		8,650,100
	Carried Over		15,345,025,060	8,310,454,663

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

				As at 31 March 2001
		Rupees	Rupees	Rupees
			15,345,025,060	8,310,454,663
<b>In fully paid Equity Shares (contd.)</b>				
<b>Unquoted (contd.)</b>	Brought Over	8,650,100		8,650,100
300,000	Shares of Rs.10 each in Kowa Spinning Limited	5,250,000		5,250,000
1,026,000	Shares of Rs.10 each in Monotona Tyres Limited	10,260,000		10,260,000
600,000	Shares of Rs.10 each in SICOM Limited	48,230,988		48,230,988
235,000	Shares of Rs.10 each in Sukumar Estates Limited	35,984,588		35,984,588
			108,375,676	108,375,676
<b>In Debentures and Secured Premium Notes</b>				
<b>Fully Paid</b>				
<b>Quoted</b>				
<b>Other</b>				
* 250	(-) 11.49% Secured Redeemable Non Convertible Debentures (PPD-V) of Rs.1,000,000 each of Reliance Utilities & Power Limited	278,946,235		—
	Other	442,142,568		400,338,501
			721,088,803	400,338,501
<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	16,833,095		16,833,095
500	18.75% Secured Redeemable Non Convertible Debentures of Rs.100,000 each of Core Healthcare Limited - balance after part redemption	45,500,000		45,500,000
354,000	14.50% Redeemable Non Convertible Debentures of Rs.100 each of The Dhampur Sugar Mills Limited - balance after part redemption	30,782,610		35,400,000
100,000	18% Non Convertible Debentures of Rs.100 each of Goodearth Organic (India) Limited	9,500,000		9,500,000
100	11% Secured Redeemable Non Convertible Debentures of Rs.1,000,000 each of Gujarat Industries Power Company Limited	99,975,000		99,975,000
1,000	15.25% Secured Redeemable Non-Convertible Debentures of Rs.50,000 each of Gujarat Industries Power Company Limited - balance Non Convertible Portion of Rs.33,500 after first redemption	33,165,000		49,500,000
2,788,354	18% Secured Redeemable Non-Convertible Debentures of Rs.45 each of Gujarat Industries Power Company Limited - balance Non Convertible Portion of Rs.30 after first redemption	99,833,821		149,750,733
20	15.25% Secured Redeemable Non-Convertible Debentures of Rs.500,000 each (Series III) of Indo Gulf Corporation Limited	10,000,000		10,000,000
		345,589,526		416,458,828
			16,174,489,539	8,819,168,840



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

				As at 31 March 2001
		Rupees	Rupees	Rupees
Brought Over			16,174,489,539	8,819,168,840
<b>Debentures and Secured Premium Notes (contd.)</b>				
<b>Fully Paid (contd.)</b>				
<b>Unquoted (contd.)</b>				
Brought Over		345,589,526		416,458,828
20,000	18% Secured Non Convertible Debentures of Rs.1,000 each of Mafatlal Finance Limited	20,000,000		20,000,000
690	Unsecured Redeemable Non Convertible Debentures of Rs.3,625 each of Mahadev Industries Limited (Scheme C-Deep Discount Debentures)	2,501,250		2,501,250
300,000	18% Secured Redeemable Non-Convertible Debentures of Rs.100 each of Punjab Wireless Systems Limited	30,000,000		30,000,000
500	10.25% (Non Taxable) Secured Redeemable Non Convertible Debentures of Rs.500,000 each of Reliance Telecom Limited	250,000,000		250,000,000
100,000	20% Non Convertible Debentures of Rs.100 each - Series-1 of Shaan Interwell (India) Limited - balance after part redemption	6,138,972		6,138,972
			654,229,748	725,099,050
<b>In Bonds</b>				
<b>Other</b>				
<b>Fully Paid</b>				
<b>Quoted</b>				
* 200,000	10.50% Tax Free Secured Redeemable Non Convertible Bonds of Rs. 1,000 each of Konkan Railway Corporation Limited - Series 2C (2004)	200,000,000		200,000,000
* 2,079	10.50% Tax Free 10 23(g) Secured Redeemable Non Convertible Bonds of Rs.100,000 each of Konkan Railway Corporation Limited - Series 6D (2006)	207,900,000		207,900,000
* 2,000	11.50% Secured Redeemable Non Convertible Infrastructure Bonds of Maharashtra State Road Development Corporation Limited of face value of Rs.100,000 each - Series I	200,000,000		200,000,000
* 6,000	12.25% Secured Redeemable Non Convertible Bonds of Rs.50,000 each of Sardar Sarovar Narmada Nigam Limited, Type C, Infrastructure I	300,000,000		300,000,000
Other		1,629,631,625		943,314,180
			2,537,531,625	1,851,214,180
Carried Over			19,366,250,912	11,395,482,070

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

				As at 31 March 2001
		Rupees	Rupees	Rupees
Brought Over			19,366,250,912	11,395,482,070
<b>In Mutual Funds Units</b>				
<b>Quoted</b>	Other		546,881,762	619,330,312
<b>Unquoted</b>				
212-500	(250) Units of Rs.5,000 each of Auto Ancillary Fund		1,062,500	1,250,000
			19,914,195,174	12,016,062,382
<b>Less:</b>	Provision for diminution in value of Investments		253,534,823	170,803,722
			19,660,660,351	11,845,258,660
	Application Money for Investment in Shares and Bonds		—	494,000
	<b>Total</b>		19,660,660,351	11,845,752,660

	Book Value as at		Market Value as at	
	31 March 2002 Rupees	31 March 2001 Rupees	31 March 2002 Rupees	31 March 2001 Rupees
<b>Quoted</b>	15,747,733,039	9,975,709,678	* 14,190,467,585	* 8,835,224,528
<b>Unquoted</b>	3,912,927,312	1,869,548,982		
<b>Total</b>	19,660,660,351	11,845,258,660		

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

### Notes to Investment Schedule

1. The following Investments are in the process of being transferred in the name of the Company

(a) **Trust Securities**

Name	Face Value Rupees	No of Units
Unit Trust of India - Mastergain 1992	10	53,300
Unit Trust of India - Master Plus Unit Scheme 1991	10	1,800

(b) **Equity Shares**

Name of the Company	Face Value Rupees	No of Shares
Sterlite Industries (India) Limited	5	600
Sterlite Optical Technologies Limited	5	600
Sul India Limited	10	149,950

2. Shares and Debentures held by the Brokers pending clearance of objection regarding transfer forms

(a) **Equity Shares**

Name of the Company	Face Value Rupees	No of Shares
Bajaj Tempo Limited	10	100

(b) **Debentures**

Name of the Company	Face Value Rupees	No of Debentures
16% Mangalore Refinery & Petrochemical Corporation Limited	57	400

3. Certificate for the following are yet to be received/credited to our Demat Account with Standard Chartered Grindlays Bank Limited

(a) **Trust Securities**

Name	Face Value Rupees	No of Units
Unit Trust of India - Mastershares	10	180

(b) **Equity Shares**

Name of the Company	Face Value Rupees	No of Shares
Industrial Development Bank of India	10	1
Mahadeo Corporation (India) Limited	10	300

(c) **Bonds**

Name of the Company	Face Value Rupees	No of Bonds
12.60% West Bengal Infrastructure Development Finance Corporation Limited	100,000	1,000

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

### Notes to Investment Schedule (Contd.)

4. Following Shares/Units were in the process of Dematerialisation after being transferred in the name of the Company

Name of the Company	Face Value Rupees	No of Shares/Units
Hindustan Construction Company Limited	10	50
Reliance Capital Limited	10	100
Reliance Industries Limited	10	3
Unit Trust of India - Mastergain 1992	10	6,000
Unit Trust of India - Master Plus Unit Scheme 1991	10	700
Unit Trust of India - Mastershares	10	1,369

5. Securities for the following are yet to be received from Brokers against purchases during the year

Name of the Company	Face Value Rupees	No of Shares
The Associated Cement Companies Limited	10	25,000
Digital Globalsoft Limited - Formerly, Digital Equipments (I) Limited	10	40,000
BSES Limited	10	88,161
GTL Limited - Formerly, Global Tele-Systems Limited	10	20,000
Hindustan Petroleum Corporation Limited	10	20,000
Larsen & Toubro Limited	10	125,000
The Tata Engineering & Locomotive Company Limited	10	150,000
Wipro Limited	2	20,000

6. Following Investments were purchased and sold during the year

(a) **Equity Shares**

Name of the Company	Quantity Nos	Purchase Cost Rupees	Sale Proceeds Rupees
BF Utilities Limited	29,700	2,508,530	103,197
German Remedies Limited	17,066	7,014,718	4,642,914
Godrej Industries Limited	75,000	1,503,513	1,041,919

(b) **Debentures**

Name of the Company	Quantity Nos	Purchase Cost Rupees	Sale Proceeds Rupees
Reliance Petroleum Limited	10	116,759,041	123,954,795
The Tata Engineering & Locomotive Company Limited	69,000	4,485,000	4,830,000

(c) **Bonds**

Name of the Company	Quantity Nos	Purchase Cost Rupees	Sale Proceeds Rupees
IDBI Omni Bonds	7	74,136,005	76,846,108

7. Following Investments have been purchased and sold during the year, before transferring the same in the name of the Company

(a) **Equity Shares**

Name of the Company	Quantity Nos	Purchase Cost Rupees	Sale Proceeds Rupees
Aftek Infosys Limited	10,000	4,780,337	4,769,443
Tamilnadu Newsprint & Papers Limited	31,967	915,212	765,403
Uniflex Cables Limited	100	1,019	1,144
Zuari Industries Limited	8,550	441,561	155,255

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

### Notes to Investment Schedule (Contd.)

8. The following Government Securities have been purchased and sold during the year, through SGL Account with Bank of America and Citibank N.A., Mumbai

Particulars	Purchase Cost Rupees	Sale Proceeds Rupees
08.07% Government of India Loan, 2017	50,313,708	50,457,333
09.39% Government of India Loan, 2011	914,421,833	930,451,250
09.40% Government of India Loan, 2012	636,240,556	649,146,389
09.81% Government of India Loan, 2013	2,275,262,107	2,305,914,875
09.85% Government of India Loan, 2015	2,740,328,709	2,781,062,431
10.18% Government of India Loan, 2026	418,729,133	436,383,472
10.25% Government of India Loan, 2021	949,413,011	982,066,667
10.45% Government of India Loan, 2018	574,032,909	600,614,444
10.47% Government of India Loan, 2015	830,557,542	867,456,292
10.70% Government of India Loan, 2020	60,337,361	66,097,083
10.71% Government of India Loan, 2016	2,949,015,505	3,022,206,875
10.95% Government of India Loan, 2011	468,568,333	479,877,500
11.03% Government of India Loan, 2012	2,367,287,509	2,416,643,625
11.30% Government of India Loan, 2010	1,025,619,583	1,052,297,778
11.40% Government of India Loan, 2008	771,075,000	772,956,667
11.43% Government of India Loan, 2015	1,180,067,317	1,232,711,500
11.50% Government of India Loan, 2011	2,096,281,250	2,109,900,139
11.60% Government of India Loan, 2020	503,508,068	511,267,722
11.83% Government of India Loan, 2014	952,950,591	1,010,780,278
11.99% Government of India Loan, 2009	422,570,806	441,992,736
12.25% Government of India Loan, 2010	174,309,375	187,237,292
12.32% Government of India Loan, 2011	650,002,044	671,454,722
12.50% Government of India Loan, 2004	164,560,833	164,657,500
364 Days Treasury Bill	4,758,487,256	4,812,811,240

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

10. Following Investments held in the name of the Company are refused by respective Companies for dematerialisation as the same are now found to be defective.

Name of the Company	Quantity Nos	Face Value Rupees	Cost Rupees
The Great Eastern Shipping Co Limited	385	10	12,667
Gesco Corporation Limited	43	10	1,382
Larsen & Toubro Limited	250	10	103,143
Sterlite Industries (India) Limited	200	5	19,736
Sterlite Optical Technologies Limited	200	5	39,162
Tata Chemicals Limited	249	10	37,532
The Tata Iron and Steel Company Limited	50	10	8,883

11. \* Quoted Investments for which quotations are not available have been included in market value at the face value/ paid up value, whichever is lower, as the quotations are not available.
12. Units of Unit Trust of India have been included in market value at the Repurchase value.
13. See Note '12' in Schedule '14' to the Accounts.

## Schedule 8 - Current Assets, Loans and Advances

				As at 31 March 2001
	Rupees	Rupees	Rupees	Rupees
<b>(a) Inventories</b>				
Stores and spares, at cost		32,317,751		49,239,133
Tools		273,435,000		372,506,487
Stock-in-trade, at cost or market value whichever is lower				
Raw Materials		543,186,844		875,284,600
Work-in-progress (including factory made components)				
<b>Rs.18,564,792</b> Previous Year				
Rs.15,590,261)		162,581,965		167,730,230
Finished Goods		540,328,043		686,157,645
Auto Spare parts, etc.		195,712,417		348,745,244
		<u>1,747,562,020</u>		<u>2,499,663,339</u>
As valued and certified by Management				
Goods in transit, at cost to date		43,417,006		34,720,697
			<u>1,790,979,026</u>	<u>2,534,384,036</u>
<b>(b) Sundry Debtors, Unsecured</b>				
Outstanding for a period exceeding six months				
Good	19,003,617			10,223,586
	<u>18,369,226</u>			<u>9,267,885</u>
Doubtful	18,369,226			9,267,885
<b>Less: Provision</b>	<u>18,369,226</u>			<u>9,267,885</u>
	<u>—</u>			<u>—</u>
		19,003,617		10,223,586
Other, Good		<u>1,962,651,725</u>		<u>1,196,955,523</u>
			<u>1,981,655,342</u>	<u>1,207,179,109</u>
<b>(c) Cash and Bank Balances</b>				
Cash on hand (including cheques on hand)				
<b>Rs.7,865,920</b> Previous year				
Rs.15,371,025)		9,121,664		16,821,670
		<u>9,121,664</u>		<u>16,821,670</u>
Cheques in hand with Banks as collecting agencies in terms of an arrangement		7,875,945		13,681,352
		<u>7,875,945</u>		<u>13,681,352</u>
Balances with scheduled banks				
* In current account		131,461,143		165,164,398
In margin deposits		20,000		13,911,900
In fixed deposits		103,365,000		3,590,000
Interest accrued on fixed deposits		166,135		286,005
		<u>235,012,278</u>		<u>182,952,303</u>
			<u>252,009,887</u>	<u>213,455,325</u>
Carried over			<u>4,024,644,255</u>	<u>3,955,018,470</u>

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

				As at 31 March 2001
	Rupees	Rupees	Rupees	Rupees
Brought over			4,024,644,255	3,955,018,470
<b>(d) Other Current Assets</b>				
Dividend and Interest receivable on Investments				
Good	52,509,093			65,032,501
Doubtful	—			177,830
<b>Less: Provision</b>	—			177,830
	—			—
		52,509,093		65,032,501
Debentures & Bonds Redemption Money Receivable		19,238		—
Interest receivable on Loans etc.				
Good	200,862,399			264,802,021
Doubtful	—			82,487,790
<b>Less: Provision</b>	—			82,487,790
	—			—
		200,862,399		264,802,021
Lease Rent Receivable		77,789,196		97,002,497
Export Incentives Receivable		164,075,206		118,499,040
Credit receivable for Windpower generated		57,897,425		21,826,861
			553,152,557	567,162,920
<b>(e) Loans and Advances, unsecured, good</b> (Unless otherwise stated)				
Loan to Bajaj Auto Holdings Limited-wholly owned subsidiary		184,000,000		53,000,000
Loan to Others				
Good	1,853,306,835			2,586,000,170
Doubtful	—			56,240
<b>Less: Provision</b>	—			56,240
	—			—
		1,853,306,835		2,586,000,170
Deposits with Joint Stock Companies (Including <b>Rs.646,000,000</b> against pledge of Securities, Previous Year Rs.858,309,625)				
Good	866,000,000			1,222,809,626
Doubtful	—			193,470,222
<b>Less: Provision</b>	—			193,470,222
	—			—
		866,000,000		1,222,809,626
Due from Subsidiaries		20,981		—
@ Advances Recoverable in Cash or in kind or for value to be received				
Good	732,315,427			1,872,879,364
Doubtful	38,722,511			20,456,819
<b>Less: Provision</b>	38,722,511			20,456,819
	—			—
		732,315,427		1,872,879,364
Balances with Customs and Central Excise Departments		217,282,120		192,409,513
Sundry Deposits		91,214,781		89,554,475
Tax paid in Advance		11,376,201,902		10,077,482,174
			15,320,342,046	16,094,135,322
<b>Total</b>			19,898,138,858	20,616,316,712

\* including for 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.157,500 Maximum balance outstanding during the year Rs.168,750



## Schedule 9 - Current Liabilities and Provisions

			As at 31 March 2001
	Rupees	Rupees	Rupees
<b>(a) Liabilities</b>			
Acceptances		29,795,144	40,442,353
Sundry Creditors			
Due to Small Scale Industrial Undertakings [See note 13]	243,884,658		175,070,962
Other	3,837,596,200		3,357,465,346
		4,081,480,858	3,532,536,308
Advances against Orders		151,271,845	153,476,995
Unclaimed Dividends		23,324,734	21,255,465
Deposit from Dealers and others		255,728,953	919,657,997
Unclaimed amount of Sale proceeds of Fractional coupons of Bonus Shares		5,595	5,595
Unclaimed amount on Debentures redeemed		6,746,639	7,091,984
Interest accrued but not due on loans		998,750	1,126,126
		4,549,352,518	4,675,592,823
<b>(b) Provisions</b>			
Provision for Taxation	10,579,400,000		9,175,800,000
Proposed Dividend	1,416,569,140		809,468,080
Provision for Corporate Dividend Tax on Proposed Dividend	—		82,565,745
		11,995,969,140	10,067,833,825
<b>Total</b>		<b>16,545,321,658</b>	<b>14,743,426,648</b>

## Schedule 10 - Other Income

			Previous Year
	Rupees	Rupees	Rupees
Workshop Receipts		5,687,605	4,836,703
Technical Know-how		18,725,795	29,391,721
Dividends			
From Subsidiary	4,900,000		—
From Trade Investments	16,824,248		19,567,096
Other	570,582,225		322,212,484
		592,306,473	341,779,580
Interest [Gross-Tax Deducted <b>Rs.146,358,173</b> Previous Year Rs.216,330,878]			
On Government Securities	17,808,266		30,319,377
On Debentures and Bonds	291,509,916		536,625,672
Other	556,504,331		956,025,811
		865,822,513	1,522,970,860
Income From Units of Mutual Funds		78,492,422	139,466,242
Leasing Business			
Lease Rent	8,543,427		77,111,307
<b>Add : Lease Equalisation*</b>	230,203,122		361,693,341
		238,746,549	438,804,648
Rent		18,655,413	7,280,222
Insurance Claims		3,117,549	9,979,065
Export Incentives		220,592,100	196,613,660
Miscellaneous Receipts		350,827,543	430,529,059
Surplus on Sale of Assets		26,945,556	29,367,967
Profit on Sale of Investments,net		—	249,584,763
Surplus on redemption of Securities		—	129,739,291
Bad Debts Recovered		108,074	7,895
Sundry Credit balances appropriated		6,942,424	2,567,528
Provisions for Doubtful Debts and Advances written back	276,362,776		975,423
<b>Less : Write backs on account of amounts written off during the year,as per contra</b>	276,257,950		28,574
		104,826	946,849
Provisions no longer required		132,446,978	125,965,466
<b>Total</b>		<b>2,559,521,820</b>	<b>3,659,831,519</b>

\* refer clause 8(b) in the statement of significant accounting policies annexed to schedule 14 to the accounts

## Schedule 11 - Materials

			Previous Year
	Rupees	Rupees	Rupees
<b>(a) Raw materials and components consumed</b>			
Stocks at commencement		875,284,600	1,139,491,546
Purchases		21,770,085,320	19,418,647,456
		<u>22,645,369,920</u>	<u>20,558,139,002</u>
<b>Less: Stocks at close</b>		543,186,844	875,284,600
		<u>22,102,183,076</u>	<u>19,682,854,402</u>
<b>(b) Finished Goods purchases</b>			
Two Wheelers/Trailers	275,133		690,087
Auto Spare Parts	590,375,496		576,728,769
		<u>590,650,629</u>	<u>577,418,856</u>
<b>(c) Conversion and Machining Charges</b>		580,313,456	652,884,283
<b>(d) Excise duty on year end inventory of Finished Goods</b>		66,592,284	127,574,419
<b>(e) (Increase) / Decrease in Stocks</b>			
Stocks at close			
Work in progress(including factory made components <b>Rs.18,564,792</b> Previous Year Rs.15,590,261)	162,581,965		167,730,230
Finished Goods	540,328,043		686,157,645
Auto Spare Parts	195,712,417		348,745,244
	<u>898,622,425</u>		<u>1,202,633,119</u>
<b>Less: Stocks at commencement</b>			
Work in progress(including factory made components <b>Rs.15,590,261</b> Previous Year Rs.24,427,970)	167,730,230		283,840,907
Finished Goods	686,157,645		469,175,047
Auto Spare Parts	348,745,244		308,335,699
	<u>1,202,633,119</u>		<u>1,061,351,653</u>
		<u>304,010,694</u>	<u>(141,281,466)</u>
<b>Total</b>		<u>23,643,750,139</u>	<u>20,899,450,494</u>

## Schedule 12 - Other Expenses

			Previous Year
	Rupees	Rupees	Rupees
Stores,spares and tools consumed		544,219,043	594,509,966
Power, fuel and water		636,438,618	710,310,909
Repairs			
Buildings and Roads	57,201,361		92,786,361
Machinery	237,615,301		330,508,857
Other	24,726,170		48,863,482
		319,542,832	472,158,700
Employees' Emoluments			
Salaries,wages,bonus etc.	1,856,397,296		1,949,692,204
Contribution to Provident and other funds and schemes	245,077,829		253,043,361
Welfare expenses [ see note 10 ]	277,978,929		241,592,839
		2,379,454,054	2,444,328,404
Rent		19,878,977	19,311,770
Rates and taxes		12,289,935	9,660,144
Insurance		34,624,921	26,402,410
Auditors' Remuneration		3,683,605	3,646,564
Directors' fees and travelling expenses		229,067	192,138
Managing Director's remuneration			
Salary	1,200,000		1,200,000
Commission	2,400,000		2,400,000
		3,600,000	3,600,000
Wholetime Directors' remuneration			
Salary	2,350,645		1,790,000
Commission	1,330,645		770,000
		3,681,290	2,560,000
Commission to Non Executive Directors		1,020,000	880,000
Miscellaneous expenses		678,982,953	681,918,661
Electricity service connection and other charges written off		88,600,000	107,450,000
Packing,forwarding etc.		370,236,256	354,613,852
Advertisement		888,205,960	1,025,282,644
Vehicle service charges and other expenses		716,027,805	624,146,681
Commission and Discount		132,887,458	126,161,926
Incentives & Sales Promotion		266,953,843	273,758,395
Royalty		200,884,116	165,812,107
Donations		10,121,000	9,070,400
Bad debts and other irrecoverable debit balances written off	377,206,212		50,527,999
Less: Provisions made in earlier years in respect of amounts written off during the year,adjusted as per contra	276,257,950		28,574
		100,948,262	50,499,425
Sundry credit balances previously appropriated,now paid		740,804	772,087
Loss on assets sold,demolished,discarded and scrapped		72,066,200	40,472,352
Loss on sale of investments		8,821,678	—
Loss on redemption of securities		10,160,232	—
Provision for Doubtful Debts and Advances		27,537,726	—
Provision for Diminution in Value of Investments		82,731,101	66,670,198
Amount written off against Technical Know-how		32,246,555	34,698,888
Amount written off against leasehold land		4,210,566	4,210,566
<b>Total</b>		<b>7,651,024,857</b>	<b>7,853,099,187</b>

## Schedule 13 - Interest

			Previous Year
	Rupees	Rupees	Rupees
Interest			
Fixed Loans		6,026,311	10,752,908
Other		27,790,950	63,186,102
<b>Total</b>		<b>33,817,261</b>	<b>73,939,010</b>

## Schedule 14 - Notes forming part of Accounts

	As at 31 March 2002		As at 31 March 2001	
	Rupees		Rupees	
<b>1. Contingent liabilities not provided for in respect of</b>				
(i) Sales Bills Discounted	76,763,283		41,083,359	
(ii) Claims against the Company not acknowledged as debts	1,775,124,580		1,453,060,617	
(iii) Guarantees given by the Company to Housing Development Finance Corporation Ltd. - for loans to Employees	96,160,601		99,180,920	
(iv) Excise and Customs demand - matters under dispute	682,568,222		346,507,312	
(v) Claims for refund of Excise Duty, if any, against Excise Duty Refund received in the earlier year	—		55,638,819	
(vi) Income-Tax matters under dispute - Appeal by Company	382,481,995		269,122,143	
Appeal by Department	968,723,872		950,397,358	
	<u>1,351,205,867</u>		<u>1,219,519,501</u>	
(vii) Sales Tax matters under dispute	114,334,205		85,495,794	
(viii) Claims: [ Estimated amounts]				
a) Claims arising from labour dispute regarding reinstatement with permanency of terminated workers, in respect of which the company has appealed before the Supreme Court against the order of the High Court of Judicature Mumbai.	329,289,443		126,405,535	
b) Consequential liability as a result of (viii) (a) above in respect of similar matters pending before appellate authorities	281,782,507		168,664,703	
	<u>611,071,950</u>		<u>295,070,238</u>	
<b>2. Estimated amounts of contracts remaining to be executed on capital account and not provided for, Net of Advances.</b>	240,262,076		1,535,149,172	
<b>3. Payments to Auditors</b>				
	Auditors		Cost Auditors	
	2001-02 Rupees	2000-01 Rupees	2001-02 Rupees	2000-01 Rupees
(i) As Auditors	2,520,000	2,520,000	210,000	147,000
(ii) In other capacity				
For tax audit	472,500	472,500	—	—
For Provident Fund				
Certificates & other matters	481,378	495,971	—	—
Sub-Total	<u>3,473,878</u>	<u>3,488,471</u>	<u>210,000</u>	<u>147,000</u>
(iii) For expenses	209,727	158,093	6,917	10,793
Total	<u>3,683,605</u>	<u>3,646,564</u>	<u>216,917</u>	<u>157,793</u>
<b>4. C.I.F Value of Imports, Expenditure and Earnings in Foreign Currencies:</b>			2001-02 Rupees	2000-01 Rupees
(a) C.I.F. Value of Imports *				
(i) Raw materials				
Steel and Non-Ferrous Material			541,836,849	387,947,175
Components			545,446,559	975,604,921
			<u>1,087,283,408</u>	<u>1,363,552,096</u>
(ii) Machinery Spares			32,556,780	57,955,883
(iii) Capital Goods			339,341,338	1,380,689,826
* Excluding C.I.F. Value of Stores, Tools, etc. <b>Rs.103,560,401</b> (Previous Year Rs.114,544,129)				
(b) Expenditure in foreign currencies				
(i) Travelling expenses			5,724,659	10,086,856
(ii) Royalty, net of tax			160,684,878	132,741,406
(iii) Technical Consultancy, net of tax			17,515,661	63,665,630
(iv) Technical know-how fees, net of tax			—	145,669,244
(v) Commission on Exports			2,202,718	2,822,186
(vi) Research and Development Expenses, under an arrangement			11,441,614	1,679,215
(vii) Advertisement & publicity			3,736,079	82,851,051
(viii) Other matters			31,606,414	28,182,735
(c) Earnings in foreign currencies				
(i) F.O.B. Value of exports			1,594,206,776	1,350,036,160
(ii) F.O.B. Value of exports - goods traded in			1,417,040	712,646
(iii) Interest			1,362,047	1,186,626
(iv) Others			25,853,148	38,982,826

Schedule 14 - Notes forming part of Accounts (contd.)

	2001-02		2000-01	
	Rupees		Rupees	
<b>5. Total Exports during the year</b>				
Exports in Foreign Currency	1,594,206,776		1,350,036,160	
Exports in Foreign Currency - goods traded in	1,417,040		712,646	
	<u>1,595,623,816</u>		<u>1,350,748,806</u>	
<b>6. Managerial Remuneration</b>				
(a) Computation of Net Profits in accordance with Section 198(1) and Section 349 of Companies Act,1956				
(i) Profit as per Profit and loss Account			5,210,887,369	
<b>Add:</b> Managing Director's Remuneration (including perquisites)	5,765,411			
Wholetime Directors' Remuneration(including perquisites)	5,003,745			
Commission to Non-Executive Directors	1,020,000			
Provision for Taxation	<u>1,836,795,315</u>			
			1,848,584,471	
<b>Less:</b> Excess of Sales price over cost of assets sold	1,826,989			
Provision for doubtful debts and advances written back	104,826			
Provisions no longer required	132,446,978			
Premium on Insurance Venture	<u>1,170,000,000</u>			
			1,304,378,793	
Profit on which commission is payable			<u>5,755,093,047</u>	
(ii) Managing Director's Commission				
Commission @ 1% on Rs.5,755,093,047				57,550,930
Maximum Commission payable as determined by the Board of Directors to be limited to an amount equal to twice of the annual salary for the year				<u>2,400,000</u>
(iii) Commission to Wholetime Director - Shri Madhur Bajaj				
Commission @ 1% on Rs.5,755,093,047				57,550,930
Maximum Commission payable as determined by the Board of Directors to be limited to an amount equal to annual salary for the year				<u>1,200,000</u>
(iv) Commission to Wholetime Director - Shri Rajiv Bajaj *				
Commission @ 1% on Rs.5,755,093,047				57,550,930
Maximum Commission payable as determined by the Board of Directors to be limited to an amount equal to annual salary for the year				<u>130,645</u>
(v) Commission to Non-Executive Directors				
Commission @ 1% on Rs.5,755,093,047				57,550,930
Maximum Commission restricted to Rs.20,000 per meeting attended, per person, subject to an overall ceiling of Rs.2,400,000				<u>1,020,000</u>
(b) The Profit & Loss Account also includes payments and provisions on account of the Managing Director and Wholetime Directors as under				
	Managing Director		Wholetime Directors *	
	2001-02	2000-01	2001-02	2000-01
	Rupees	Rupees	Rupees	Rupees
(i) Salary	1,200,000	1,200,000	2,350,645	1,790,000
(ii) Commission	2,400,000	2,400,000	1,330,645	770,000
(iii) Privilege Leave Entitlement	100,000	50,000	21,667	713,333
(iv) Contribution to Provident Fund, Superannuation & Gratuity	424,000	424,000	581,674	430,300
(v) Other perquisites	366,480	314,751	150,851	214,703
(vi) Estimated monetary value of perquisite in form of Unfurnished Accommodation	364,800	244,800	201,800	129,800
Furniture at Residence	890,331	890,331	324,947	324,947
Personal use of Company's car	19,800	13,200	41,516	26,400
	<u>5,765,411</u>	<u>5,537,082</u>	<u>5,003,745</u>	<u>4,399,483</u>

\* Appointment and remuneration of Shri. Rajiv Bajaj [w.e.f. 05.03.2002] is subject to approval of Shareholders at the ensuing Annual General Meeting

## Schedule 14 - Notes forming part of Accounts (contd.)

	2001-02		2000-01		
<b>7. Details of raw materials consumption, goods traded in and Machinery Spares Consumption</b>					
<b>(i) Raw materials (including components) consumed</b>					
	Unit	Qty	Rupees	Qty	Rupees
(a) Ferrous Metal	M.T.	29,838	815,926,149	31,981	891,737,565
	Sq.Ft	—		—	
	Mtrs.	21,849	757,286	29,565	680,715
	Nos.	393		487	
(b) Non-Ferrous Metal	M.T.	11,167	926,650,724	13,244	1,134,069,285
	Mtrs.	—		235	
	Nos.	—	—	26	
(c) Tyres & tubes	Nos.	6,269,442	922,919,907	5,731,352	861,730,896
(d) Other Components			18,880,982,545		16,179,406,272
(e) Others			554,946,465		615,229,669
<b>Total</b>			<u>22,102,183,076</u>		<u>19,682,854,402</u>
<b>(ii) Imported and indigenous raw material consumption (including components)</b>					
		Rupees	Percentage	Rupees	Percentage
(a) Imported (including Customs Duty and other related charges)		1,652,888,403	7.48	1,806,795,754	9.18
(b) Indigenous		20,449,294,673	92.52	17,876,058,648	90.82
<b>Total</b>		<u>22,102,183,076</u>	<u>100.00</u>	<u>19,682,854,402</u>	<u>100.00</u>
<b>(iii) Imported and indigenous Machinery Spares Consumed</b>					
		Rupees	Percentage	Rupees	Percentage
(a) Imported (including Customs Duty and other related charges)		37,255,818	35.10	78,317,251	42.67
(b) Indigenous		68,891,887	64.90	105,211,350	57.33
<b>Total</b>		<u>106,147,705</u>	<u>100.00</u>	<u>183,528,601</u>	<u>100.00</u>
<b>(iv) Details of goods traded in-Purchases</b>					
		Nos.	Rupees	Nos.	Rupees
Two Wheelers		10	275,133	12	470,432
Trailers		—	—	8	219,655
			275,133		690,087
Auto Spare Parts			590,375,496		576,728,769
<b>Total</b>			<u>590,650,629</u>		<u>577,418,856</u>



## Schedule 14 - Notes forming part of Accounts (contd.)

	2001-02		2000-01	
<b>8. Details of Licensed and Installed Capacity, Production, Stocks and Turnover</b>				
Class of Goods				
(I) Motorised Two Wheelers and Three Wheelers upto 350 CC Engine capacity				
	Nos.	Rupees	Nos.	Rupees
(i) Licensed Capacity (including two Wheelers c.k.d packs- 200,000 Nos.) (a)	1,639,350		1,639,350	
(ii) Installed Capacity (b)	2,340,000		2,320,000	
(iii) Production	1,356,463		1,212,748	
(iv) Stocks				
At commencement				
Two & Three-Wheelers	27,724	686,111,087	24,098	469,126,777
Goods Traded in				
Two Wheelers	2	46,558	2	48,270
Auto Spare Parts (c)	—	348,745,244	—	308,335,699
<b>Total</b>		<b>1,034,902,889</b>		<b>777,510,746</b>
At Close				
Two & Three-Wheelers	25,199	540,272,252	27,724	686,111,087
Goods Traded in				
Two Wheelers	3	55,791	2	46,558
Auto Spare Parts (c)	—	195,712,417	—	348,745,244
<b>Total</b>		<b>736,040,460</b>		<b>1,034,902,889</b>
(v) Turnover (d)				
Two & Three-Wheelers	1,358,980	39,063,010,469	1,209,078	33,813,679,932
Goods Traded in				
Two Wheelers	9	268,889	12	475,478
Trailers	—	—	8	352,887
Auto Spare Parts (including factory made parts)	—	2,192,729,873	—	2,065,050,915
<b>Total</b>		<b>41,256,009,231</b>		<b>35,879,559,212</b>
(vi) Other				
Dismantled, Scrapped	7		44	
Lost in Transit-recovered from transporter	1		—	
(vii) Details of c.k.d.packs included in above				
Stocks at commencement	328		78	
Production	75,737		96,064	
Turnover				
Maharashtra Scooters Ltd.	61,830		90,686	
Export	13,604		5,128	
Stocks at Close	631		328	
(II) Special Purpose Machine Tools				
(i) Licensed Capacity (a)	80		80	
(ii) Installed Capacity (b)	40		40	
(iii) Production	50		46	
(iv) Capitalised	50		46	
(III) Windpower Generation				
Installed Capacity (b) - Mega Watts	65.20		39.20	
Generated, captively consumed.- Units	68,061,069	211,453,394	29,695,326	99,937,131

## Schedule 14 - Notes forming part of Accounts (contd.)

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

#### Notes

- (a) Licensed Capacity stated above is as per the Original Licence held by the Company, however, the Company's products are exempt from Licencing requirements under New Industrial Policy in terms of notification no. s.o. 477 (E) dated 25th July, 1991.
- (b) As certified by the General Manager (Manufacturing Services) and being a technical matter, accepted by the Auditors as correct.
- (c) Stocks at Commencement and at Close include stock of factory made Auto Spare Parts of value **Rs.110,267,938** and **Rs.48,619,792** respectively (Previous Year Rs.116,164,576 and Rs.110,267,938 respectively)
- (d) Includes **89 Nos.** Capitalised at cost **Rs. 3,120,475** (Previous Year 116 Nos. Rs.3,538,045)
9. Significant Accounting Policies followed by the Company are as stated in the Statement annexed to this schedule.
10. Welfare Expenses include Rs.100,000 being the contribution to a Fund created for welfare of the employees.
11. The Company has imported Capital Goods under the Export Promotion Capital Goods Scheme, of the Government of India, at concessional rates of duty against an undertaking to fulfill quantified export obligations. Minimum Export obligation to be fulfilled by the Company under the said scheme, by 31 March, 2002 have been fulfilled considering that the company has preferred an application, in respect of one such license, for extension of term by a year beyond its interim review period, i.e. 22 May, 2002, as is provided for under the scheme. However should the application be set aside the liability that may devolve is estimated at Rs. 68 million. Non fulfillment of the balance of such future obligations entails Government to confiscate capital goods imported under the said licences and other penalties under the above referred scheme.
12. 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 23.04.2002.
- (b) Investments made by the Company being of long term nature, Diminution in the value of Quoted Investments are not considered to be of a permanent nature, however, provision of **Rs.82,731,101** (previous year Rs.66,670,198) for such Diminution, as considered necessary by the management, has been made in the Accounts.
13. (a) Dues to small scale Industrial Undertakings is disclosed based on the information available with the Company regarding the status of the Suppliers as defined under the "Interest on Delayed Payments to Small Scale and Ancilliary Industrial Undertakings Act, 1993."
- (b) There are no dues to any party over Rs.1 lakh outstanding for more than thirty days.
- (c) Unpaid interest as on 31 March,2002 Rs. Nil.(previous year Rs. Nil.)
14. Deposits include a sum of Rs.28,000,000 against use of premises on a Leave License basis, placed with Directors and their relatives, jointly and severally.
15. 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.
16. Segment Information based on the Consolidated Financial Statements attached to the Accounts, has been disclosed in the Statement annexed to this Schedule.
17. 'Premium on Insurance Venture' represents the sum received from Allianz AG, the overseas partner in the new Insurance Companies set up by the Company. This sum was received, under an agreement prior to the Joint Venture, from Allianz AG to secure its participation in the Insurance Ventures of the Company, for the company's commitment to associate in the Joint Venture with repute, value and goodwill and other considerations specified therein. Upon entering into the Joint Venture agreement and the Subscription to the Equity Shares by both the parties, during the year, the rights and obligations of the company under the said agreement stand discharged and hence the same has been accrued during the year and accordingly been recognized as a separate item of income in the profit and loss account.
18. Consequent to the issuance of Accounting Standard 22 "Accounting for Taxes on Income" by the Institute of Chartered Accountants of India, which is mandatory in nature, the Company has for the first time recognised Deferred Taxes which result from the timing difference between the Book Profits and Tax Profits. Consequently, as required by the Standard, the Company has recognised the deferred tax balance that would have accumulated prior to adopting the standard, if the standard had been in effect from the beginning.

## Schedule 14 - Notes forming part of Accounts (contd.)

As a result the net tax credit as at 31st March, 2001 aggregating Rs.1,472,538,321 has been recorded as a reduction of the General Reserve and further the deferred tax credit for the year aggregating Rs.433,195,315 has been recognised in the Profit and Loss account, the details of which are as under

Particulars	Transitional Adjustments As at 31 March 2001 Rupees	Arising during the year Rupees	Balance carried As at 31 March 2002 Rupees
<b>Deferred Tax Liabilities</b>			
On account of timing difference in			
a) Depreciation and Amortisation	2,061,813,305	298,729,330	2,360,542,635
Total	<u>2,061,813,305</u>	<u>298,729,330</u>	<u>2,360,542,635</u>
<b>Deferred Tax Assets</b>			
On account of timing difference in			
(a) Voluntary Retirement Scheme costs	228,309,072	(30,567,543)	197,741,529
(b) Inventory Valuation (Section 145 A of the Income Tax Act ,1956)	37,769,313	(5,817,968)	31,951,345
(c) Diminution in the value of investments	60,976,929	(34,355,773)	26,621,156
(d) Provision for bad and doubtful debts	109,212,293	(88,231,079)	20,981,214
(e) Privilege leave provision	—	18,422,717	18,422,717
(f) Taxes, duties etc	153,007,377	6,083,661	159,091,038
Total	<u>589,274,984</u>	<u>(134,465,985)</u>	<u>454,808,999</u>
<b>Net</b>	<b><u>1,472,538,321</u></b>	<b><u>433,195,315</u></b>	<b><u>1,905,733,636</u></b>

19. Future minimum lease rental in respect of assets given on operating lease in the form of office premises after April 1, 2001  
Minimum future lease payments as on March 31, 2002

(a) Receivable within one year	Rs.11,231,820
(b) Receivable between one year and five years	Rs.13,103,790
(c) Receivable after five years	Rs.Nil

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	Rahul Bajaj	Chairman and Managing Director
For and on behalf of Dalal and Shah Chartered Accountants	Madhur Bajaj D.S.Mulla Kantikumar R.Podar	Directors
Anish Amin Partner	J.Sridhar Secretary	
Mumbai: 11 May 2002	Shekhar Bajaj D.J.Balaji Rao D.S.Mehta J.N.Godrej S.H.Khan Rajiv 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	Transaction Value (Rs.)	Outstanding amounts carried in the Balance Sheet (Rs.)
<b>a) Subsidiaries</b>			
Bajaj Auto Holding Ltd. (Fully owned subsidiary)	Contribution to Equity	—	2,450,000
	Loan given, net	131,000,000	184,000,000
	Loan taken	200,000,000	—
	Interest received	9,528,082	—
	Interest paid	8,305,479	—
	Other credits	6,000	—
Bajaj Allianz General Insurance Co. Ltd. (74 % shares held by Bajaj Auto Ltd.)	Contribution to Equity (81,400,000 shares of Rs. 10 each)	814,000,000	814,000,000
	Rent received	4,126,450	—
	Deposit received	5,199,905	5,199,905
	Insurance premia paid	11,345,902	—
	Other credits	3,443,371	15,981
Allianz Bajaj Life Insurance Co. Ltd. (74 % shares held by Bajaj Auto Ltd.)	Contribution to Equity (111,000,000 shares of Rs. 10 each)	1,110,000,000	1,110,000,000
	Rent received	5,593,400	—
	Deposit received	7,309,715	7,309,715
	Sale of scooter	39,385	—
	Reimbursement of stamp duty and filing fees for pre-incorporation expenses	14,137,900	—
	Other credits	649,195	5,000
<b>b) Associates and Joint Ventures</b>			
Maharashtra Scooters Ltd. (24 % shares held by Bajaj Auto Ltd.)	Contribution to Equity	—	2,400,000
	Sale of CKD	465,998,747	—
	Technical knowhow fees received	19,736,988	—
	Purchase of dies	21,631,570	—
	Services received	60,832	—
	Services rendered	2,675,932	—
	Warranty paid	11,181,912	—
	Other debits	1,190,147	11,469,046
Bajaj Auto Finance Ltd. (28.5% shares held by Bajaj Auto Ltd.)	Contribution to Equity	—	180,786,257
	Loan refunded, net	646,500,000	1,743,500,000
	Interest received	187,175,672	—
	Subvention charges paid for finance scheme	65,503,686	—
	Services rendered	5,510,862	1,367,020
Allianz AG	Premium received on Insurance Venture	1,170,000,000	—
Western Maharashtra Development Corporation	Nil	—	—
<b>c) Directors &amp; Relatives</b>			
Mr. Rahul Bajaj - Managing Director (Also key management personnel)	Remuneration	3,365,411	—
	Commission	2,400,000	—
	Rent paid for premises	120,000	—
	Deposit paid against premises taken on lease	—	3,250,000
Mr. Madhur Bajaj - Wholetime Director (Also key management personnel)	Remuneration	2,336,357	—
	Commission	1,200,000	—
	Rent paid for premises	116,160	—
	Deposit paid against premises taken on lease	—	3,000,000
Mr. Rajiv Bajaj - Wholetime Director since March 5,2002 (Also key management personnel)	Remuneration	2,208,308	—
	Commission	130,645	—
	Rent paid for premises	120,000	—
	Deposit paid against premises taken on lease	—	3,250,000

**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	Transaction Value (Rs.)	Outstanding amounts carried in the Balance Sheet (Rs.)
Mr. Sanjiv Bajaj - VP (Finance)	Remuneration	845,402	—
Rahul Kumar Bajaj (HUF)	Rent paid for premises Deposit paid against premises taken on lease	120,000 —	— 3,250,000
Kamalnayan Bajaj (HUF)	Rent paid for premises Deposit paid against premises taken on lease	120,000 —	— 3,250,000
Shekhar Bajaj - Non Executive Director	Commission Sitting fees Rent paid for premises Deposit paid against premises taken on lease	100,000 10,000 116,160 —	100,000 — — 3,000,000
Shekhar Bajaj (HUF)	Rent paid for premises Deposit paid against premises taken on lease	116,160 —	— 3,000,000
Ramkrishna Bajaj (HUF)	Rent paid for premises Deposit paid against premises taken on lease	116,160 —	— 3,000,000
Niraj Bajaj (HUF)	Rent paid for premises Deposit paid against premises taken on lease	116,160 —	— 3,000,000
<b>d) Key Management Personnel</b>			
Mr. D.S. Mehta - Whole time Director	Remuneration	1,164,581	—
<b>e) Enterprise over which any person described in (c) or (d) above is able to exercise significant influence</b>			
Mukand Ltd.	Advances, net Loans & Inter Corporate Deposits (ICDs) - Refunds Interest on 16% Debentures Interest received on ICDs Interest received - others Services rendered Services received Debentures Other credits	7,454,684 140,000,000 1,204,718 24,206,601 10,244,470 660,400 2,293,743 — 3,742,888	78,803,716 — 1,204,718 — — — — 14,794,225 2,826,233
Bajaj Electricals Ltd.	11% Cumulative Non-participating Redeemable Preference Shares (3,000,000 shares of Rs. 10 each) Contribution to Equity (859,838 shares of Rs.10 each) Inter Corporate Deposits (ICDs) given Interest received on ICD Interest received - others Purchase of Sales Tax Entitlement Purchase / Processing of material Services rendered Services received Other credits	— — 40,000,000 7,735,845 706,849 20,870,500 119,997,799 151,921 389,044 170,895	30,000,000 110,855,220 40,000,000 1,660,274 — — — — — — (3,658,066)
Hind Musafir Agency Pvt. Ltd.	Services rendered Services received Other	12,986 14,806,133 —	— — (222,054)
Kamalnayan Investments & Trading Pvt. Ltd.	Nil	—	—
Rahul Securities Pvt. Ltd.	Nil	—	—
Bajaj Sevashram Pvt. Ltd.	Nil	—	—
Bachhraj Trading Co.	Nil	—	—

**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	Transaction Value (Rs.)	Outstanding amounts carried in the Balance Sheet (Rs.)
Bajaj Trading Co.	Nil	—	—
Anant Trading Co.	Nil	—	—
Kushagra Trading Co.	Nil	—	—
Madhur Securities Pvt. Ltd.	Nil	—	—
Bajaj International Pvt. Ltd.	Nil	—	—
Bachhraj & Co. Pvt. Ltd.	Nil	—	—
Jamnalal Sons Pvt. Ltd.	Nil	—	—
Sikkim Janseva Pratisthan Pvt. Ltd.	Nil	—	—
Niche Financial Services Pvt. Ltd.	Nil	—	—
Benchmark Asset Management Co. Pvt. Ltd.	Nil	—	—
Baroda Industries Pvt. Ltd.	Nil	—	—
Bachhraj Factories Pvt. Ltd.	Nil	—	—

## Annexure referred to in Note 9 in Schedule 14 to the Accounts for the year ended 31 March 2002

### 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 based on historical cost. These costs are not adjusted to reflect the impact of changing value in the purchasing power of money.

#### 2. Fixed Assets and Depreciation

##### (A) Fixed Assets

Fixed Assets are carried at cost of acquisition or construction or at manufacturing cost in the case of Company manufactured assets, less accumulated depreciation ( except freehold land) and amortisation. Also refer para 6.

##### (B) Depreciation and Amortisation

###### (a) Leasehold land

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

###### (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	
	Over the primary period of lease %	As Specified in Schedule XIV %
Plant & Machinery		
Co-generation System	16.00	* 5.28
High Efficiency Boiler	16.67	* 5.28
Others	20.00	4.75
Dies and Moulds		
Primary period 3 years	33.33	11.31
Primary period 5 years	20.00	11.31

\* at the rates applicable to Continuous Process machinery

##### (C) 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.
- iii. Depreciation on additions on account of increase in rupee value due to fluctuation in the rate of exchange of foreign currency loan, if any, is being provided at respective rates of depreciation of related assets with retrospective effect from the date of addition of said asset.

#### 3. Technical know-how fees

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

#### 4. Investments

Investments are valued at cost of acquisition. Investments made by the Company are of a long term nature and hence diminution in value of quoted Investments are not considered to be permanent. Management, however, makes suitable provision where considered necessary.



## Annexure referred to in Note 9 in Schedule 14 to the Accounts for the year ended 31 March 2002 (contd.)

### 5. 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.

- (i) Finished stocks, Factory made 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 .
- (ii) Stores and Tools are valued at cost arrived at on weighted average basis or net realisable value whichever is lower.
- (iii) Raw materials and Bought out Auto spare parts are valued at cost arrived at on weighted average basis or net realisable value, whichever is lower. Except that of slow moving which are valued at estimated realisable value.
- (iv) Machinery spares and Maintenance material are charged out as expense in the year of purchase.
- (v) Goods in transit are stated at actual cost upto the date of Balance Sheet.

### 6. Exchange fluctuations

- (i) Foreign Currency Loans for financing fixed assets and Current Assets and Liabilities in foreign currency outstanding at the close of financial year are revalued at the contracted and/or appropriate exchange rates.
- (ii) The gain or loss due to decrease/increase in rupee liability due to fluctuations in rates of exchange are, in the case of current assets and liabilities in foreign currency, recognised in the profit and loss account and in case of foreign currency loans for financing fixed assets adjusted to the cost of assets acquired through these loans.

### 7. Sales

- (a) Export sales are recognised on the basis of the dates of the Mate's Receipt.
- (b) Benefit on account of entitlement to import goods Free of duty under the "Duty Entitlement Pass Book under the Duty Exemption Scheme" is being accounted in the year of export.

### 8. Leasing Business

- (a) Lease Rental income is accounted on accrual basis.
- (b) The Company follows the recommendations of the Institute of Chartered Accountants of India contained in the 'Guidance Note on Accounting for Lease', for finance lease in respect of Leases that commenced prior to 1 April, 2001. Accordingly a matching annual charge is made to the Profit and Loss Account representing recovery of net investment of leased Assets. The said charge is calculated by deducting Finance Income for the year (arrived at by applying the rate of interest implicit in the lease to the net investment in the lease during the year) from the lease rentals in respect of finance leased assets. This annual charge comprises of book depreciation [as per policy stated in para 2(B) (b)] and a lease equalisation charge when the annual lease charge is more than the book depreciation. When the annual charge is less than book depreciation, a lease equalisation charge credit is taken. Necessary adjustments are made on account of Sale during the year. The balance standing in the Lease Adjustment Account has been adjusted in the net book value of leased assets.

### 9. Research & Development Expenditure

Research & Development Expenditure is charged to revenue under the natural heads of account in the year in which it is incurred and R&D expenditure on Fixed Assets is treated in the same way as expenditure on other fixed assets. Payments for R&D work by outside agency is being charged out upto the stage of completion.

### 10. Retirement Benefits

- (a) Gratuity  
Payment for present liability of future payment of gratuity is being made to approved Gratuity Funds which fully covers the same under Cash Accumulation Policy of the Life Insurance Corporation of India.
- (b) Superannuation  
Contribution to Superannuation fund is being made as per the Scheme of the Company.
- (c) Provident Fund Contributions are made to Company's Provident Fund Trust.
- (d) Contribution to Employees Pension Scheme 1995 are made to Government Provident Fund Authority.

### 11. Taxation

- a) Provision for Taxation is made on the basis of the taxable profits computed for the current accounting period (reporting period) in accordance with the Income Tax Act, 1961.
- b) Deferred Tax resulting from timing difference are expected to crystallise in case of deferred tax liabilities with reasonable certainty and in case of deferred tax assets with virtual certainty that there would be adequate future taxable income against which such deferred tax assets can be realised.

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)**

**I. Registration Details**

Registration No.	4656
State Code	11
Balance Sheet date	31 March 2002

**II. Capital raised during the year ended 31 March 2002**

	Rs. in '000s
Public Issue	—
Rights Issue	—
Bonus Issue	—
Private Placement	—
Others	—
<b>Total</b>	<b>—</b>

**III. Position of mobilisation and deployment of funds as at 31 March 2002**

Total liabilities	36,824,498
Total assets	36,824,498

**Sources of Funds**

Paid-up capital	1,011,835
Reserves and surplus	27,645,940
Deferred Tax Adjustments	1,905,734
Secured loans	318,335
Unsecured loans	5,942,654
<b>Total</b>	<b>36,824,498</b>

**Application of Funds**

Net Fixed Assets	13,683,003
Investments	19,660,660
Net Current Assets	3,352,817
Misc.Expenditure-Technical Know-how	128,018
<b>Total</b>	<b>36,824,498</b>

**IV. Performance of the Company for the year ended 31 March 2002**

	Rs. in '000s
i) Turnover (sale of products and other income)	44,026,984
ii) Total Expenditure	38,149,302
iii) Profit before tax and extraordinary items	5,877,682
iv) Extraordinary item of Income-Premium on Insurance Venture	1,170,000
v) Profit after tax	5,210,887
vi) Expenses for earlier years	29,303
vii) Net Profit	5,181,584
viii) Earning per share Rs.(See Note 2) (Face Value Rs.10)	51.21
ix) Dividend Rate (Percent)	140%

**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 (contd.)**

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE (contd.)**

**V. Products of the Company**

Item Code No. (ITC Code)	:	8711
Product Description	:	Scooters, Autorikshaw, Motorcycles and Mopeds

**Notes**

- The above particulars should be read along with the balance sheet as at 31 March 2002, the profit and loss account for the year ended on that date and the schedules forming part thereof.
- Earning per share is arrived at by dividing the Net Profit [Item IV(vii)] by total number of shares issued and subscribed as at the end of the year.

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	Rahul Bajaj	Chairman and Managing Director
	Madhur Bajaj	
	D.S.Mulla	
	Kantikumar R.Podar	
	Shekhar Bajaj	Directors
J.Sridhar	D. J.Balaji Rao	
Secretary	D.S.Mehta	
	J.N.Godrej	
	S.H.Khan	
Mumbai: 11 May 2002	Rajiv Bajaj	

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## Cash Flow Statement

	2001-02	2000-01
	Rupees	Rupees
<b>I. CASH FROM OPERATIONS</b>		
A) Profit before Taxation	7,047,682,684	2,895,556,812
B) Adjustments		
<b>Add</b>		
i) Depreciation	1,796,957,082	1,772,917,551
ii) Amount written off against Technical know-how	32,246,555	34,698,888
iii) Amount written off against Leasehold land	4,210,566	4,210,566
iv) Loss on Assets Sold, Demolished, Discarded and Scrapped	72,066,200	40,472,352
v) Provision for Diminution in Value of Investments	82,731,101	66,670,198
vi) Provision for Doubtful Debts, Advances and Investments	27,537,726	—
vii) Interest on cash credit	16,483,301	51,208,847
	<u>2,032,232,531</u>	<u>1,970,178,402</u>
	9,079,915,215	4,865,735,214
<b>Less</b>		
i) Investment and Other Non-operating Income included in above		
Dividends	592,306,473	341,779,580
Interest on Debenture and Bonds	291,509,916	536,625,672
Interest on Government Securities	17,808,266	30,319,377
Interest on Inter-Corporate Deposits and Others	364,428,885	494,496,588
Income from units of Mutual funds	78,492,422	139,466,242
Lease Rent	3,959,343	66,563,224
Lease Equalisation	230,203,122	361,693,341
Profit/(Loss) on Sale of Investments, net	(8,821,677)	249,584,763
Surplus/(Loss) on Redemption of Investments on maturity	(10,160,232)	129,739,291
Interest received on Fixed Deposits	4,636,987	45,309,018
Other Interest	—	25,703,182
Provision for doubtful debts and deposits written back	—	308,640
Premium on Insurance Venture	1,170,000,000	—
	<u>2,734,363,505</u>	<u>2,421,588,918</u>
ii) Surplus on Sale of Assets	26,945,556	29,367,967
iii) Expenses relating to earlier years	29,302,863	26,210,437
iv) Privilege leave entitlement	—	188,149,170
v) Income Tax, Wealth Tax and Dividend Tax paid	1,381,285,473	184,351,778
vi) Provision for Doubtful debts and Advances written back	104,826	666,783
	<u>(4,172,002,223)</u>	<u>(2,850,335,053)</u>
Carried forward	4,907,912,992	2,015,400,161

**Cash Flow Statement (contd.)**

	2001-02	2000-01
	Rupees	Rupees
Brought forward	4,907,912,992	2,015,400,161
C) (Increase)/Decrease in Current Assets		
i) Inventories	743,405,010	76,876,094
ii) Sundry Debtors	(783,582,167)	650,881,460
iii) Other Current Assets and Loans and Advances	1,842,386,775	49,586,518
	1,802,209,618	777,344,072
Increase/(Decrease) in Current Liabilities		
i) Liabilities	538,550,426	(732,562,387)
	2,340,760,044	44,781,685
<b>NET CASH FROM OPERATIONS</b>	<b>7,248,673,036</b>	<b>2,060,181,846</b>
<b>II) INVESTMENT ACTIVITIES</b>		
i) (Increase)/Decrease in Investment, net	(7,897,638,792)	7,611,183,764
ii) Capital Expenditure	(2,413,358,797)	(3,979,268,806)
iii) Sale Proceeds of Assets/Adjustment to Gross block	70,943,910	71,647,195
iv) Technical know-how	—	(190,573,701)
v) (Increase)/Decrease in Deposits with Joint Stock Companies, Loan to Bajaj Auto Holdings Ltd and Bills purchased	225,809,626	563,821,780
	(10,014,244,053)	4,076,810,232
vi) Investment and other Non-operating Income included in above		
Dividends	592,306,473	341,779,580
Interest on Debenture and Bonds	291,509,916	536,625,672
Interest on Government Securities	17,808,266	30,319,377
Interest on Inter-Corporate Deposits and Others	364,428,885	494,496,588
Income from Units of Mutual funds	78,492,422	139,466,242
Lease Rent	3,959,343	66,563,224
Profit/(Loss) on Sale of Investments, net	(8,821,677)	249,584,763
Surplus/(Loss) on Redemption of Investments on maturity	(10,160,232)	129,739,291
Interest received on Fixed Deposits	4,636,987	45,309,018
Other Interest	—	25,703,182
Premium on Insurance Venture	1,170,000,000	—
	2,504,160,383	2,059,586,937
<b>NET CASH FROM INVESTMENT ACTIVITIES</b>	<b>(7,510,083,670)</b>	<b>6,136,397,169</b>
Carried forward	(261,410,634)	8,196,579,015

## Cash Flow Statement (contd.)

	2001-02	2000-01
	Rupees	Rupees
Brought forward	(261,410,634)	8,196,579,015
<b>III) FINANCING ACTIVITIES</b>		
i) Cash Credit from Banks	(241,407,213)	(456,083,742)
ii) Interest on cash credit	(16,483,301)	(51,208,847)
iii) Buy back of Share Capital	—	(182,073,040)
iv) Premium paid on buyback of Share Capital	—	(7,100,848,560)
v) Repayment of Fixed Deposits	(7,949,095)	(16,360,689)
vi) Increase in Unsecured Loans -Sales tax deferral liability	1,373,203,616	652,865,882
vii) Dividend Paid	(807,398,811)	(1,189,255,114)
NET CASH FROM FINANCING ACTIVITIES	299,965,196	(8,342,964,110)
NET CHANGE IN CASH and CASH EQUIVALENTS	38,554,562	(146,385,095)
Cash and Cash Equivalents as at 01.04.2001 [Opening Balance]	213,455,325	359,840,420
Cash and Cash Equivalents as at 31.03.2002 [Closing Balance]	252,009,887	213,455,325

Rahul Bajaj Chairman and Managing Director

Madhur Bajaj  
D.S.Mulla

Kantikumar R.Podar  
Shekhar Bajaj Directors

J.Sridhar  
Secretary D. J.Balaji Rao

D.S.Mehta  
J.N.Godrej

S.H.Khan  
Rajiv Bajaj

Mumbai: 11 May 2002

## AUDITORS' CERTIFICATE

The Board of Directors,  
Bajaj Auto Limited  
Akurdi  
Pune – 411 035

We have examined the attached Cash Flow Statement of Bajaj Auto Limited for the year ended 31<sup>st</sup> March, 2002. The Statement has been prepared by the Company in accordance with the requirements of Clause No.32 of the Company's listing agreement with various Stock Exchanges. The Statement is based on and is derived from the Profit and Loss Account and the Balance Sheet of the Company for the year ended 31<sup>st</sup> March, 2002, covered by our Report dated 11<sup>th</sup> May, 2002, to the members of the Company.

For and on behalf of  
DALAL & SHAH  
Chartered Accountants

Anish Amin  
Partner

Mumbai: 11 May 2002

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

1	Name of the Subsidiary	Bajaj Auto Holdings Ltd.	Bajaj Allianz General Insurance Co.Ltd	Allianz Bajaj Life Insurance Co.Ltd
2	Financial year of the Subsidiary ended on	31 March 2002	31 March 2002	31 March 2002
3	Holding Company's interest : Equity Share Capital	100%	74%	74%
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.6,072,283	Loss Rs.134,557,063	Loss Rs.115,762,328
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.265,701,545	Nil	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.84,062,500	Nil	Nil
		Rahul Bajaj	Chairman and Managing Director	
		Madhur Bajaj	Directors	
		D.S.Mulla		
		Kantikumar R.Podar		
		Shekhar Bajaj		
	J.Sridhar Secretary	D. J.Balaji Rao		
		D.S.Mehta		
		J.N.Godrej		
		S.H.Khan		
	Mumbai: 11 May 2002	Rajiv Bajaj		

BAJAJ AUTO LTD AND SUBSIDIARIES

**CONSOLIDATED BALANCE SHEET  
AND PROFIT AND LOSS ACCOUNT**



## Report of the auditors on the consolidated financial statements

We have examined the attached Consolidated Balance Sheet of Bajaj Auto Limited and its subsidiaries as at 31<sup>st</sup> March, 2002, 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 a subsidiary viz. Bajaj Auto Holdings Limited whose financial statements reflect total assets of Rs.455,773,828/- and total Revenues of Rs.35,610,286/-. We have also, jointly with another firm of Chartered Accountants, audited the financial statements of two subsidiaries, viz. Bajaj Allianz General Insurance Company Limited and Allianz Bajaj Life Insurance Company Limited, whose financial statements reflect total assets of Rs.911,015,256/- and Rs.1,366,558,433/- as at 31<sup>st</sup> March, 2002 respectively and a total revenue of Rs.(177,063,454/-) and Rs.104,033,762/- respectively for the year then

ended. Our opinion, in so far as it relates to the amounts included in respect of these subsidiaries, is based on our joint report.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, issued by the Institute Of Chartered Accountants of India and on the basis of the separate audited financial statements of Bajaj Auto Limited and its subsidiaries included in the consolidated financial statements.

On the basis of the information and explanation given to us and on the consideration of the separate audit reports on individual audited financial statements of Bajaj Auto Limited and its aforesaid subsidiaries, we are of the opinion that:

- a) The Consolidated Balance sheet gives a true and fair view of the consolidated state of affairs of Bajaj Auto Limited and its subsidiaries as at 31<sup>st</sup> March, 2002; and
- b) the Consolidated Profit and Loss account gives a true and fair view of the consolidated results of operations of Bajaj Auto Limited and its subsidiaries for the year then ended.

For and on behalf of  
DALAL & SHAH  
Chartered Accountants

Anish Amin  
Partner

MUMBAI: 11<sup>th</sup> May,2002.

## Consolidated Balance Sheet as at 31 March 2002

	Schedule	Rupees	Rupees
<b>I. Sources of funds</b>			
1. Shareholders' Funds			
a) Capital	1	1,011,835,100	
b) Reserves & Surplus	2	<u>27,488,789,843</u>	28,500,624,943
2. Policy Liabilities			34,113,427
3. Funds for future appropriation in Policyholders' Account	3		1,602,504
4. Minority Interest			588,049,944
5. Deferred Tax liability			1,905,733,636
6. Loan Funds			
a) Secured Loans	4	318,335,238	
b) Unsecured Loans	5	<u>5,942,654,402</u>	
			<u>6,260,989,640</u>
	<b>Total</b>		<u>37,291,114,094</u>
<b>II. Application of Funds</b>			
1. Fixed Assets			
a) Gross Block		25,710,417,887	
b) <b>Less:</b> Depreciation		<u>11,930,436,314</u>	
c) Net Block	6	13,779,981,573	
d) Lease Adjustment Account-Plant and Machinery		<u>175,000,000</u>	
		13,954,981,573	
e) Capital Work in progress, expenditure to date (including Machinery in transit <b>Rs. 79,950</b> )		<u>41,594,390</u>	
			13,996,575,963
2. Technical Know-how	7		128,017,678
3. Investments	8		20,682,798,713
4. Policyholder's Investments			35,715,931
5. Current Assets, Loans and Advances	9		
a) Inventories		1,790,979,026	
b) Sundry Debtors		1,981,655,342	
c) Cash and Bank Balances		559,771,669	
d) Other Current Assets		694,220,646	
e) Loans and Advances		<u>15,436,343,757</u>	
		<u>20,462,970,440</u>	
<b>Less:</b> Current Liabilities and Provisions	10		
a) Liabilities		5,981,776,186	
b) Provisions		<u>12,053,061,240</u>	
		<u>18,034,837,426</u>	
Net Current Assets			2,428,133,014
6. Miscellaneous expenditure to the extent not written off	11		<u>19,872,795</u>
	<b>Total</b>		<u>37,291,114,094</u>
Notes forming part of the Accounts	17		

As per our attached report of even date

Rahul Bajaj

Chairman and Managing Director

For and on behalf of Dalal and Shah  
Chartered Accountants

Madhur Bajaj

D.S.Mulla

Kantikumar R.Podar

Shekhar Bajaj

Directors

Anish Amin  
PartnerJ.Sridhar  
Secretary

D.J.Balaji Rao

D.S.Mehta

J.N.Godrej

S.H.Khan

Rajiv Bajaj

Mumbai: 11 May 2002

## Consolidated Profit and Loss Account for the year ended 31 March 2002

	Schedule	Rupees	Rupees
<b>Income</b>			
Sales including Excise Duty		41,255,993,256	
Wind power generated, captively consumed		211,453,394	
Other Income	12	2,780,478,681	
			44,247,925,331
Operating result from insurance business	13	(303,447,489)	
Transfer of Funds to Policyholders account		(234,406,600)	
			(537,854,089)
			43,710,071,242
<b>Expenditure</b>			
Materials	14	23,643,750,139	
Excise Duty		5,255,879,308	
Other Expenses	15	7,661,100,923	
Interest	16	44,477,532	
Depreciation		1,796,987,154	
		38,402,195,056	
<b>Less:</b> Expenses, included in above items, capitalised		232,126,886	
			38,170,068,170
Profit for the year before extra ordinary item of income and taxation			5,540,003,072
Extraordinary Item of Income			
Premium on Insurance Venture			1,170,000,000
Profit before Provision for Taxation			6,710,003,072
Provision for Taxation (including Rs.3,718,184 for Wealth tax)			
Current tax		1,403,718,184	
Deferred tax		433,195,315	
			1,836,913,499
Profit for the year			4,873,089,573
Prior Period adjustments			
Expenses			29,302,863
			4,843,786,710
Minority Interest			(87,950,056)
Profits attributable to consolidated group			4,931,736,766
Transfer to Reserve fund in terms of Section 45-1C of the Reserve Bank of India Act, 1934			1,214,500
Transfer to General Reserve			3,513,953,126
Proposed Dividend			1,416,569,140
Balance Carried to Balance Sheet			—
Notes forming part of the Accounts	17		
Basic and diluted Earnings per Share (Rs.)			48.74

As per our attached report of even date

Rahul Bajaj

Chairman and Managing Director

For and on behalf of Dalal and Shah  
Chartered Accountants

Madhur Bajaj

D.S.Mulla

Kantikumar R.Podar

Shekhar Bajaj

Directors

Anish Amin  
PartnerJ.Sridhar  
Secretary

D.J.Balaji Rao

D.S.Mehta

J.N.Godrej

S.H.Khan

Mumbai: 11 May 2002

Rajiv Bajaj

# Schedules No. 1-17

Annexed to and forming part of the Balance Sheet as at and the Profit and Loss Account for the year ended 31 March, 2002

## Schedule 1 - Share Capital

	Rupees
<b>Authorised</b>	
150,000,000 Equity Shares of Rs.10 each	1,500,000,000
<b>Issued,Subscribed and Paid up</b>	
101,183,510 Equity Shares of Rs.10 each	
<b>Total</b>	<b>1,011,835,100</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** Shares issued by way of Euro Equity Issue represented by Global Depository Receipts evidencing Global Depository Shares at a price of **U.S.\$ 25.33** per Share (inclusive of premium)

## Schedule 2 - Reserves and Surplus

	Rupees	Rupees
<b>Capital redemption reserve</b>		
Transferred from General Reserve in accordance with Section 77AA of the Companies Act,1956 on buy back of Equity Shares		182,073,040
<b>Contingency Reserve</b>		
As per last account		17,500,000
<b>Reserve Fund</b> in terms of Section 45-1C of Reserve Bank of India Act, 1934		
As per last account	16,268,300	
Set Aside this Year	1,214,500	
		17,482,800
<b>General Reserve</b>		
As per last account	25,230,319,198	
<b>Less:</b> Transitional adjustment on account of Deferred Tax,net	1,472,538,321	
Set aside this year	3,513,953,126	
		27,271,734,003
<b>Total</b>		<b>27,488,789,843</b>

### Schedule 3 - Funds for future appropriation in Policyholders' Account

	Rupees
Premiums earned-Net	
Premium	71,389,499
<b>Less:</b> Reinsurance ceded	1,134,355
	<u>70,255,144</u>
Income from investment	
Other Income	56,758
Sub-total	<u>70,311,902</u>
Transfer from Shareholders account	240,000,000
Total(A)	<u>310,311,902</u>
Commission	23,516,899
Operating Expenses related to Insurance Business	251,079,072
Total(B)	<u>274,595,971</u>
Change in valuation of liability against life policies in force (Gross)	34,113,427
Total(C)	<u>34,113,427</u>
Surplus / (Deficit) (D) = (A) - (B) - (C)	1,602,504
Appropriations	—
Balance being surplus carried forward	<u>1,602,504</u>
<b>Total</b>	<u>1,602,504</u>

### Schedule 4 - Secured Loans

	Rupees
From Banks, against hypothecation of Stores, Raw Materials Finished Goods, Stock in Process and Book Debts Cash Credit	318,335,238
<b>Total</b>	<u>318,335,238</u>

### Schedule 5 - Unsecured Loans

	Rupees
Sales tax deferral Liability under Package Scheme of Incentives 1983,1988 and 1993	5,889,623,171
Fixed Deposits	53,031,231
<b>Total</b>	<u>5,942,654,402</u>

## Schedule 6 - Fixed Assets

Particulars	Gross Block (a)				Depreciation				Net Block
	As at 31st March, 2001	Additions	Deductions and Adjustments	As at 31st March, 2002	Upto 31st March, 2001	Deductions and Adjustments	For the Year (c)	Upto 31st March, 2002	As at 31st March, 2002
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Land Freehold	44,168,124	39,882,260	-	84,050,384	-	-	-	-	84,050,384
Land Leasehold	376,316,899	-	4,210,566	372,106,333	-	-	-	-	372,106,333
Buildings (b)	1,987,111,646	235,541,688	464,170	2,222,189,164	534,335,306	-	57,625,743	591,961,049	1,630,228,115
Lease hold Improvements	-	28,378,144	-	28,378,144	-	-	4,079,774	4,079,774	24,298,370
Waterpumps, Reservoirs and Mains	52,180,753	42,891	-	52,223,644	20,679,792	-	1,893,691	22,573,483	29,650,161
Plant & Machinery	13,412,707,428	1,094,869,065	93,592,915	14,413,983,578	6,746,872,813	64,144,049	938,140,794	7,620,869,558	6,793,114,020
Dies & Jigs	2,411,849,282	247,831,221	81,750,088	2,577,930,415	960,819,653	7,094,054	211,452,700	1,165,178,299	1,412,752,116
Electric Installations	376,844,401	792,179	23,934	377,612,646	180,294,310	-	12,975,294	193,269,604	184,343,042
Factory Equipments	701,561,037	60,674,493	8,643,699	753,591,831	383,072,418	7,671,046	49,116,460	424,517,832	329,073,999
Furniture, Fixtures, Office equipment etc	335,633,092	54,370,800	3,060,729	386,943,163	189,737,365	1,954,665	30,460,212	218,242,912	168,700,251
Electric Fittings	85,505,926	9,178,494	-	94,684,420	49,967,508	-	5,227,862	55,195,370	39,489,050
Vehicles & Aircraft	300,761,139	37,423,922	14,637,793	323,547,268	93,838,836	8,835,769	24,237,968	109,241,035	214,306,233
Wind Energy Generators	1,702,400,000	1,136,820,000	-	2,839,220,000	116,801,717	-	225,221,099	342,022,816	2,497,197,184
Leased Assets :-									
Plant & Machinery	2,611,372,335	-	1,667,150,000	944,222,335	2,377,261,777	1,667,150,000	234,110,558	944,222,335	-
Dies & Moulds	281,143,821	-	41,409,259	239,734,562	237,264,090	37,818,450	39,616,607	239,062,247	672,315
<b>As at 31st March, 2002 Total</b>	<b>24,679,555,883</b>	<b>2,945,805,157</b>	<b>1,914,943,153</b>	<b>25,710,417,887</b>	<b>11,890,945,585</b>	<b>1,794,668,033</b>	<b>1,834,158,762</b>	<b>11,930,436,314</b>	<b>13,779,981,573</b>

- a) At cost, except leasehold land which is at cost, less amounts written off.  
b) Includes Premises on ownership basis in Co-operative Society Rs.117,537,975 and cost of shares therein Rs.750 Sale deeds in respect of Premises (At Delhi) of the value of Rs.925,044 is under execution.  
c) Refer Para 2(B) & (C) of Statement on Significant Accounting Policies annexed to the Accounts.

## Schedule 7 - Technical Know-How

	Rupees	Rupees
As per last account	160,264,233	
<b>Add:</b> Cost of technical know-how acquired during the year	—	
	160,264,233	
<b>Less:</b> Written off during the year	32,246,555	
		128,017,678
<b>Total</b>		<b>128,017,678</b>

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

	Rupees
<b>In Government and Trust Securities</b>	8,500,828,151
<b>In fully Paid Preference Shares</b>	1,001,742,000
<b>In Equity Shares</b>	5,910,596,248
<b>In Debentures and Secured Premium Notes</b>	1,958,321,095
<b>In Bonds</b>	2,993,811,625
<b>In Mutual Fund Units</b>	612,705,548
	20,978,004,667
<b>Less:</b> Provision for diminution in value of Investments	259,490,023
<b>Less:</b> Proportionate share of investments to the extent of Policy Liabilities	35,715,931
<b>Total</b>	<b>20,682,798,713</b>

## Schedule 9 - Current Assets, Loans and Advances

	Rupees	Rupees	Rupees
<b>(a) Inventories</b>			
Stores and spares, at cost		32,317,751	
Tools		273,435,000	
Stock-in-trade, at cost or market value whichever is lower			
Raw Materials		543,186,844	
Work-in-progress (including factory made components <b>Rs.18,564,792</b> )		162,581,965	
Finished Goods		540,328,043	
Auto Spare parts, etc.		195,712,417	
As valued and certified by Management		1,747,562,020	
Goods in transit, at cost to date		43,417,006	
			1,790,979,026
<b>(b) Sundry Debtors, Unsecured</b>			
Outstanding for a period exceeding six months			
Good	19,003,617		
Doubtful	18,369,226		
<b>Less: Provision</b>	18,369,226		
		19,003,617	
Other, Good		1,962,651,725	
			1,981,655,342
<b>(c) Cash and Bank Balances</b>			
Cash on hand (including cheques on hand <b>Rs.149,454,841</b> )		161,442,105	
Cheques in hand with Banks as collecting agencies in terms of an arrangement		7,875,945	
Balances with scheduled banks			
* In current account		165,088,457	
In margin deposits		20,000	
In fixed deposits		225,179,027	
Interest accrued on fixed deposits		166,135	
		390,453,619	
			559,771,669
<b>(d) Other Current Assets</b>			
Dividend and Interest receivable on Investments		148,650,568	
Outstanding Premiums		729,332	
Debentures & Bonds Redemption Money Receivable		19,238	
Interest receivable on Loans etc.		220,877,443	
Lease Rent Receivable		77,789,196	
Export Incentives Receivable		164,075,206	
Credit receivable for Windpower generated		57,897,425	
Claims receivable from Re-insurers		18,170,668	
Commission receivable from Re-insurers		6,011,570	
			694,220,646
Carried over			5,026,626,683

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

	Rupees	Rupees	Rupees
Brought over			5,026,626,683
<b>(e) Loans and Advances, unsecured, good</b> (Unless otherwise stated)			
Loan to Others		1,925,306,835	
Deposits with Joint Stock Companies (Including <b>Rs.646,000,000</b> against pledge of Securities)		866,000,000	
Advances Recoverable in Cash or in kind or for value to be received			
Good	818,283,971		
Doubtful	38,722,511		
<b>Less: Provision</b>	<u>38,722,511</u>		
		818,283,971	
Balances with Customs and Central Excise Departments		217,282,120	
Sundry Deposits		107,169,531	
Tax paid in Advance		11,397,202,300	
Others (Deposit with IDBI)		1,134,000	
Deposit with Reserve Bank of India under Section 7 of Insurance Act		4,000,000	
Application money for investments		<u>99,965,000</u>	
			15,436,343,757
<b>Total</b>			<u>20,462,970,440</u>

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



## Schedule 10 - Current Liabilities and Provisions

	Rupees	Rupees
<b>(a) Liabilities</b>		
Acceptances		29,795,144
Sundry Creditors		
Due to Small Scale Industrial Undertakings	243,884,658	
Other	4,355,211,020	
		4,599,095,678
Advances against Orders		151,271,845
Unclaimed Dividends		23,324,734
Deposit from Dealers and others		243,219,333
Unclaimed amount of Sale proceeds of Fractional coupons of Bonus Shares		5,595
Unclaimed amount on Debentures redeemed		6,746,639
Interest accrued but not due on loans		998,750
		5,054,457,718
Premiums received in advance		
Unearned Premiums pertaining to subsequent periods of risk	738,320,265	
Premiums in respect of risk commencing in subsequent periods	11,622,306	
Unallocated Premiums	37,214,884	
Claims outstanding	100,280,986	
Temporary overdraft as per books of accounts only	29,172,999	
Premium and other deposits	10,707,028	
		927,318,468
		5,981,776,186
<b>(b) Provisions</b>		
Provision for Taxation	10,587,373,184	
Proposed Dividend	1,416,569,140	
Reserve for unexpired risk	49,118,916	
		12,053,061,240
<b>Total</b>		<b>18,034,837,426</b>

## Schedule 11 - Miscellaneous expenses to the extent not written off

	Rupees	Rupees
Preliminary expenses		19,872,795
<b>Total</b>		<b>19,872,795</b>

## Schedule 12 - Other Income

	Rupees	Rupees
Workshop Receipts		5,687,605
Technical Know-how		18,725,795
Dividends		
From Trade Investments	16,824,248	
Other	582,767,915	
		599,592,163
Interest		
On Government Securities	17,808,266	
On Debentures and Bonds	292,059,916	
Other	733,199,167	
		1,043,067,349
Income From Units of Mutual Funds		78,542,632
Leasing Business		
Lease Rent	8,543,427	
<b>Add:</b> Lease Equalisation	230,203,122	
		238,746,549
Rent		8,935,563
Insurance Claims		3,117,549
Export Incentives		220,592,100
Miscellaneous Receipts		348,139,178
Surplus on Sale of Assets		26,945,556
Profit on Sale of Investments, net		48,749,433
Bad Debts Recovered		108,074
Sundry Credit balances appropriated		6,977,331
Provisions for Doubtful Debts and Advances written back	276,362,776	
<b>Less :</b> Written back on account of amounts written off during the year, as per contra	276,257,950	
		104,826
Provisions no longer required		132,446,978
<b>Total</b>		<u>2,780,478,681</u>

### Schedule 13 - Operating Results for Insurance Business

		Rupees
Premiums earned - (net)	(1)	41,893,492
Profit /Loss on sale/redemption of Investments		5,230,747
Other Income		5,068
Exchange rate difference gain		1,465,397
Interest, Dividend & Rent-Gross		11,740,273
	(2)	18,441,485
	(1)+(2)	60,334,977
Claims incurred (Net)		127,361,257
Commission		(128,066,023)
Operating Expenses related to Insurance Business		364,487,232
	(3)	363,782,466
Operating Profit / (Loss) from Insurance Business	(1)+(2)-(3)	(303,447,489)
<b>Balance carried to Profit and Loss Account</b>		(303,447,489)

### Schedule 14 - Materials

	Rupees	Rupees
<b>a) Raw materials and components consumed</b>		
Stocks at commencement		875,284,600
Purchases		21,770,085,320
		22,645,369,920
<b>Less: Stocks at close</b>		543,186,844
		22,102,183,076
<b>(b) Finished Goods purchases</b>		
Two Wheelers/Trailers	275,133	
Auto Spare-Parts	590,375,496	
		590,650,629
<b>(c) Conversion and Machining Charges</b>		580,313,456
<b>(d) Excise duty on year end inventory of Finished Goods</b>		66,592,284
<b>(e) (Increase)/Decrease in Stocks</b>		
Stocks at close		
Work in progress	162,581,965	
Finished Goods	540,328,043	
Auto Spare Parts	195,712,417	
		898,622,425
<b>Less: Stocks at commencement</b>		
Work in progress	167,730,230	
Finished Goods	686,157,645	
Auto Spare Parts	348,745,244	
		1,202,633,119
		304,010,694
<b>Total</b>		23,643,750,139

## Schedule 15 - Other Expenses

	Rupees	Rupees
Stores,spares and tools consumed		544,219,043
Power,fuel and water		636,438,618
Repairs		
Buildings and Roads	57,216,611	
Machinery	237,615,301	
Other	24,726,170	
		319,558,082
Employees' Emoluments		
Salaries,wages,bonus etc.	1,856,397,296	
Contribution to Provident and other funds and schemes	245,077,829	
Welfare expenses	277,978,929	
		2,379,454,054
Rent		19,878,977
Rates and taxes		12,312,080
Insurance		27,400,051
Auditors' Remuneration		3,699,355
Directors' fees and travelling expenses		229,067
Managing Director's remuneration		
Salary	1,200,000	
Commission	2,400,000	
		3,600,000
Wholetime Directors' remuneration		
Salary	2,350,645	
Commission	1,330,645	
		3,681,290
Commission to Non Executive Directors		1,020,000
Miscellaneous expenses		679,319,646
Electricity service connection charges written off		88,600,000
Packing,forwarding etc.		370,236,256
Advertisement		888,205,960
Vehicle service charges and other expenses		716,027,805
Commission and Discount		132,887,458
Incentives & Sales Promotion		266,953,843
Royalty		200,884,116
Donations		10,121,000
Bad debts and other irrecoverable debit balances written off	377,206,212	
<b>Less:</b> Provisions made in earlier years in respect of amounts written off during the year, adjusted as per contra	276,257,950	
		100,948,262
Sundry credit balances previously appropriated,now paid		740,804
Loss on assets sold,demolished,discarded and scrapped		72,066,200
Loss on redemption of securities		10,254,934
Provision for Doubtful Debts and Advances		27,537,726
Provision for Diminution in Value of Investments		83,473,803
Amount written off against Technical Know-how		32,246,555
Amount written off against leasehold land		4,210,566
Preliminary/Pre-operative expenses written off		24,895,372
<b>Total</b>		<b>7,661,100,923</b>

## Schedule 16 - Interest

	Rupees
Interest	
Fixed Loans	24,992,061
Other	19,485,471
<b>Total</b>	<u>44,477,532</u>

## Segment wise Revenue, Results and Capital employed for the Year ended 31 March 2002

## (a) Primary Segment : Business Segment

	Rupees			
	Automotive	Investments and Others	Insurance *	Consolidated
<b>Revenue *</b>				
External Sales and Other Income	42,201,367,298	1,605,720,473	372,500,895	44,179,588,666
Inter segment Sales and Other Income	12,491,825	211,453,394	(5,244,426)	218,700,793
<b>Total Revenue</b>	<u>42,213,859,123</u>	<u>1,817,173,867</u>	<u>367,256,469</u>	<u>44,398,289,459</u>
Segment Result	4,862,637,630	1,055,454,468	(333,611,494)	5,584,480,604
Interest Expense	25,511,782	18,965,750	—	44,477,532
Income Taxes				1,836,913,499
<b>Extraordinary Item Of Income</b>				
Premium on Insurance Venture				1,170,000,000
<b>Net Profit</b>	<b>4,837,125,848</b>	<b>1,036,488,718</b>	<b>(333,611,494)</b>	<b>4,873,089,573</b>
Segment Assets	16,237,564,984	23,938,452,961	3,773,731,673	43,949,749,618
Unallocated Corporate Assets				11,376,201,902
<b>Total Assets</b>	<u>16,237,564,984</u>	<u>23,938,452,961</u>	<u>3,773,731,673</u>	<u>55,325,951,520</u>
Segment Liabilities	4,500,909,483	370,966,248	1,485,327,793	6,357,203,524
Unallocated Corporate Liabilities				11,995,969,140
<b>Total Liabilities</b>	<u>4,500,909,483</u>	<u>370,966,248</u>	<u>1,485,327,793</u>	<u>18,353,172,664</u>
Capital Employed	11,736,655,501	23,567,486,713	2,288,403,880	36,972,778,856
<b>Capital Expenditure</b>	1,412,609,036	7,185,981,435	3,115,770,215	11,714,360,686
<b>Depreciation</b>	1,336,921,426	460,065,728	37,171,608	1,834,158,762
<b>Non Cash Expenses other than Depreciation</b>	63,994,847	83,473,803	—	147,468,650

## \* From Revenue Accounts

- i) 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. The entire capital employed is within India.

## Schedule 17 - Notes forming part of the Accounts

1. The Consolidated Financial Statements include results of all the subsidiaries of Bajaj Auto Ltd. The names, country of incorporation or residence, proportion of ownership interest is as under

Name of the Company	Country of incorporation	% Shareholding of Bajaj Auto Ltd.
Bajaj Auto Holdings Ltd	India	100%
Bajaj Allianz General Insurance Company Limited	India	74%
Allianz Bajaj Life Insurance Company Limited	India	74%

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. Practical considerations and lack of homogeneity made it desirable to exclude Notes to account, which, in the opinion of the Management, could be better viewed, when referred from the individual financial statements, and therefore, such Notes have been cross-referenced herein for easier access.
3. Consolidated financial statements have been prepared substantially in the same format as adopted by the parent to the extent possible, as required by Accounting Standard AS-21 "Consolidated Financial Statements" issued by the ICAI.

In this transitional year since the previous year comparatives have not been compiled cash flow statements cannot be prepared under the indirect method, the method adopted by the parent, with reference to these consolidated financial statements.

Further 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 authority cash flows for the year could be better viewed when referred to the independent cash flows/Receipts and payment accounts of the consolidated entities.

4. Significant Accounting Policies followed by each of the Consolidated companies are annexed to their Respective accounts. Reference is invited to Note no 9 in Schedule 14 of Bajaj Auto Limited accounts, Note no 1 in schedule 7 of Bajaj Auto Holdings Limited accounts, Note no 1 in Schedule 12 of Bajaj Allianz General Insurance company Limited Accounts and Note no.1 in Schedule 12 of Allianz Bajaj Life Insurance company Limited Accounts.
5. 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.

### Signature to Schedules "1" to "17"

As per our attached report of even date		Rahul Bajaj	Chairman and Managing Director
For and on behalf of Dalal and Shah		Madhur Bajaj	
Chartered Accountants		D.S.Mulla	
		Kantikumar R.Podar	
		Shekhar Bajaj	Directors
Anish Amin	J.Sridhar	D.J.Balaji Rao	
Partner	Secretary	D.S.Mehta	
		J.N.Godrej	
		S.H.Khan	
Mumbai: 11 May 2002		Rajiv 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	Transaction Value (Rs.)	Outstanding amounts carried in the Balance Sheet (Rs.)
<b>(a) Holding / 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	—	2,400,000
	Sale of CKD	465,998,747	—
	Technical knowhow fees received	19,736,988	—
	Purchase of dies	21,631,570	—
	Services received	60,832	—
	Services rendered	2,675,932	—
	Warranty paid	11,181,912	—
	Other debits	1,190,147	11,469,046
Bajaj Auto Finance Ltd. (28.5 % shares held by Bajaj Auto Ltd & 17.65 % shares held by BAHIL.)	Contribution to Equity	—	180,786,257
	Loan refunded	646,500,000	1,743,500,000
	Interest received	187,175,672	—
	Subvention charges paid for finance scheme	65,503,686	—
	Services rendered	5,753,328	1,367,020
	Insurance service charges paid	11,591,393	—
Allianz AG	Premium received on Insurance Venture	1,170,000,000	—
Allianz AG India Liaison Office (Associate Company)	Amounts received from Allianz AG India Liaison Office for expenses	3,673,102	—
	Value of assets taken over	2,881,397	—
	Expenses incurred by Allianz AG ILO	2,578,300	—
	Total credit amount	9,132,799	—
	Less: Payments made on behalf of Allianz AG ILO out of the above		
	For employees of Allianz AG deputed	7,591,915	—
	For other purposes	1,234,642	—
	Net amount payable to Allianz AG India Liaison office	—	306,242
	Reimbursement of expenses	3,902,249	3,060,692
Allianz AG Reinsurance Branch Asia Pacific	Reinsurance premium paid / payable	107,107,972	567,178
	Reinsurance commission received / receivable	37,902,714	253,248
Allianz Insurance Management Asia Pacific Pte Ltd.	Salaries / expenses of employees on deputation paid	11,890,721	11,890,721
Western Maharashtra Development Corporation	Nil	—	—

## 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	Transaction Value (Rs.)	Outstanding amounts carried in the Balance Sheet (Rs.)
<b>(c) Directors &amp; Relatives</b>			
Mr. Rahul Bajaj - Managing Director (Also key management personnel)	Remuneration	3,365,411	—
	Commission	2,400,000	—
	Rent paid for premises	120,000	—
	Deposit paid against premises taken on lease	—	3,250,000
Mr. Madhur Bajaj - Wholetime Director (Also key management personnel)	Remuneration	2,336,357	—
	Commission	1,200,000	—
	Rent paid for premises	116,160	—
	Deposit paid against premises taken on lease	—	3,000,000
Mr. Rajiv Bajaj - Wholetime Director since March 5, 2002 (Also key management personnel)	Remuneration	2,208,308	—
	Commission	130,645	—
	Rent paid for premises	120,000	—
	Deposit paid against premises taken on lease	—	3,250,000
Mr. Sanjiv Bajaj - VP (Finance)	Remuneration	845,402	—
Rahul Kumar Bajaj (HUF)	Rent paid for premises	120,000	—
	Deposit paid against premises taken on lease	—	3,250,000
Kamal Nayan Bajaj (HUF)	Rent paid for premises	120,000	—
	Deposit paid against premises taken on lease	—	3,250,000
Shekhar Bajaj - Non Executive Director	Commission	100,000	100,000
	Sitting fees	10,000	—
	Rent paid for premises	116,160	—
	Deposit paid against premises taken on lease	—	3,000,000
Shekhar Bajaj (HUF)	Rent paid for premises	116,160	—
	Deposit paid against premises taken on lease	—	3,000,000
Ramkrishna Bajaj (HUF)	Rent paid for premises	116,160	—
	Deposit paid against premises taken on lease	—	3,000,000
Niraj Bajaj (HUF)	Rent paid for premises	116,160	—
	Deposit paid against premises taken on lease	—	3,000,000
<b>(d) Key Management Personnel</b>			
Mr. D. S. Mehta - Whole time Director	Remuneration	1,164,581	—
Mr. Soumen Ghosh - Chief Executive Officer	Remuneration	4,680,851	—
<b>(e) Enterprise over which any person described in (c) or (d) above is able to exercise significant influence</b>			
Mukand Ltd.	Advances	7,454,684	78,803,716
	Loans & Inter Corporate Deposits (ICDs) - Refunds	140,000,000	—
	Interest on 16% Debentures	1,204,718	1,204,718
	Interest received on ICDs	24,206,601	—
	Interest received - others	10,244,470	—
	Services rendered	660,400	—
	Services received	2,293,743	—
	Debentures	—	14,794,225
	Other credits	3,742,888	2,826,233



## 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	Transaction Value (Rs.)	Outstanding amounts carried in the Balance Sheet (Rs.)
Bajaj Electricals Ltd.	11 % Cumulative Non-participating Redeemable Preference Shares (3,000,000 shares of Rs. 10 each)	—	30,000,000
	Contribution to Equity (85,839 shares of Rs.10 each)	—	110,855,220
	Inter Corporate Deposits (ICDs) given	40,000,000	40,000,000
	Interest received on ICD	7,735,845	1,660,274
	Interest received - others	706,849	—
	Purchase of Sales Tax Entitlement	20,870,500	—
	Purchase / Processing of material	119,997,799	—
	Services rendered	151,921	—
	Services received	389,044	—
	Other credits	170,895	(3,658,066)
Hind Musafir Agency Pvt. Ltd.	Services rendered	12,986	—
	Services received	14,806,133	—
	Other	—	(222,054)
Kamalnayan Investments & Trading Pvt. Ltd.	Nil	—	—
Rahul Securities Pvt. Ltd.	Nil	—	—
Bajaj Sevashram Pvt. Ltd.	Nil	—	—
Bachhraj Trading Co.	Nil	—	—
Bajaj Trading Co.	Nil	—	—
Anant Trading Co.	Nil	—	—
Kushagra Trading Co.	Nil	—	—
Madhur Securities Pvt. Ltd.	Nil	—	—
Bajaj International Pvt. Ltd.	Nil	—	—
Bachhraj & Co. Pvt. Ltd.	Nil	—	—
Jamnalal Sons Pvt. Ltd.	Nil	—	—
Sikkim Janseva Pratisthan Pvt. Ltd.	Nil	—	—
Niche Financial Services Pvt. Ltd.	Nil	—	—
Benchmark Asset Management Co. Pvt. Ltd.	Nil	—	—
Baroda Industries Pvt. Ltd.	Nil	—	—
Bachhraj Factories Pvt. Ltd.	Nil	—	—

## Reconciliations of Accounts under US GAAP and IAS

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### 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 Shareholders' Equity and Net Income Between Indian Generally Accepted Accounting Standards ("Indian GAAS"), US Generally Accepted Accounting Principles ("US GAAP") and International Accounting Standards ("IAS") of Bajaj Auto Limited ("the Company") as of March 31, 2002 and 2001 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 and IAS.

For convenience purposes the rupee amounts have been converted into US dollars on the basis disclosed for all periods shown.

KPMG

Mumbai: 11 May 2002

## Reconciliation of Significant Differences in Shareholders' Equity and Net Income Between Indian Generally Accepted Accounting Standards ("Indian GAAS"), US Generally Accepted Accounting Principles ("US GAAP") and International Accounting Standards ("IAS")

		(Rs. in millions)		(US Dollars in thousands)*	
		31 March		31 March	
		2002	2001	2002	2001
<b>1. Reconciliation of shareholders' equity</b>	<b>Notes</b>				
<b>Shareholders' equity as per Indian GAAS</b>	1	<b>28,501</b>	26,365	<b>581,653</b>	538,061
<b>US GAAP adjustments</b>					
Consolidation of subsidiary	2	—	79	—	1,612
Equity method of accounting	3	<b>1,180</b>	889	<b>24,082</b>	18,143
Amortisation of investment in debt securities	4	<b>19</b>	17	<b>388</b>	347
Unrealised investment gains/(losses), net of tax effect	4	<b>(110)</b>	(214)	<b>(2,245)</b>	(4,367)
Impairment of investments	4	<b>(1,458)</b>	(428)	<b>(29,755)</b>	(8,735)
Fixed assets and depreciation	5	<b>(414)</b>	(248)	<b>(8,449)</b>	(5,061)
Non-monetary exchange of asset	6	<b>(82)</b>	(85)	<b>(1,673)</b>	(1,735)
Deferral of Premium on Insurance Venture	7	<b>(1,092)</b>	—	<b>(22,286)</b>	—
Deferred income taxes	8	<b>790</b>	(1,464)	<b>16,122</b>	(29,878)
Proposed dividend (including dividend tax thereon)	9	<b>1,417</b>	892	<b>28,918</b>	18,204
Total adjustments as per US GAAP		<b>250</b>	(562)	<b>5,102</b>	(11,470)
<b>Shareholders' equity as per US GAAP</b>		<b>28,751</b>	25,803	<b>586,755</b>	526,591
<b>IAS adjustments</b>		—	—	—	—
<b>Shareholders' equity as per IAS</b>		<b>28,751</b>	25,803	<b>586,755</b>	526,591

\* Exchange rate used for conversion of rupees into dollars is Rs 49 per US Dollar which was the TT selling rate of Commercial banks at 31 March 2002.

See accompanying notes to the above Reconciliation Statement.

## Reconciliation of Significant Differences in Shareholders' Equity and Net Income Between Indian Generally Accepted Accounting Standards ("Indian GAAS"), US Generally Accepted Accounting Principles ("US GAAP") and International Accounting Standards ("IAS") (contd.)

		(Rs. in millions)		(US Dollars in thousands)*	
		2001-02	2000-01	2001-02	2000-01
<b>2. Reconciliation of net income</b>	<b>Notes</b>				
<b>Net income as per Indian GAAS</b>	1	<b>4,932</b>	2,499	<b>100,653</b>	51,000
<b>US GAAP adjustments</b>					
Consolidation of subsidiary	2	—	15	—	306
Equity method of accounting	3	<b>185</b>	64	<b>3,776</b>	1,306
Amortisation of investment in debt securities	4	<b>2</b>	9	<b>41</b>	184
Impairment of investments	4	<b>(1,030)</b>	(296)	<b>(21,020)</b>	(6,041)
Fixed assets and depreciation	5	<b>(163)</b>	(220)	<b>(3,327)</b>	(4,490)
Deferral of Premium on Insurance Venture	7	<b>(1,092)</b>	—	<b>(22,286)</b>	—
Deferred income taxes	8	<b>781</b>	(298)	<b>15,939</b>	(6,082)
Total adjustments as per US GAAP		<b>(1,317)</b>	(726)	<b>(26,877)</b>	(14,817)
<b>Net income as per US GAAP</b>		<b>3,615</b>	1,773	<b>73,776</b>	36,183
<b>IAS adjustments</b>		—	—	—	—
<b>Net income as per IAS</b>		<b>3,615</b>	1,773	<b>73,776</b>	36,183
		(Rupees)		(US Dollars)	
<b>3. Earnings per share</b>	10				
<b>As per US GAAP</b>		<b>35.72</b>	15.91	<b>0.73</b>	0.34
<b>As per IAS</b>		<b>35.72</b>	15.91	<b>0.73</b>	0.34

\* Exchange rate used for conversion of rupees into dollars is Rs 49 per US Dollar which was the TT selling rate of Commercial banks at 31 March 2002.

See accompanying notes to the above Reconciliation Statement.

## Notes to the Reconciliation of Significant Differences Between Indian Generally Accepted Accounting Standards ("Indian GAAS"), US Generally Accepted Accounting Principles ("US GAAP") and International Accounting Standards ("IAS") for the year ended 31 March 2002

### 1. Basis of preparation of the Reconciliation

1.1 Bajaj Auto Limited ('the Company') prepares its financial statements in rupees in accordance with Indian GAAS, which differ in certain respects from US GAAP and IAS. Significant differences between Indian GAAS, US GAAP and IAS which impact shareholders' equity as at 31 March 2002 and 2001 and net income for the years ended on those dates have been shown as reconciling amounts in the Reconciliation. Such differences are discussed below.

1.2 The net income and stockholders equity as per Indian GAAS for the previous year is not strictly comparable to the net income and stockholders equity as per Indian GAAS for the current year due to the following

- Consequent to the new accounting standard issued on Consolidation under Indian GAAS the Company has in the current year consolidated in its net income and stockholders equity its investments in its subsidiaries Bajaj Auto Holdings Ltd ('BAHL'), Bajaj Allianz General Insurance Company Limited ('BAGICL') and Allianz Bajaj Life Insurance Company Limited ('ABLICL'). As allowed by the transition provisions of the Indian accounting standard, the Company has not consolidated its investment in its subsidiaries for the previous year ending 31 March 2001.
- Consequent to the new accounting standard issued by Indian GAAS on Deferred Taxation the Company has for the first time recognized in its stockholders equity and net income for the current year, deferred taxes resulting from timing differences between book profits and tax profits using substantially enacted tax rates. The Company has recognized in its stockholders equity as per Indian GAAS, the deferred tax balance that would have accumulated prior to adopting the standard, if the standard had been in effect from the beginning.

### 2. Consolidation of subsidiaries

2.1 As stated in note 1.2 above, the Company has in the current year, under Indian GAAS, consolidated Bajaj Auto Holdings Ltd which treatment is consistent with US GAAP and IAS. In the previous year, under Indian GAAS investments in BAHL, was accounted for at cost. Under US GAAP and IAS for the previous years these investments have been shown in the Reconciliation as Consolidation of subsidiary after eliminating all material inter-company transactions.

### 3. Equity method of accounting

3.1 Generally, investments in which the investor company holds 20% to 50% of the investee's voting securities are accounted for by the equity method under US GAAP. Under IAS, if the investor company has the power to participate in the financial and operating policies of the investee, the investments are accounted for by the equity method of accounting. Under the equity method of accounting, the investor company accounts for its share of net income or loss of the investee.

3.2 Accordingly, the Company's investments of 46% (previous year 46%) in equity capital of Bajaj Auto Finance Limited and 24 % (previous year 24%) in equity capital of Maharashtra Scooters Limited have been accounted for by the equity method for both US GAAP and IAS after eliminating the Company's share of all material inter-company transactions. Under Indian GAAS, investments in these companies are accounted for at cost.

3.3 The Company has during the current year made investments in BAGICL and ABLICL. Under Indian GAAS the Company has consolidated its 74% equity holding in BAGICL and ABLICL as the Company owns more than one half of the voting rights of the insurance companies.

3.4 Under US GAAP substantive minority rights that provide the minority shareholder with the right to effectively participate in significant decisions overcomes the presumption that the investor with a majority voting interest should consolidate its investee.

3.5 Under IAS the investment of the Company in BAGICL and ABLICL qualify as a joint venture investment as these entities are jointly controlled entities.

3.6 Accordingly, under US GAAP and IAS, the Company's investment of 74% in BAGICL and ABLICL have been accounted for by the equity method after eliminating all material inter-company transactions.

### 4. Investment in debt and equity securities

For Indian GAAS, the Company generally classifies all its investments as long term in nature. Investments in debt and equity securities are accounted for at cost less adjustments, if any, for other than temporary decline or impairments in carrying value, which are charged against earnings.

Under US GAAP and IAS, debt securities held for investment purposes to maturity are stated at amortised cost. Under US GAAP impairments of debt securities, other than temporary, are recognised in the income statement whereas, under IAS impairments of debt securities where objective evidence exists that the investments are impaired, are recognised in the

## Notes to the Reconciliation of Significant Differences Between Indian Generally Accepted Accounting Standards ("Indian GAAS"), US Generally Accepted Accounting Principles ("US GAAP") and International Accounting Standards ("IAS") for the year ended 31 March 2002 (contd.)

income statement. Available-for-sale securities are recorded at fair value. Unrealised holding gains and losses, net of the related tax effect, on available-for-sale securities are excluded from earnings and are reported as a separate component of shareholders' equity until realised.

Under IAS, Derivative financial instruments are recognised initially at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value with changes reported in the income statement. In the case where a derivative is linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be measured reliably, such derivatives are carried at cost. When it becomes possible to measure the fair value of such a derivative reliably they are remeasured at fair value.

### 5. Fixed assets and depreciation

Under US GAAP and IAS, fixed assets are recorded at historical cost and depreciated on a systematic basis over their estimated useful lives. Under Indian GAAS, depreciation is provided based on the asset lives specified in the Companies Act that may not necessarily be reflective of the useful lives of the assets. In some cases these costs are expensed in the year in which they are incurred. Accordingly, the Reconciliation provides for a depreciation adjustment based on the estimated useful lives of fixed assets.

### 6. Non-monetary exchange of asset

Under US GAAP and IAS, 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 1998-99, the Company exchanged its tenancy rights in a property, which had no recorded value, for ownership rights in a similar property. Accordingly, for both US GAAP and IAS, the transaction has been recorded at zero value whereas under Indian GAAS, the excess of fair value of acquired property over the carrying value of tenancy rights surrendered has been recorded as a gain in the income statement.

### 7. Premium on Insurance venture

During the current year the Company has received an upfront non-refundable payment of Rs 1,170 million from Allianz AG, the overseas partner in the new insurance companies, set up by the Company. This sum was received prior to the Joint venture, from Allianz AG, for the Company's commitment to

associate in the joint venture with repute, value, goodwill and other considerations and obligations specified in the shareholders agreements. For Indian GAAS reporting, the upfront non-refundable payment has been recognized as income.

US GAAP and IAS 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 has been recognized and amortised over a period of 15 years.

### 8. Deferred taxation

Consequent to the new accounting standard issued by Indian GAAS on Deferred taxation the Company has for the first time recognized deferred taxes resulting from timing differences between book profits and tax profits using substantially enacted tax rates.

Under US GAAP, deferred tax assets and liabilities are recognized for the future tax consequences of differences between the carrying amounts of existing assets and liabilities as compared to their respective tax bases, using enacted tax rates.

Under IAS, deferred tax assets and liabilities are recognized for the future tax consequences of differences between the carrying amounts of existing assets and liabilities as compared to their respective tax bases, using enacted or substantially enacted tax rates.

Accordingly, the Reconciliations provide for a deferred tax impact reflecting the differential tax rates used in Indian GAAS and US GAAP and IAS in addition to the deferred tax impact on the significant differences between Indian GAAS, US GAAP and IAS.

### 9. Proposed Dividend

Under Indian GAAS, dividends on equity shares and the related dividend tax are recorded as liabilities at the point of their proposal by the Board of Directors although such dividend liability does not crystallise unless approved by the shareholders. Accordingly, under US GAAP and IAS, such dividends have been restored to shareholders' equity in the Reconciliation.

### 10. Earnings per share

Under US GAAP and IAS, earnings per share is calculated by dividing net income by the weighted average number of common stocks outstanding.

**BAJAJ AUTO HOLDINGS LIMITED**  
**TWENTY FOURTH ANNUAL REPORT**

**BOARD OF DIRECTORS**

D. S. Mehta  
R. A. Jain  
Madhur Bajaj  
G. B. Laddha  
Rajiv Bajaj

**Auditors**

Dalal and Shah  
Chartered Accountants

**Bankers**

Central Bank of India

**Regd. Office**

C/o Bajaj Auto Limited  
Mumbai-Pune Road  
Akurdi, Pune - 411 035.

**DIRECTORS' REPORT**

The directors present their twenty-fourth annual report and the audited statements of accounts for the year ended 31 March 2002.

During the year under review, the company earned a profit of Rs.6,092,283 as against Rs.14,168,205 in the previous year. After making provision for taxation of Rs.20,000 (Rs.600,000 for previous year), the net profit was Rs.6,072,283 as against Rs.13,568,205 in the previous year.

The directors recommend payment of a dividend of Rs.100 per share, amounting to Rs.2,450,000 for the year ended 31 March 2002. The proposed dividend shall be paid, subject to deduction of tax at source as may be applicable according to the prevailing tax laws.

An amount of Rs.1,214,500 has been transferred to reserve fund in terms of the provisions of Section 45-IC (1) of Reserve Bank of India Act, 1934.

The balance profit of Rs.2,407,783 (inclusive of adjustments relating to earlier years) as against Rs.6,527,423 during the previous year has been transferred to general reserve.

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

- (i) that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (ii) that the directors had 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 or loss of the company for that period;
- (iii) that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (iv) that the directors had prepared the annual accounts on a going concern basis.

Being an investment company with no manufacturing activity, the directors have nothing to report on conservation of energy, research & development and technology absorption.

Pursuant to section 43A of the Companies Act, 1956, having become inoperative after the enactment of the Companies (Amendment) Act, 2000, the concept of deemed public limited company has been done away with, thereby reducing the categories of the companies to only two i.e. Public Limited and Private Limited. Your company was a deemed public company within the meaning of section 43A of the Companies Act, 1956 until the Companies (Amendment) Act, 2000 came into effect on 13 December, 2000. After the said date, the company has become a public limited company.

Subsequent to the extra-ordinary general meeting held on 16 January 2002, which passed the necessary resolutions in this regard, your company carried out all the necessary legal formalities and procedural requirements in connection with changing the status of the company from deemed public limited company to a public limited company. The Registrar of Companies, Maharashtra, Pune has issued a fresh certificate of incorporation on 22 February 2002 in confirmation of the "Public Limited" status of the company.


Mr. Shyamprasad D Limaye was appointed as a Company Secretary in Practice for the year 2001-02 to inspect the books, registers and records of the company as also to report as to whether the company has complied with all the provisions of the Companies Act, 1956. It is proposed to appoint him and fix his remuneration, for carrying out similar assignment for the period commencing from the conclusion of the ensuing annual general meeting till the conclusion of the next annual general meeting. An appropriate resolution would be proposed at the annual general meeting. A certificate of compliance obtained from Mr. Shyamprasad D Limaye for the year under review is attached to this report.

Mr. D. S. Mehta and Mr. R. A. Jain, directors of the company retire by rotation and being eligible, offer themselves for reappointment.

You 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.

On behalf of the board of directors,

Mumbai, 11 May 2002

  
Chairman of the Meeting



Shyamprasad D. Limaye  
B.Com. LL.B. F.C.S.  
Company Secretary

6, Jay Apartments, 1098/14,  
Model Colony, PUNE 411 016

### Compliance Certificate for the financial year from 01/04/2001 to 31/03/2002

[Rule 3, The Companies (Compliance Certificate ) Rules 2001]

To  
The Members  
Bajaj Auto Holdings Limited

I have examined the registers, records, books and papers of Bajaj Auto Holdings Limited (the Company) as required to be maintained under the Companies Act, 1956 (the Act) and the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the company for the financial year ended on 31 March, 2002. In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the company, its officers and agents, I certify that in respect of the aforesaid financial year:

1. The company has kept and maintained all registers as stated in Annexure 'A' to this certificate, as per the provisions and the rules made thereunder and all entries, wherever applicable therein have been duly recorded.
2. The company has duly filed the forms and returns as stated in Annexure 'B' to this certificate, with the Registrar of Companies, within the time prescribed under the Act and the rules made thereunder.
3. The Company was a deemed public company within the meaning of section 43A of the Act until the Companies (Amendment) Act, 2000 came into effect on 13 December 2000. After the said date, due to section 43 A having become inoperative and in view of amendment in section 3, the company became a public limited company. The restrictions applicable to private limited company are, therefore, no longer applicable to this company and hence comments under clause 3 are not required.
4. The board of directors duly met six times on 11/04/2001, 07/05/2001, 28/07/2001, 4/10/2001, 15/12/2001 and 16/01/2002, in respect of which meetings, proper notices were given and the proceedings were properly recorded and signed in the minutes book maintained for the purpose.
5. The company did not close its register of members.
6. The annual general meeting for the financial year ended on 31/03/2001 was held on 28/07/2001 after giving due notice to the members of the company and the resolutions passed thereat were duly recorded in the minutes book maintained for the purpose.
7. One extra-ordinary meeting was held on 16/01/2002 during the financial year after giving due notice to the members of the company and the resolutions passed thereat were duly recorded in the minutes book maintained for the purpose.
8. The company has not advanced any loan to its directors and / or persons or firms or companies referred in the section 295 of the Act.
9. The company has not entered into any contract requiring compliance with the provisions of section 297 of the Act.
10. The company has not entered into any contract required to be entered in the register maintained under section 301 of the Act.
11. The company has no employee or any person holding office of profit as envisaged in section 314 of the Act.
12. The company has not issued any duplicate share certificate.
13. The company has:
  - i neither made any allotment of securities nor received any securities for transfer / transmission or for any other purpose, during the financial year covered under this certificate.
  - ii paid the dividend within the prescribed time, although the formality of transferring the amount of dividend within five days of declaration to a separate bank account was not observed.
  - iii paid / hand-delivered the warrants for dividends to all the members within a period of 30 (Thirty) days from the date of declaration and there were no unclaimed / unpaid dividend required to be transferred to unpaid dividend account of the company.
  - iv no amount to the credit of unpaid dividend account, application money due for refund, matured deposits, matured debentures and the interest accrued thereon.
  - v duly complied with the requirements of section 217 of the Act.
14. The board of directors of the company is duly constituted and the appointments of directors have been duly made. There is no change in constitution of the board of directors.
15. The company has not appointed any managing director / whole-time director / manager.
16. The company has not appointed any sole-selling agent.
17. The company has obtained necessary approvals of the Central Government, prescribed under the provisions of the Act as detailed below :-
  - a. Permission under section 211(4) of the Act for modification in the requirement of presentation of investments of the company in balance sheet.
  - b. Certificate of change of name dated 27/02/2002 was issued by the Registrar of Companies, Maharashtra, Pune for converting the company from a deemed public company u/s 43 A of the Companies Act, 1956 into a public company.
18. The directors have disclosed their interest in other firms / companies to the board of directors pursuant to the provisions of the Act and the rules made thereunder.

19. The company has not issued shares / debentures / other securities during the financial year ended 31/03/2002.
20. The company has not bought back shares during the financial year ended 31/03/2002.
21. The company has not redeemed preference shares / debentures during the financial year ended 31/03/2002.
22. It was not necessary for the company to keep in abeyance rights to dividend, rights shares and bonus shares pending registration of transfer of shares in compliance with the provisions of the Act.
23. The company has not accepted deposit from public as envisaged under the provisions of sections 58A and 58AA read with Companies (Acceptance of Deposit) Rules, 1975/ the applicable directions issued by the Reserve Bank of India / any other authority in respect of deposits.
24. The amount borrowed by the company from directors, members, public, financial institutions, banks and others during the financial year ended 31/03/2002 is within the borrowing limits of the company.
25. The company has made loans and investments in compliance with the provisions of the Act and has made necessary entries in the register kept for the purpose. The company has not given guarantees or provided securities to other bodies corporate.
26. The company has not altered the provisions of the Memorandum of Association with respect to situation of the company's registered office from one state to another during the year under scrutiny.
27. The company has not altered the provisions of the Memorandum of Association with respect to the objects of the company during the year under scrutiny.
28. The company has not altered the provisions of the Memorandum of Association with respect to name of the company during the year under scrutiny.
29. The company has not altered the provisions of the Memorandum of Association with respect to share capital of the company during the year under scrutiny.
30. The company has altered its Articles of Association after obtaining approval of members in the extra-ordinary general meeting held on 16/01/2002 and the amendments to the Articles of Association have been duly registered with the Registrar of Companies
31. No prosecution is launched against the company nor has it received any show cause notices for alleged offences under the Act.
32. The company has not received any amount as security deposit from its employees during the year under certification.
33. Since there is no employee, the company is not required to deposit employees' and employer's contribution to Provident Fund with prescribed authorities pursuant to section 418 of the Act.
34. As regards compliance of sections 209,210,211,349 and 350 of the Act, while giving this certificate, I have relied on the report of the statutory auditors of the company.

Sd/-

Name of Company Secretary :  
Shyamprasad D. Limaye  
F.C.S. 1587 C.P. No. : 572

Place : Pune  
Date : 11/05/2002

## Compliance certificate for the financial year from 01/04/2001 to 31/03/2002

### Annexure A

#### Registers as maintained by the company

1. Register of Members u/s 150
2. Register of Transfers
3. Register of Directors u/s 303
4. Register of Directors' Shareholding u/s 307
5. Register of Charges u/s 143
6. Register of Disclosure u/s 301
7. Register of Contracts in which Directors are interested u/s 301.
8. Minutes Book of Board Meetings u/s 193
9. Minutes Book of General Meetings u/s 193
10. Books of Accounts u/s 209

### Annexure B

Forms and returns as filed by the company with the Registrar of Companies, Regional Director, Central Government or other authorities during the financial year ended on 31<sup>st</sup> March, 2002

1. Balance sheet as on 31/03/2001 u/s 211 — filed on 13/08/2001
2. Compliance certificate for the financial year ended 31/03/2001 — filed on 27/08/2001.
3. Annual return made as on 29/07/2001 u/s 159 — filed on 24/09/2001
4. Form No. 23 u/s 192 — filed on 29/01/2002
5. Form No. 1B for converting the company from a deemed public company u/s 43 A of the Companies Act, 1956 into a public company — filed on 29/01/2002.

Sd/-

Name of Company Secretary :  
Shyamprasad D. Limaye  
F.C.S. 1587 C.P. No. : 572

Place : Pune  
Date : 11/05/2002

## Report of the Auditors to the Members

We have audited the attached Balance Sheet of Bajaj Auto Holdings Limited, as at 31<sup>st</sup> March, 2002 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we annex here to a statement on the matters specified in paragraphs 4 and 5 of the said Order.

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

- (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (b) In our opinion, proper Books of Account as required by law have been kept by the Company so far as appears from our examination, of the Books of the Company;
- (c) The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the Books of Account of the Company;
- (d) In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable;
- (e) On the basis of written representations received from the directors, as on 31<sup>st</sup> March, 2002 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31<sup>st</sup> March, 2002 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 Accounts give the information required by the Companies Act, 1956, in the manner so required and give 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 affairs of the Company as at 31<sup>st</sup> March, 2002; and
  - (ii) in the case of the Profit and Loss Account of the Profit for the year ended on that date.
- (ii) None of the fixed assets have been revalued during the year.
- (iii) The Company has not taken any loans, secured or unsecured, from Companies, Firms and Other parties listed in the Register maintained under Section 301 of the Companies Act, 1956. As explained to us there is no Company under the same management within the meaning of Section 370(1-B) of the Companies Act, 1956;
- (iv) (a) The Register maintained under Section 301 of the Companies Act, 1956 does not disclose any loans, secured or unsecured, given to companies, firms or other parties listed in the said register. As explained to us there is no Company under the same management, within the meaning of Section 370 (1-B) of the Companies Act 1956;
- (b) Other parties to whom Loans and Advances in nature of loans have been given by the Company are repaying the principal amount as stipulated and are also regular in payment of interest, except, in case of few parties where the Company has taken reasonable steps to recover the principal amount and interest;
- (v) The Company has not accepted any deposits from Public during the year;
- (vi) In our opinion, the Company has an adequate internal audit system commensurate with the size and the nature of its business;
- (vii) Since the Company did not have any employee on its payroll during the year, the requirements of clause (xvii) of Paragraph 4(A) of the Order are not applicable to the Company;
- (viii) No undisputed amounts payable in respect of Income - tax and Wealth - tax were outstanding as at the last day of the year, for a period of more than six months from the date they became payable. Considering the nature of business carried on at present by the Company, there can be no dues pertaining to Excise Duty, Customs Duty and Sales Tax;
- (ix) On the basis of (i) the examination of the Books of Account, (ii) the vouchers produced to us for our verification, (iii) the explanations given and the representations made to us on our inquiries and (iv) the checks and control relating to authorising the expenditure on the basis of accepted business practices having regard to the Company's needs and exigencies, we have not come across any expenses charged to revenue, which, in our opinion and judgement and to the best of our knowledge and belief, could be regarded as personal expenses;
- (x) The Company has not granted any loans and advances on the basis of security by way of Pledge of Shares, Debentures and Other similar securities;
- (xi) The Company has maintained proper records of the transactions and contracts in respect of investments and has also made timely entries therein. The investments are held by the Company in its own name or are in the process of being transferred in the name of the Company. Considering the nature of business being carried on at present by the Company and also the nature of matters referred to in various clauses of the Manufacturing and Other Companies (Auditor's Report) Order, 1988, Clauses (iii), (iv), (v), (vi), (x), (xi), (xii), (xiv), (xvi) and (xx) of para 4(A) and 4(D) (iii) of the aforesaid Order are, in our opinion, not applicable to the Company.

For and on behalf of  
DALAL & SHAH  
Chartered Accountants

Shishir Dalal  
Partner

Mumbai : 11th May, 2002.

## ANNEXURE TO THE AUDITOR'S REPORT

Statement referred to in Paragraph 3 of the Auditor's report of even date to the members of Bajaj Auto Holdings Limited on the Accounts for the year ended 31<sup>st</sup> March, 2002.

In terms of information and explanations given to us and on the basis of such checks as we considered appropriate, we state that:

- (i) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. As explained to us, the same have been physically verified by the Management during the year. As per the information and explanations given to us no discrepancies were noticed on such physical verification as compared with the books records;

For and on behalf of  
DALAL & SHAH  
Chartered Accountants

Shishir Dalal  
Partner

Mumbai: 11th May, 2002

## Balance Sheet as at 31 March

			2002	2001
	Schedule	Rupees	Rupees	Rupees
<b>I. Sources of Funds</b>				
1. Shareholders' Funds				
a) Capital	1	2,450,000		2,450,000
b) Reserves and Surplus	2	<u>269,323,828</u>		<u>265,701,545</u>
			271,773,828	268,151,545
2. Loan Funds				
Unsecured Loans				
a) From Bajaj Auto Limited - Holding Company		184,000,000		53,000,000
b) From a Joint Stock Company		<u>—</u>		<u>100,000,000</u>
			184,000,000	153,000,000
	<b>Total</b>		<u>455,773,828</u>	<u>421,151,545</u>
<b>II. Application of Funds</b>				
1. Fixed Assets				
Land, at cost		422,435		422,435
Ownership Premises, at cost (See Note 3)		906,568		906,568
<b>Less : Depreciation</b>		<u>335,208</u>		<u>305,136</u>
		571,360		601,432
			993,795	1,023,867
2. Investments	3		360,472,737	334,325,056
3. Current Assets, Loans and Advances	4			
(a) Cash and Bank Balances		703,705		7,438,715
(b) Other Current Assets		20,015,044		5,615,044
(c) Loans and Advances		<u>92,736,142</u>		<u>93,135,764</u>
		113,454,891		106,189,523
<b>Less : Current Liabilities and Provisions</b>	5			
(a) Liabilities		8,822,595		7,132,101
(b) Provisions		<u>10,325,000</u>		<u>13,254,800</u>
		19,147,595		20,386,901
Net Current Assets			94,307,296	85,802,622
	<b>Total</b>		<u>455,773,828</u>	<u>421,151,545</u>
Notes forming part of the Accounts	7			

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

Shishir Dalal  
Partner

D.S.Mehta  
Madhur Bajaj  
Rajiv Bajaj  
Directors

Mumbai: 11 May 2002

Mumbai: 11 May 2002

**Profit and Loss Account for the year ended 31 March**

Schedule	Rupees	2002	2001
		Rupees	Rupees
<b>Income</b>			
Dividend		12,185,690	12,400,473
Income from units		50,210	69,039
Interest (Gross, tax deducted <b>Rs.1,806,518</b> Previous year Rs.4,488,335)			
On Debentures and Bonds	550,000		550,000
Other	<u>22,789,479</u>		<u>25,882,322</u>
		23,339,479	26,432,322
Rent Received		—	4,800
Profit on Sale of Investments, net		—	355,323
Other Income			
Miscellaneous Receipts		—	587,401
Sundry Credit Balances Appropriated		34,907	15,530
Provisions No Longer Required		—	306,503
		<u>35,610,286</u>	<u>40,171,391</u>
<b>Expenditure</b>			
Interest			
On Fixed Loans	28,493,832		25,451,646
Other expenses	6 150,193		519,886
Loss on Sale of Investments	6,502		—
Loss on Redemption of Securities	94,702		—
Provision for diminution in value of investments	742,702		—
Depreciation	<u>30,072</u>		<u>31,654</u>
		29,518,003	26,003,186
Profit before taxation		6,092,283	14,168,205
Provision for taxation (including <b>Rs.20,000</b> for Wealth Tax, Previous year Rs.20,000)		20,000	600,000
Profit for the year		6,072,283	13,568,205
Tax adjustments relating to earlier years		—	1,340,918
		6,072,283	14,909,123
Proposed Dividend	2,450,000		4,900,000
Corporate Dividend Tax thereon	<u>—</u>		<u>499,800</u>
		2,450,000	5,399,800
		<u>3,622,283</u>	<u>9,509,323</u>
Transferred to Reserve Fund in terms of Section 45-IC(1) of Reserve Bank of India Act, 1934		1,214,500	2,981,900
Transferred to General Reserve		<u>2,407,783</u>	<u>6,527,423</u>
Balance carried to Balance Sheet		—	—
Notes forming part of the Accounts	7		

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

Shishir Dalal  
Partner

D.S.Mehta  
Madhur Bajaj  
Rajiv Bajaj  
Directors

Mumbai: 11 May 2002

Mumbai: 11 May 2002

## Schedules No. 1-7

Annexed to and forming part of the Balance Sheet as at and the Profit and Loss Account for the year ended 31 March 2002.

## Schedule 1 - Share Capital

			As at 31 March 2001
	Rupees	Rupees	Rupees
<b>Authorised</b>			
50,000 Equity Shares of Rs.100 each		5,000,000	5,000,000
<b>Issued and Subscribed</b>			
24,500 Equity Shares of Rs.100 each fully paid-up (All the shares are held by Holding Company - BAJAJ AUTO LTD)		2,450,000	2,450,000
<b>Total</b>		<u>2,450,000</u>	<u>2,450,000</u>

## Schedule 2 - Reserves &amp; Surplus

			As at 31 March 2001
	Rupees	Rupees	Rupees
Reserve Fund in terms of Section 45-IC(1) of Reserve Bank of India Act, 1934			
As per last account	16,268,300		13,286,400
Set aside this year	1,214,500		2,981,900
		17,482,800	16,268,300
General Reserve			
As per last account	249,433,245		242,905,822
Set aside this year	2,407,783		6,527,423
		251,841,028	249,433,245
<b>Total</b>		<u>269,323,828</u>	<u>265,701,545</u>

## Schedule 3 - Investments, at Cost (unless otherwise stated)

				As at 31 March 2001
		Rupees	Rupees	Rupees
<b>In Government and Trust Securities</b>				
<b>Quoted</b>				
**	50,210	Units of Rs.10 each in Unit Trust of India under Unit Scheme 1964 (Received as Bonus)	—	—
<b>In Equity Shares</b>				
<b>Fully Paid</b>				
<b>Quoted</b>				
	2,916,900	Shares of Rs.10 each in Bajaj Auto Finance Limited	94,211,244	94,211,244
	25,000	Shares of Rs.10 each in Colgate Palmolive India Limited	7,475,246	7,475,246
	100,000	(50,000) Shares of Rs.10 each in GTL Limited - Formerly, Global Tele-systems Limited	83,530,490	78,157,500
	135,026	Shares of Rs.10 each in Hercules Hoists Limited	29,311,738	29,311,738
	37,500	Shares of Rs.10 each in Hindustan Petroleum Corporation Limited	9,120,125	9,120,125
	15,000	(-) Shares of Rs.10 each Ranbaxy Laboratories Limited	13,445,400	—
	422,184	(172,184) Shares of Rs.10 each in Tata Chemicals Limited	27,457,628	16,477,628
		Other	49,913,566	47,726,871
			314,465,437	282,480,352
<b>Partly Paid</b>				
*	300,000	Shares of Rs.10 each in Softsol India Limited - Rs.5 Paid Up	14,250,000	14,250,000
			328,715,437	296,730,352
<b>Unquoted</b>				
<b>Fully Paid</b>				
	170,000	Shares of Rs.10 each in CMM Limited	5,100,000	5,100,000
	5,000	Shares of Rs.10 each in Sesa Industries Limited	112,500	112,500
			5,212,500	5,212,500
<b>In Bonds</b>				
<b>Fully Paid</b>				
<b>Quoted</b>				
	—	11% Bonds of Industrial Finance Corporation of India, 2002 (46th Series) of the face value of Rs.5,000,000	—	5,094,702
		Carried over	333,927,937	307,037,554

## Schedule 3 - Investments, at Cost (contd.) (unless otherwise stated)

				As at 31 March 2001
		Rupees	Rupees	Rupees
	Brought over		333,927,937	307,037,554
<b>In Mutual Fund Units</b>				
	<b>Unquoted</b>			
	<b>Partly Paid</b>			
500	Units of Rs.100,000 each in Infinity Venture India Fund - Rs.65,000 paid up		32,500,000	32,500,000
			366,427,937	339,537,554
	Less: Provision for Diminution in the value of Investments		5,955,200	5,212,498
	<b>Total</b>		<u>360,472,737</u>	<u>334,325,056</u>

	Book Value as at		Market Value as at	
	31 March 2002 Rupees	31 March 2001 Rupees	31 March 2002 Rupees	31 March 2001 Rupees
<b>Quoted</b>	327,972,735	301,825,054	* 234,812,110	* 187,328,559
<b>Unquoted</b>	32,500,002	32,500,002		
<b>Total</b>	<u>360,472,737</u>	<u>334,325,056</u>		

## Notes

- 1 Certificate for the following are yet to received/credited to our Demat Account with Standard Chartered Grindlays Bank Limited :

**Equity Shares**

Name of the Company	Face Value Rupees	No of Shares
GTL Limited	10	50,000

- 2 \* Quoted Investments for which quotations are not available have been included in market value at the face value/paid up value, whichever is lower, as the quotations are not available.
- 3 \*\* Units of Unit Trust of India have been included in market value at the Repurchase value.
- 4 See Note '4' in Schedule '7' to the Accounts.



## Schedule 4 - Current Assets, Loans and Advances

	As at 31 March 2001		
	Rupees	Rupees	Rupees
(a) Cash and Bank Balances			
Cash on hand	164		113
Balances with Scheduled Banks			
In current account	<u>703,541</u>		<u>7,438,602</u>
		703,705	<u>7,438,715</u>
(b) Other Current Assets			
Interest Receivable, good			
On loans	19,881,916		5,481,916
Other	<u>133,128</u>		<u>133,128</u>
		20,015,044	<u>5,615,044</u>
(c) Loans and Advances, unsecured, good			
Loans to Joint Stock Companies	72,000,000		72,000,000
Advances recoverable in cash or in kind or for value to be received	6,691,855		7,107,147
Deposit with I.D.B.I under Investment Deposit Scheme, 1986 (including interest accrued thereon <b>Rs.84,000</b> Previous year Rs.84,000)	1,134,000		1,134,000
Tax paid in advance	<u>12,910,287</u>		<u>12,894,617</u>
<b>Total</b>		<u>92,736,142</u>	<u>93,135,764</u>
		<u>113,454,891</u>	<u>106,189,523</u>

## Schedule 5 - Current Liabilities and Provisions

	As at 31 March 2001		
	Rupees	Rupees	Rupees
(a) Liabilities			
Sundry Creditors		8,822,595	7,132,101
(b) Provisions			
Provision for Taxation	7,875,000		7,855,000
Proposed Dividend	2,450,000		4,900,000
Provision for Corporate Dividend tax on Proposed Dividend	<u>—</u>		<u>499,800</u>
		10,325,000	13,254,800
<b>Total</b>		<u>19,147,595</u>	<u>20,386,901</u>

## Schedule 6 - Other Expenses

			Previous Year
	Rupees	Rupees	Rupees
Administration Charges		6,000	6,000
Building Repairs		15,250	12,000
Rates & Taxes		22,145	25,270
Insurance		554	646
Auditors' Remuneration			
As Auditors	10,500		10,500
In other capacity for tax audit	5,250		5,250
		15,750	15,750
Legal & Professional Charges		64,515	96,500
Miscellaneous Expenses		25,979	71,845
Interest Tax		—	220,000
Sundry Debit Balances written off		—	71,875
<b>Total</b>		<b>150,193</b>	<b>519,886</b>

## Schedule 7 - Notes forming part of the Accounts

### 1. Statement of Significant Accounting Policies

- (a) Income and Expenses are accounted on accrual basis, except those associated with significant uncertainties.
- (b) Investments are valued at cost of acquisition. Provision for diminution in value of unquoted investments is made as per revised directive of the Reserve Bank of India on prudential norms issued on 12 May, 1998.
- (c) Profits/Losses on Sale of Investments are recognised on the basis of cost of the specific lot of Investments sold during the year.
- (d) Fixed Assets
  - (A) Fixed Assets are stated at cost of acquisition less accumulated depreciation (except freehold land).
  - (B) Depreciation
    - (i) Depreciation is being provided on "Written Down Value" basis in accordance with the provisions of section 205 (2) (a) of the Companies Act, 1956 in the manner and at the rates specified in schedule XIV to the said Act.
    - (ii) Depreciation on addition to assets is being provided for the full year instead of pro-rating the same as required by Schedule XIV to the Companies Act, 1956.

### 2. Contingent liabilities not provided in respect of

	2001-2002 Rupees	2000-2001 Rupees
(a) The Company has to pay the allotment money of Rs.47.50 per equity share on 300,000 equity shares of Rs.10 each of Softsol India Limited, called up by the Company. Non payment of the said sum may result in forfeiture of the said shares resulting to a loss of Rs.14,250,000 representing amount paid on application.	14,250,000	—
(b) Disputed Income-tax liability - decided by Income Tax Appellate Tribunal in favour of the Company, appealed against by the Department	12,257,981	12,257,981
(c) Claims against the Company not acknowledged as debts	2,899,973	—
(d) Uncalled liability on Partly Paid Investments	17,500,000	31,750,000

## Schedule 7 - Notes forming part of the Accounts (Contd.)

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3. Sale deed in respect of ownership premises is yet to be executed.
4. (a) Disclosure of details of Investments in Investments Schedule - annexed to the Accounts is made in accordance with the approval of Department of Company Affairs, Ministry of Law, Justice and Company Affairs of Government of India, under Section 211(4) of the Companies Act, 1956 vide its letter No 46/38/2002/CL-III dated 15 April, 2002.  
  
(b) Investments made by the Company being of long term nature, Diminution in the value of Quoted Investments are not considered to be of a permanent nature, however, provision of Rs.742,702 (previous year Rs.NIL) for such diminution as considered necessary by the management has been made in the Accounts.
5. Previous year's figures have been regrouped wherever necessary.

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Signature to Schedules 1 to 7

For and on behalf of Dalal and Shah  
Chartered Accountants

Shishir Dalal  
Partner

Mumbai: 11 May 2002

D.S.Mehta  
Madhur Bajaj      Directors  
Rajiv Bajaj

Mumbai: 11 May 2002

## Balance Sheet Abstract and Company's General Business Profile (Part IV)

<b>I. Registration Details</b>	
Registration No.	21066
State Code	11
Balance Sheet date	31 March 2002
<b>II. Capital Raised during the year ended 31 March 2002</b>	Rs. in '000s
Public Issue	—
Rights Issue	—
Bonus Issue	—
Private Placement	—
Others	—
<b>Total</b>	<b>—</b>
<b>III. Position of Mobilisation and Deployment of Funds as at 31 March 2002</b>	
Total liabilities	455,774
Total assets	455,774
<b>Sources of Funds</b>	
Paid-up capital	2,450
Reserves and surplus	269,324
Secured loans	—
Unsecured loans	184,000
<b>Total</b>	<b>455,774</b>
<b>Application of Funds</b>	
Net Fixed Assets	994
Investments	360,473
Net Current Assets	94,307
Misc. Expenditure	—
Accumulated Losses	—
<b>Total</b>	<b>455,774</b>
<b>IV. Performance of the Company for the year ended 31 March 2002</b>	
i) Dividend, Interest and other Income	35,610
ii) Total Expenditure	29,518
iii) Profit before tax	6,092
iv) Profit after tax	6,072
v) Net Profit	6,072
vi) Earning per share in Rs.(Face Value Rs.100)	248
vii) Dividend Rate (Percent)	100
<b>V. Generic Names of Three Principal Products/Services of Company (As per monetary terms)</b>	
Being an Investment Company, not applicable.	

### Note

Earning per share is arrived at by dividing the Net profit [Item IV (v)] by total number of shares issued and subscribed at the end of the year.

D.S.Mehta  
Madhur Bajaj      Directors  
Rajiv Bajaj

Mumbai: 11 May 2002

BAJAJ ALLIANZ  
GENERAL INSURANCE COMPANY LTD

**SECOND ANNUAL REPORT**

## DIRECTORS' REPORT

The Directors of your company take pleasure in presenting the Second Annual Report for the year 1 April 2001 to 31 March 2002.

### 1. MARKET SCENARIO IN THE GENERAL INSURANCE INDUSTRY

The year ended 31 March 2002 was the second year after the liberalisation of the general insurance industry in India. In addition to the four public sector companies there are now six private companies who have commenced operations. In addition, two more companies have received the approval from the IRDA and will be commencing operations shortly.

The past year has been a year of slow growth in the industrial sector and there has not been appreciable growth in the premium income or penetration of the general insurance market. For most of the private companies the corporate business was generated from the existing business with the public sector companies. There has been some penetration in the retail market where these companies have tried to introduce better products targeting different retail segments. The gross premium income for the entire industry for the year 2001-02 is estimated to be around Rs.105 billion compared to last year's premium income of Rs.98.50 billion.

The year also witnessed disaster in the form of the attack on the World Trade Center at New York and nearer home, the riots in Gujarat. These events have left their mark on the insurance industry and have also affected your company, though to a lesser extent.

### 2. SUMMARY OF OPERATIONS FOR THE YEAR

#### Capitalisation of the company

Pursuant to the Joint Venture Agreement entered between Bajaj Auto Ltd. and Allianz AG, the two promoter-shareholders of the company, the company was capitalised in April 2001 with a paid up capital of Rs.1,100 million. The shareholding of Bajaj Auto is 81.4 million shares representing 74% of the total paid up capital of the company and that of Allianz AG, Germany is 28.6 million shares against its foreign direct investment representing 26% of the total paid up capital of the company.

#### IRDA Approval

The Certificate of Registration from the Insurance Regulatory and Development Authority dated 2 May 2001 for granting of registration and approval to carry on general insurance business was received in May 2001 and your company wrote its first policy on the 10 of May 2001. The Registration has also been renewed for the year 2002-03.

#### Regional and Branch Office Network

Your company has opened eight Regional offices in major cities of the Country and all the Regional offices are fully functional and most of them are networked with the Head office over a

wide area network. The company has also opened 21 Branch offices in other cities to achieve effective spread over all the areas in the Country. Most of these Branches are now writing business and it is planned to open a few more branches during the ensuing year.

#### Products

During its first year of operations itself, your company has introduced all the major tariff products as well as all the conventional non-tariff products generally sold in the Indian general insurance market. In addition, your company has successfully introduced new products like Hospital Cash - a daily allowance cover during hospitalisation, which is unique in the Indian market. All products have been introduced after due approval from the IRDA and the Tariff Advisory Committee as required under the regulations. Non-tariff products are being reviewed and modified on a regular basis considering the demand, needs and preferences of the Customers.

#### Agency Network

Your company has set up a large agency network with 356 individual agents and 20 corporate agents operating across the Country. The activities of these agents are controlled by the Branch and Regional offices. All these agents are trained in all the products of the company apart from the training required under the regulations of the IRDA. Efforts are being made to make this a continuous process to strengthen and keep our marketing network up to date on developments in the industry and prepare them to face competition in the market.

#### Marketing Tie Ups and Relationships

To widen our reach geographically and to capitalise on the captive premium, the company has entered into various relationships with companies like Maruti Udyog Ltd., Hyundai Motors Ltd., etc. whereby we have access to their customer data base to market our policies to their customers. Similar efforts are being made to cover the captive customers of other service organisations and banks. These relationships have resulted in considerable benefit to the company and has resulted in generating nearly a half of the premium during the current year.

#### Reinsurance

The company's gross written business is protected by way of reinsurance treaties for Fire, Marine Cargo and Engineering lines of business at most favorable terms. This Reinsurance program has been approved by the IRDA. The protection under the reinsurance treaties entered into by the company is over and above the Obligatory cession of 20% to the General Insurance Corporation of India as required under the regulations of the IRDA.

The maximum retention on any one risk is fixed for each line of business and the reinsurance capacity over and above the automatic capacity was taken on a case to case basis from GIC

and local players in the Indian market. For certain large risks special reinsurance arrangements were made with Allianz AG, Lloyds of London and others. The business written under the Miscellaneous lines including Motor were retained on net account after the statutory cessions.

The company's net written line is also protected by way of Excess of loss covers operating both at a per risk level and on a catastrophic level, such that, the company's exposure or loss do not exceed the retention limits fixed, for any one event.

#### Volume of business, Market Focus etc.

Your company's premium income was the highest amongst the new general insurance companies in the private sector. The gross written premium including premiums received in advance during the period is Rs.1,419.6 million. The Net premium income for the year ended 31 March 2002 is Rs.98.2 million. The claims for the year include a provision of about Rs.20 million towards riot claims in Gujarat and provision of Rs.17 million towards Incurred but not reported claims (IBNR). The net loss after tax provision is Rs.181.8 million for the year ended 31 March 2002 and so, the Directors do not recommend any dividend.

A major portion (68%) of the business of your company for the last year has been generated from Motor insurance. Your company has issued more than 310,000 policies to customers spread over the entire length and breadth of the country. This has helped the company to spread its name and presence to different parts of the country and has given a good retail base. Your company plans to use this base to increase its retail business for other products by cross selling. Also the company plans to focus on bundling different products for various target segments for easier market penetration.

The company's focus for the current year is in the following areas – Corporate business, Commercial business, Motor business, Retail business and Health business. Your company will also focus on Corporate business with a view to increase its Corporate business share in the coming year. Your company will focus on small medium sized customers (Commercial lines of business) to have a balanced portfolio. The company plans to introduce new products in the Health insurance segment and will market the same for both Corporate and retail customers. There will also be focus on penetration of the retail segments.

#### Employees

The total employee strength of the company as on 31 March 2002 was 141. Recruitments are still being done to strengthen our branches and for support to the Regional offices. The company's policy on recruitment has been that of cost chasing revenues and the same has been adhered to, most of the year.

A detailed HR policy has been drafted and the same is operational in the company. The Provident fund, Gratuity and Superannuation schemes are being implemented subject to approvals from the respective authorities.

### 3. FINANCIAL RESULTS

Particulars	Year 2001-02 Amount (Rs)
Premium from Direct Business	308,083,848
Reinsurance Ceded	(209,846,015)
Net Premium Earned	98,237,833
Unexpired Risk Reserve	(49,118,916)
Other Underwriting Income	1,470,465
Net Claims Incurred	(127,361,257)
Net Commission	128,066,023
Management Expenses	(371,363,683)
Investment Income relating to policyholders' funds	16,971,020
<b>Net Underwriting Income</b>	<b>(303,098,515)</b>
Investment Income relating to Shareholders' Funds	125,967,426
Items not related to Insurance Business	(178,564)
Preliminary Expenditure, Pre-operative Expenditure	(4,476,032)
<b>Profit/(Loss) before Tax</b>	<b>(181,785,685)</b>
Provision for Tax (Wealth Tax)	(48,184)
<b>Profit/(Loss) after Tax</b>	<b>(181,833,869)</b>

### 4. PARTICULARS REGARDING CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

Since the company does not carry out any manufacturing activity, the Companies (Disclosure of Particulars in the report of the Board of Directors) Rules, 1988 are not applicable in this regard.

### 5. FOREIGN EXCHANGE EARNINGS AND EXPENDITURE

Earnings in foreign currency	Rs. 33,603,556
Expenditure in foreign currency	Rs.128,313,872

### 6. PARTICULARS OF EMPLOYEES REMUNERATION UNDER SEC.217(2A)

Under the provisions of Section 217(2A) of the Companies Act, 1956 and Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of employees are set out in the Annexure to this report.

### 7. DIRECTORS

Dr. Werner Zedelius having been appointed as Additional Director during the year, would retire at the ensuing Annual General Meeting and, being eligible, offers himself for reappointment.

Mr. Rahul Bajaj will retire from the Board by rotation and being eligible offers himself for reappointment.

During the period, the Board accepted the resignation of Mr. Michael Diekmann. The Board places on record its sincere appreciation for the valuable contribution made by Mr. Diekmann during his tenure as Director of the company.

#### 8. DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with the requirements of Section 217(2AA) of the Companies Act, 1956, your Board of Directors wish to confirm the following

- (i) That in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures (if any);
- (ii) That such accounting policies have been selected and applied consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as on 31 March 2002 and of the profit and loss of the company for that period;
- (iii) That proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of your company and for preventing and detecting fraud and other irregularities;
- (iv) That the annual accounts have been prepared on a going concern basis.

#### 9. AUDIT COMMITTEE

At the meeting of the Board of Directors held on the 21 February 2002, an Audit Committee of Directors comprising Mr. Sanjiv Bajaj, Mr. Heinz Dollberg, Mr. Ranjit Gupta and Mr. Don Nguyen was constituted in accordance with the provisions of Section 292A of the Companies Act, 1956.

#### 10. AUDITORS

In view of the IRDA Regulations/Guidelines requiring an insurance company to appoint two joint statutory auditors, the company appointed M/S Bharat S Raut and M/S Dalal and Shah, Chartered Accountants as joint Statutory auditors of the company in the last Annual General meeting. They hold office up to the conclusion of the 2<sup>nd</sup> Annual General meeting. It is requested to appoint the 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.

#### 11. CHANGE OF REGISTERED OFFICE

During the year, the Registered office of the company has been shifted from Bajaj Auto Ltd., Mumbai Pune Road, Akurdi, Pune to a new premises purchased by the company at GE Plaza, Airport Road, Yerawada, Pune 411 006 with effect from 28 October 2001.

#### 12. APPRECIATION

The Board is grateful to the Insurance Regulatory and Development Authority, Tariff Advisory Committee, Reserve Bank of India and other regulatory authorities for their continued support. The Board is also grateful to its policy holders, bankers and other constituents for their continued support.

The Directors take this opportunity to thank the concerned employees of Bajaj Auto Ltd. and Allianz AG, Munich for their invaluable contribution in setting up and establishing this company.

The Directors would like to express their sincere appreciation for the employees of the company at all levels for their hard work, dedication and commitment.

for and on behalf of the Board of Directors of  
Bajaj Allianz General Insurance Company Ltd.,



Place: Pune  
Date: 9 May 2002

RAHUL BAJAJ  
Chairman



Information as per section 217(2A)(b)(ii) read with the Companies (particulars of employees) Rules, 1975 and forming part of Directors' Report for the year ended 31 March, 2002

Sr No	Name	Designation (Nature of Duties)	Gross Remuneration Rs.	Qualification	Age	Total Experience (years)	Date of Commencement of Employment	Last Employment	Designation
<b>A) Employed throughout the financial year</b>									
1.	Ghosh Soumen	Chief Executive Officer	4,680,851	BSc.(Hons) Mech. Engineering, ICAEW, CA (Australia)	42	20	01-04-2001	Allianz AG India liaison office	Country Manager
2.	Goyal Kamesh	Chief Operating Officer (Operations)	2,881,396	M.B.A(FMS), LLB,BSC,AIII	36	14	01-04-2001	Allianz AG India liaison office	General Manager
3.	Gupta Praveen	General Manager (Corporate Marketing)	2,741,193	M.A (STEPHENS), ASSOC-CII	44	22	01-04-2001	Allianz AG India liaison office	General Manager
4.	Laddha G B	Chief Financial Officer (Finance)	2,750,000	B Com, AICWA	58	38	01-04-2001	Bajaj Auto Ltd.	General Manager Finance
<b>B) Employed for part of the year</b>									
5.	Malshe Kalyan	General Manager (Retail Marketing)	2,401,335	B.TECH-IIT, PGDM- IIM(A)	49	23	16-06-2001	Arabian Auto - Dubai	Dy. General Manager Service and parts

## AUDITORS' REPORT

To the Members of  
Bajaj Allianz General Insurance Company Limited

We have audited the attached Balance Sheet of Bajaj Allianz General Insurance Company Limited ('the Company') as at 31 March 2002 the Motor, Fire, Marine and Miscellaneous Insurance Revenue Accounts (collectively known as the 'Revenue Accounts') and the Profit and Loss account for the year then ended and annexed thereto.

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

The Balance Sheet, the Revenue Accounts and the Profit and Loss Account have been drawn up in accordance with the Insurance Regulatory and Development Authority (IRDA) (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations 2002 read with Section 211 of the Companies Act, 1956.

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

We believe that our audit provides a reasonable basis for our opinion and report thereon as follows

1. 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;
2. In our opinion, proper returns, from branches and other offices to the extent relevant have been received and these were adequate for the purpose of audit;
3. The Balance sheet, Revenue accounts, Profit and Loss account and the Receipts and Payments Account dealt with by this report are in agreement with the books of account and returns;
4. On the basis of written representations received from the directors of the Company as at 31 March 2002 and taken on record by the Board of Directors, we report that no director is disqualified from being appointed as director of the Company under the provisions of Section 274 (l)(g) of the Companies Act, 1956.
5. The actuarial valuation of Incurred but not reported claims (IBNR) and premium deficiency is duly certified by the appointed actuary and the assumptions for such valuation are in accordance with the guidelines and norms, if any issued by the Authority, and/or the Actuarial Society of India in concurrence with the Authority.

In our opinion and to the best our information and according to the information and explanations given to us

1. The Company has valued its Investments in accordance with the provisions of the IRDA (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations 2002.
2. The accounting policies selected by the Company are appropriate and in compliance with the Accounting Standards referred to in sub-section 3(C) of Section 211 of the Companies Act, 1956, to the extent applicable and with the accounting principles as prescribed by the IRDA (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002; and
3. The said accounts give the information required by the Insurance Act, 1938, the Insurance Regulatory and Development Authority Act, 1999 and the Companies Act, 1956 to the extent applicable, in a manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2002;
  - in the case of the revenue accounts, of the deficit for the year ended 31 March 2002;
  - in the case of the profit and loss account, of the loss for the year ended 31 March 2002; and
  - in the case of the cash flow statement, of the receipts and payments for the year ended 31 March 2002.

We further certify that:

- We have reviewed the management report and there is no apparent mistake or material inconsistency with the financial statements;
- There are no terms and conditions specified in the certificate of registration number 113 dated 2 May 2001 received by the Company from the IRDA;
- We have verified the cash balances at some branches, during the year and investments by comparing the stock of investments to certificate issued by the custodians of investments; and
- Based on information and representations made by the Company, the Company is not the trustee of any trust.

For Dalal & Shah  
Chartered Accountants

Anish Amin  
Partner

Mumbai : 9 May 2002

For Bharat S Raut & Co.  
Chartered Accountants

Russell I Parera  
Partner

## Management Report

With respect to the operations of the Bajaj Allianz General Insurance Company Ltd. for the year ended 31 March, 2002 and results thereof, the Management of the Company confirms and declares that :

1. The registration certificate granted by Insurance Regulatory and Development Authority (IRDA) is valid and the same has been renewed for the year 2002 - 2003.
2. We certify that all dues payable to the statutory authorities have been duly paid.
3. Transfer of shares during the year and the shareholding pattern are in accordance with the statutory and regulatory requirement.
4. The management has not invested any funds of holders of policies in India, directly or indirectly outside India.
5. The required solvency margins have been maintained as required by the IRDA.
6. We certify that the values of all the assets have been reviewed on the date of Balance Sheet and in management's belief, the assets set forth in the Balance Sheet are in the aggregate amounts not exceeding their realizable or market value under their related headings.
7. The Company commenced its operations during the period and has a few large risks on its books on the Balance Sheet date, which are also protected by reinsurance protection. The Company has entered into reinsurance arrangements wherein it reinsures risk in excess of its retention limits. The Company's gross acceptances are protected by Surplus treaties with sufficient capacities and the net accounts are protected by both Risk and Catastrophe Excess of Loss treaties.
8. The Company does not have operations in any other country.
9. The Company has completed only about 10 months of operations and it is too premature to indicate the average claim settlement period. However, from the experience this far, it can be stated that the average time taken for settlement of claims is approximately 15 days from the day the claims are first reported. This however does not include Motor Third party claims which have to be settled through the MACT and other judicial bodies.
10. We certify that the values, as shown in the Balance Sheet, of the investments which consists of debt securities have been valued at historical costs subject to amortisation. Market values have been ascertained on the basis of traded prices on The National Stock Exchange of India Ltd., and where such prices were not available, based on quotes received from market participants.
11. The Company has invested only in approved Government securities and rated bonds. The Management is confident of the quality and performance of the investments.
12. The Management of Bajaj Allianz General Insurance Company Limited certifies that:
  - (a) The financial statements of Bajaj Allianz General Insurance Co. Ltd. have been prepared in accordance with the applicable accounting standards and principles and policies with no material departures;
  - (b) The management has adopted accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of the affairs of the Company at the end of the financial year and of the operating loss of the Company for the period;
  - (c) The management has taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the applicable provisions of the Insurance Act, 1938 (4 of 1938) and Companies Act, 1956 (1 of 1956), for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

- (d) The financial statements have been prepared on a going concern basis;
- (e) The management has set up an internal audit system and the same is being strengthened commensurate with the expansion of the business and the opening of new branches.

13. The schedule of payments, which have been made to individuals, firms, companies and organisations in which the Directors of the insurer are interested are as follows:

Salary of CFO on deputation from Bajaj Auto Ltd.	Rs. 2,750,000
Reimbursement of expenses of CFO to Bajaj Auto Ltd.	Rs. 151,230
Rent for premises on lease from Bajaj Auto Ltd.	Rs. 3,886,450
Rent for guest house premises on lease from Bajaj Auto Ltd.	Rs. 240,000
Security deposit on the above premises	Rs. 4,663,740
Deposit to Municipal corporation on the above premises	Rs. 536,165

For and on behalf of the Board of Directors

Rahul Bajaj Chairman	Sanjiv Bajaj Director	Ranjit Gupta Director
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Soumen Ghosh  
Alternate Director and Chief Executive Officer

Place : Pune  
Date : 9 May, 2002

S. Venkatesh Company Secretary	G B Laddha Chief Financial Officer
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## Revenue accounts for the year ended 31 March, 2002

### Motor Insurance Business

Particulars	Schedule	For the year ended on 31 March 2002 Rupees
Premiums earned - (net)	1(a)	33,973,008
Profit / (Loss) on sale/redemption of Investments		3,551,400
Other Income		3,441
Interest, Dividend & Rent-Gross		7,971,024
		11,525,865
	Total (A)	45,498,873
Claims incurred (Net)	2(a)	99,592,211
Commission	3(a)	(42,255,593)
Operating Expenses related to Insurance Business	4	302,213,865
	Total (B)	359,550,483
<b>OPERATING PROFIT/(LOSS) from Motor Insurance Business</b>		<b>(314,051,610)</b>
<b>Appropriations</b>		<b>—</b>
Transfer to Shareholders' Account		(314,051,610)
	Total(C)	<b>(314,051,610)</b>

The Schedules referred to above form an integral part of the Financial Statements

For and on behalf of the Board of Directors

Rahul Bajaj  
Chairman

Sanjiv Bajaj  
Director

Ranjit Gupta  
Director

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

For and on behalf of  
Bharat S Raut & Co  
Chartered Accountants

Soumen Ghosh  
Alternate Director and Chief Executive Officer

Anish Amin  
Partner  
MUMBAI  
Date: 9 May 2002

Russell I Parera  
Partner  
MUMBAI  
Date: 9 May 2002

S Venkatesh  
Company Secretary

GB Laddha  
Chief Financial Officer  
PUNE  
Date: 9 May 2002

## Revenue accounts for the year ended 31 March, 2002

### Fire Insurance Business

Particulars	Schedule	For the year ended on 31 March 2002 Rupees
<b>Premiums earned - (net)</b>	1(b)	3,399,686
Profit / (Loss) on sale/redemption of Investments		1,027,482
Other Income		996
Interest, Dividend & Rent-Gross		2,306,155
		<u>3,334,633</u>
	Total (A)	<u>6,734,319</u>
Claims incurred (Net)	2(a)	10,297,236
Commission	3(a)	(66,322,500)
Operating Expenses related to Insurance Business	4	42,385,269
	Total (B)	<u>(13,639,995)</u>
<b>OPERATING PROFIT/(LOSS) from Fire Insurance Business</b>		<u>20,374,314</u>
<b>Appropriations</b>		<u>—</u>
Transfer to Shareholders' Account		20,374,314
	Total(C)	<u>20,374,314</u>

The Schedules referred to above form an integral part of the Financial Statements

For and on behalf of the Board of Directors

Rahul Bajaj  
Chairman

Sanjiv Bajaj  
Director

Ranjit Gupta  
Director

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

For and on behalf of  
Bharat S Raut & Co  
Chartered Accountants

Soumen Ghosh  
Alternate Director and Chief Executive Officer

Anish Amin  
Partner  
MUMBAI  
Date: 9 May 2002

Russell I Parera  
Partner  
MUMBAI  
Date: 9 May 2002

S Venkatesh  
Company Secretary

GB Laddha  
Chief Financial Officer  
PUNE  
Date: 9 May 2002

## Revenue accounts for the year ended 31 March, 2002

### Marine Insurance Business - Only Cargo

Particulars	Schedule	For the year ended on 31 March 2002 Rupees
Premiums earned - (net)	1(c)	757,331
Profit / (Loss) on sale/redemption of Investments		49,995
Other Income		48
Interest, Dividend & Rent-Gross		112,213
		162,256
	Total (A)	919,587
Claims incurred (Net)	2(a)	1,699,880
Commission	3(a)	(2,200,272)
Operating Expenses related to Insurance Business	4	1,915,963
	Total (B)	1,415,571
<b>OPERATING PROFIT/(LOSS) from Marine Insurance Business</b>		(495,984)
<b>Appropriations</b>		—
Transfer to Shareholders' Account		(495,984)
	Total(C)	(495,984)

The Schedules referred to above form  
an integral part of the Financial Statements

For and on behalf of the Board of Directors

Rahul Bajaj  
Chairman

Sanjiv Bajaj  
Director

Ranjit Gupta  
Director

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

For and on behalf of  
Bharat S Raut & Co  
Chartered Accountants

Soumen Ghosh  
Alternate Director and Chief Executive Officer

Anish Amin  
Partner  
MUMBAI  
Date: 9 May 2002

Russell I Parera  
Partner  
MUMBAI  
Date: 9 May 2002

S Venkatesh  
Company Secretary

GB Laddha  
Chief Financial Officer  
PUNE  
Date: 9 May 2002

## Revenue accounts for the year ended 31 March, 2002

### Miscellaneous Insurance Business

Particulars	Schedule	For the year ended on 31 March 2002 Rupees
Premiums earned - (net)	1(d)	10,988,892
Profit / (Loss) on sale/redemption of Investments		601,870
Other Income		583
Exchange rate difference gain		1,465,397
Interest, Dividend & Rent-Gross		1,350,881
		<u>3,418,731</u>
	Total (A)	14,407,623
Claims incurred (Net)	2(b)	15,771,930
Commission	3(b)	(17,287,658)
Operating Expenses related to Insurance Business	4	24,848,586
	Total (B)	<u>23,332,858</u>
<b>OPERATING PROFIT/(LOSS) from Miscellaneous Insurance Business</b>		<u>(8,925,235)</u>
<b>Appropriations</b>		—
Transfer to Shareholders' Account		(8,925,235)
	Total(C)	<u>(8,925,235)</u>

The Schedules referred to above form an integral part of the Financial Statements

For and on behalf of the Board of Directors

Rahul Bajaj  
Chairman

Sanjiv Bajaj  
Director

Ranjit Gupta  
Director

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

For and on behalf of  
Bharat S Raut & Co  
Chartered Accountants

Soumen Ghosh  
Alternate Director and Chief Executive Officer

Anish Amin  
Partner  
MUMBAI  
Date: 9 May 2002

Russell I Parera  
Partner  
MUMBAI  
Date: 9 May 2002

S Venkatesh  
Company Secretary

GB Laddha  
Chief Financial Officer  
PUNE  
Date: 9 May 2002



## Profit and Loss Account for the year ended 31 March 2002

Particulars	Schedule	For the year Ended on 31 March 2002 Rupees
<b>Operating Profit / (Loss), as per Revenue Accounts of</b>		
(a) Motor Insurance Business		(314,051,610)
(b) Fire Insurance Business		20,374,314
(c) Marine Insurance Business		(495,984)
(d) Miscellaneous Insurance Business		(8,925,235)
		<u>(303,098,515)</u>
<b>Income From Investments</b>		
(a) Interest, Dividends and Rent - Gross		87,092,028
(b) Profit on sale / redemption of investments		39,493,576
<b>Less:</b> (Loss on sale / redemption of investments)		(618,178)
		<u>125,967,426</u>
<b>Other Income - Miscellaneous Income</b>		
		<u>67,635</u>
	<b>Total(A)</b>	<u>(177,063,454)</u>
<b>Expenses</b>		
(a) Expenses other than those directly related to the insurance business		246,199
(b) Preliminary Expenses written off		1,787,718
(c) Pre-operative Expenses (includes Depreciation Rs.91,358)		2,688,314
		<u>4,722,231</u>
	<b>Total (B)</b>	<u>4,722,231</u>
<b>Profit / (Loss) before tax</b>		
		(181,785,685)
Provision for Taxation (Including Wealth Tax Rs.48,184) (Refer Schedule 12 Note 12)		48,184
<b>Profit / (Loss) after tax</b>		
		<u>(181,833,869)</u>
<b>Profit Available for appropriation</b>		
		—
<b>Appropriations</b>		
(a) Interim dividends paid during the year		—
(b) Proposed final dividend		—
(c) Dividend distribution tax		—
(d) Transfer to reserve/other accounts (to be specified)		—
Balance of Profit / (Loss) brought forward last year		—
<b>Balance carried to Balance Sheet</b>		
		<u>(181,833,869)</u>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>12</b>	
<b>Earning per Share: Basic (Refer Schedule 12 Note 14)</b>		<u>(1.76)</u>

The Schedules referred to above form an integral part of the Financial Statements

For and on behalf of the Board of Directors

Rahul Bajaj                      Sanjiv Bajaj                      Ranjit Gupta  
Chairman                              Director                              Director

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

For and on behalf of  
Bharat S Raut & Co  
Chartered Accountants

Soumen Ghosh  
Alternate Director and Chief Executive Officer

Anish Amin  
Partner  
MUMBAI  
Date: 9 May 2002

Russell I Parera  
Partner  
MUMBAI  
Date: 9 May 2002

S Venkatesh                      GB Laddha  
Company Secretary                      Chief Financial Officer  
PUNE  
Date: 9 May 2002

## Balance Sheet as at 31 March 2002

Particulars	Schedule	As at 31 March 2002 Rupees	As at 31 March 2001 Rupees
<b>Sources of funds</b>			
<b>Shareholders' funds</b>			
Share Capital	5	1,092,849,125	7,000
	<b>Total</b>	<b>1,092,849,125</b>	<b>7,000</b>
<b>Application of funds</b>			
<b>Investments</b>	6	1,668,161,624	—
<b>Fixed Assets</b>	7		
Gross Block		135,738,942	—
Less Accumulated Depreciation		17,129,470	—
Net Block		118,609,472	—
Capital Work In Progress		—	—
		<b>118,609,472</b>	<b>—</b>
<b>Current Assets</b>			
Cash and Bank Balances	8	233,422,235	4,230
Advances and Other Assets	9	215,509,203	7,563,988
	<b>Sub-Total (A)</b>	<b>448,931,438</b>	<b>7,568,218</b>
<b>Current Liabilities</b>			
<b>Provisions</b>	10	1,275,520,178	16,120,232
	11	49,167,100	—
	<b>Sub-Total (B)</b>	<b>1,324,687,278</b>	<b>16,120,232</b>
<b>Net Current Assets</b>	<b>(C) = (A - B)</b>	<b>(875,755,840)</b>	<b>(8,552,014)</b>
<b>Debit Balance in Profit &amp; Loss Account</b>		<b>181,833,869</b>	<b>8,559,014</b>
	<b>Total</b>	<b>1,092,849,125</b>	<b>7,000</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	12		

The Schedules referred to above form  
an integral part of the Financial Statements

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

Anish Amin  
Partner  
MUMBAI  
Date: 9 May 2002

For and on behalf of  
Bharat S Raut & Co  
Chartered Accountants

Russell I Parera  
Partner  
MUMBAI  
Date: 9 May 2002

For and on behalf of the Board of Directors

Rahul Bajaj  
Chairman

Sanjiv Bajaj  
Director

Ranjit Gupta  
Director

Soumen Ghosh  
Alternate Director and Chief Executive Officer

S Venkatesh  
Company Secretary

GB Laddha  
Chief Financial Officer  
PUNE  
Date: 9 May 2002

## Schedules to and forming part of the Revenue Accounts and Profit and Loss account for the year ended on and to Balance Sheet as at 31 March, 2002

### Schedule 1 - Premium Earned (Net)

Particulars	For the year ended on 31 March 2002 Rupees
<b>(a) Motor Insurance Business</b>	
<b>Premium from Direct Business</b>	144,687,530
Less : Premium on reinsurance ceded (Refer Schedule 12 Note 6)	76,741,514
<b>Net Premium</b>	67,946,016
Adjustment for changes in Reserve for Unexpired Risk	33,973,008
<b>Total Premium Earned (Net)</b>	33,973,008
<b>Note :</b>	
<b>Premium Income from business effected</b>	
In India	33,973,008
Outside India	—
<b>Total Premium Earned (Net)</b>	33,973,008
<b>(b) Fire Insurance Business</b>	
<b>Premium from Direct Business</b>	91,115,116
Less: Premium on reinsurance ceded (Refer Schedule 12 Note 6)	84,315,745
<b>Net Premium</b>	6,799,371
Adjustment for changes in Reserve for Unexpired Risk	3,399,685
<b>Total Premium Earned (Net)</b>	3,399,686
<b>Note :</b>	
<b>Premium Income from business effected</b>	
In India	3,399,686
Outside India	—
<b>Total Premium Earned (Net)</b>	3,399,686
<b>(c) Marine Insurance Business</b>	
<b>Premium from Direct Business</b>	4,335,161
Less: Premium on reinsurance ceded (Refer Schedule 12 Note 6)	2,820,499
<b>Net Premium</b>	1,514,662
Adjustment for changes in Reserve for Unexpired Risk	757,331
<b>Total Premium Earned (Net)</b>	757,331
<b>Note :</b>	
<b>Premium Income from business effected</b>	
In India	757,331
Outside India	—
<b>Total Premium Earned (Net)</b>	757,331

## Schedules to and forming part of the Revenue Accounts and Profit and Loss account for the year ended on and to Balance Sheet as at 31 March, 2002

### Schedule 1 - Premium Earned (Net) (contd.)

#### (d) Miscellaneous Insurance Business

Rupees

Particulars	Miscellaneous Insurance							
	TOTAL	Workmens Compensation Employers' Liability	Public / Product Liability	Engineering	Aviation	Personal Accident	Health Insurance	Others
<b>Premium from Direct Business</b>	67,946,041	889,751	5,086,154	35,914,374	588,788	9,863,137	10,486,791	5,117,046
Less: Premium on reinsurance ceded (Refer Schedule 12 Note 6)	45,968,257	322,868	2,387,585	31,787,962	585,897	3,333,449	4,109,741	3,440,755
<b>Net Premium</b>	<b>21,977,784</b>	<b>566,883</b>	<b>2,698,569</b>	<b>4,126,412</b>	<b>2,891</b>	<b>6,529,688</b>	<b>6,377,050</b>	<b>1,676,291</b>
Adjustment for changes in Reserve for Unexpired Risk	10,988,892	283,442	1,349,285	2,063,206	1,445	3,264,844	3,188,525	838,145
<b>Total Premium Earned (Net)</b>	<b>10,988,892</b>	<b>283,441</b>	<b>1,349,284</b>	<b>2,063,206</b>	<b>1,446</b>	<b>3,264,844</b>	<b>3,188,525</b>	<b>838,146</b>
<b>Note :</b>								
<b>Premium Income from business effected</b>								
In India	10,988,892	283,441	1,349,284	2,063,206	1,446	3,264,844	3,188,525	838,146
Outside India	—	—	—	—	—	—	—	—
<b>Total Premium Earned (Net)</b>	<b>10,988,892</b>	<b>283,441</b>	<b>1,349,284</b>	<b>2,063,206</b>	<b>1,446</b>	<b>3,264,844</b>	<b>3,188,525</b>	<b>838,146</b>

## Schedules to and forming part of the Revenue Accounts and Profit and Loss account for the year ended on and to Balance Sheet as at 31 March, 2002

### Schedule 2(a) - Claims incurred (Net)

Particulars	Rupees			
	Motor Insurance Business	Fire Insurance Business	Marine Cargo Business	Other Business
Claims Paid				
Direct	50,205,258	1,172,443	1,659,481	—
Less: Re-insurance Ceded (Refer Schedule 12 Note 6)	9,705,178	626,210	867,934	—
Net Claims paid	40,500,080	546,233	791,547	—
Add :Claims Outstanding at the close of the year(net of Re-insurance)	59,092,131	9,751,003	908,333	—
Less :Claims Outstanding at the beginning of the year	—	—	—	—
	59,092,131	9,751,003	908,333	—
<b>Total Claims Incurred (Net)</b>	<b>99,592,211</b>	<b>10,297,236</b>	<b>1,699,880</b>	<b>—</b>
Claims paid to claimants				
In India	99,592,211	10,297,236	1,699,880	—
Outside India	—	—	—	—
<b>Total Claims Incurred (Net)</b>	<b>99,592,211</b>	<b>10,297,236</b>	<b>1,699,880</b>	<b>—</b>

### Schedule 2(b) - Claims incurred (Net)

Particulars	Rupees							
	Miscellaneous Insurance							
	TOTAL	Workmens Compensation Employers' Liability	Public / Product Liability	Engineering	Aviation	Personal Accident	Health Insurance	Others
Claims Paid								
Direct	4,670,596	—	—	657,305	—	749,761	2,541,811	721,719
Less: Re-insurance Ceded (Refer Schedule 12 Note 6)	1,253,766	—	—	516,529	—	150,152	443,388	143,697
Net Claims paid	3,416,830	—	—	140,776	—	599,609	2,098,423	578,022
Add :Claims Outstanding at the close of the year	12,355,100	69,613	572,377	836,566	595	829,596	1,772,555	8,273,798
Less : Claims Outstanding at the beginning of the year	—	—	—	—	—	—	—	—
	12,355,100	69,613	572,377	836,566	595	829,596	1,772,555	8,273,798
<b>Total Claims Incurred (Net)</b>	<b>15,771,930</b>	<b>69,613</b>	<b>572,377</b>	<b>977,342</b>	<b>595</b>	<b>1,429,205</b>	<b>3,870,978</b>	<b>8,851,820</b>
Claims paid to claimants								
In India	15,771,930	69,613	572,377	977,342	595	1,429,205	3,870,978	8,851,820
Outside India	—	—	—	—	—	—	—	—
<b>Total Claims Incurred (Net)</b>	<b>15,771,930</b>	<b>69,613</b>	<b>572,377</b>	<b>977,342</b>	<b>595</b>	<b>1,429,205</b>	<b>3,870,978</b>	<b>8,851,820</b>

## Schedules to and forming part of the Revenue Accounts and Profit and Loss account for the year ended on and to Balance Sheet as at 31 March, 2002

### Schedule 3(a) - Commission expenses

Particulars	Rupees			
	Motor Insurance Business	Fire Insurance Business	Marine Cargo Business	Other Business
Commission Paid				
Direct	5,952,639	488,164	167,483	—
Less: Re-insurance Ceded (Refer Schedule 12 Note 6)	48,208,232	66,810,664	2,367,755	—
<b>Net Commission</b>	<b>(42,255,593)</b>	<b>(66,322,500)</b>	<b>(2,200,272)</b>	<b>—</b>
<b>Note :</b>				
Commission Paid				
In India	(42,255,593)	(66,322,500)	(2,200,272)	—
Outside India	—	—	—	—
<b>Net Commission</b>	<b>(42,255,593)</b>	<b>(66,322,500)</b>	<b>(2,200,272)</b>	<b>—</b>

### Schedule 3(b) - Commission expenses

Particulars	Rupees							
	Miscellaneous Insurance							
	TOTAL	Workmens Compensation Employers' Liability	Public / Product Liability	Engineering	Aviation	Personal Accident	Health Insurance	Others
Commission Paid								
Direct	681,478	13,252	37,196	140,750	—	75,399	143,523	271,358
Less : Re-insurance Ceded (Refer Schedule 12 Note 6)	17,969,136	129,557	600,588	11,619,622	104,784	964,582	1,618,185	2,931,818
<b>Net Commission</b>	<b>(17,287,658)</b>	<b>(116,305)</b>	<b>(563,392)</b>	<b>(11,478,872)</b>	<b>(104,784)</b>	<b>(889,183)</b>	<b>(1,474,662)</b>	<b>(2,660,460)</b>
<b>Note :</b>								
Commission Paid								
In India	(17,287,658)	(116,305)	(563,392)	(11,478,872)	(104,784)	(889,183)	(1,474,662)	(2,660,460)
Outside India	—	—	—	—	—	—	—	—
<b>Net Commission</b>	<b>(17,287,658)</b>	<b>(116,305)</b>	<b>(563,392)</b>	<b>(11,478,872)</b>	<b>(104,784)</b>	<b>(889,183)</b>	<b>(1,474,662)</b>	<b>(2,660,460)</b>

## Schedule 4 - Operating Expenses related to Insurance Business

Particulars	For the year ended on 31 March, 2002	Motor	Marine Cargo	Fire	Miscellaneous	Workmens Compensation Employers' Liability	Public / Product Liability	Engineering	Aviation	Personal Accident	Health Insurance	Rupees
												Others
Employees' remuneration and Welfare benefits												
Salary allowances etc.	62,594,907	42,498,630	598,277	12,295,588	7,202,412	127,949	412,696	2,531,371	45,776	1,196,278	1,760,242	1,128,100
Contribution to Funds	5,487,368	3,725,633	52,448	1,077,890	631,397	11,216	36,179	221,912	4,013	104,871	154,311	98,895
Welfare Expenses	1,603,819	1,088,908	15,329	315,040	184,542	3,278	10,574	64,860	1,173	30,652	45,101	28,904
	69,686,094	47,313,171	666,054	13,688,518	8,018,351	142,443	459,449	2,818,143	50,962	1,331,801	1,959,654	1,255,899
Travel, Conveyance and Vehicle running expenses	11,755,659	7,981,470	112,360	2,309,177	1,352,652	24,030	77,507	475,405	8,597	224,667	330,583	211,863
Training Expenses	3,120,520	2,118,668	29,826	612,967	359,059	6,379	20,574	126,194	2,282	59,638	87,753	56,239
Rents, Rates and Taxes	13,214,420	8,971,892	126,302	2,595,723	1,520,503	27,011	87,124	534,399	9,664	252,547	371,605	238,153
Repairs	1,360,979	924,033	13,008	267,339	156,599	2,782	8,973	55,039	995	26,010	38,272	24,528
Printing and Stationery	6,766,985	6,541,433	15,118	47,512	162,922	2,668	1,223	6,425	44	41,109	78,393	33,060
Communication expenses	7,466,382	5,069,278	71,363	1,466,630	859,111	15,263	49,227	301,944	5,460	142,693	209,963	134,561
Information Technology expenses	9,984,248	6,778,776	95,429	1,961,217	1,148,826	20,409	65,827	403,768	7,302	190,813	280,769	179,938
Legal and Professional charges	2,593,083	1,760,566	24,784	509,362	298,371	5,300	17,097	104,866	1,896	49,558	72,921	46,733
Auditors' fees, expenses, etc.												
(a) as auditor	693,000	470,510	6,624	136,127	79,739	1,417	4,569	28,025	507	13,244	19,488	12,489
(b) as advisor or in any other capacity in respect of :												
(i) Taxation matters		—	—	—	—	—	—	—	—	—	—	—
(ii) Insurance matters		—	—	—	—	—	—	—	—	—	—	—
(iii) Management services; and		—	—	—	—	—	—	—	—	—	—	—
(c) In any other capacity	10,500	7,129	100	2,063	1,208	21	69	425	8	201	295	189
(d) Out of Pocket Expenses	306,736	208,258	2,932	60,252	35,294	627	2,022	12,405	224	5,862	8,626	5,528
	1,010,236	685,897	9,656	198,442	116,241	2,065	6,660	40,855	739	19,307	28,409	18,206
Advertisement and publicity	37,621,381	36,367,413	84,051	264,143	905,774	14,832	6,798	35,722	247	228,545	435,830	183,800
Marketing expenses	3,650,719	3,529,036	8,156	25,632	87,895	1,439	660	3,466	24	22,178	42,292	17,836
Interest and Bank Charges	523,520	355,442	5,004	102,836	60,238	1,070	3,452	21,171	383	10,005	14,722	9,435
Service Charges	62,189,974	45,190,292	399,790	9,998,925	6,600,967	75,369	101,088	728,147	—	173,351	4,519,444	1,003,568
Data Acquisition expenses	113,733,621	110,508,210	—	3,094,913	130,498	—	—	—	—	—	—	130,498
Others												
Recruitment Expenses	982,804	667,272	9,394	193,053	113,085	2,009	6,480	39,745	719	18,782	27,638	17,712
Electricity Charges	2,194,984	1,490,278	20,979	431,164	252,563	4,487	14,472	88,766	1,605	41,948	61,726	39,559
Membership Fees	1,374,198	933,008	13,134	269,935	158,121	2,809	9,060	55,573	1,005	26,264	38,644	24,766
Miscellaneous Expenses	5,095,764	3,459,753	48,706	1,000,966	586,339	10,417	33,597	206,075	3,727	97,387	143,299	91,837
	9,647,750	6,550,311	92,213	1,895,118	1,110,108	19,722	63,609	390,159	7,056	184,381	271,307	173,874
Depreciation	17,038,112	11,567,977	162,849	3,346,815	1,960,471	34,827	112,334	689,030	12,460	325,623	479,132	307,065
<b>Total</b>	<b>371,363,683</b>	<b>302,213,865</b>	<b>1,915,963</b>	<b>42,385,269</b>	<b>24,848,586</b>	<b>395,609</b>	<b>1,081,602</b>	<b>6,734,733</b>	<b>108,111</b>	<b>3,282,226</b>	<b>9,221,049</b>	<b>4,025,256</b>

## Schedule 5 - Share Capital

Particulars	As at 31 March 2002 Rupees	As at 31 March 2001 Rupees
<b>Authorised Capital</b>		
110,000,000 Equity shares of Rs 10 each	1,100,000,000	1,100,000,000
<b>Issued, Subscribed and Paid up Capital</b>		
110,000,000 (Previous year: 700) Equity Shares of Rs.10 each fully paid up	1,100,000,000	7,000
<b>Less:</b> Preliminary Expenses, to the extent not written off	7,150,875	—
<b>Total</b>	<b>1,092,849,125</b>	<b>7,000</b>

Notes: Of the above ;

- 81,400,000 Equity Shares of Rs. 10 each, constituting 74% of the total Share Capital are held by the Holding Company Viz. Bajaj Auto Limited, (Previous year 700 Equity Shares) of which 81,399,300 equity shares were allotted on 23 April, 2001
- 28,600,000 Equity Shares of Rs. 10 each, constituting 26% of the total Share Capital are held by Allianz AG allotted on 23 April, 2001

## Schedule 5A - Share Capital - Pattern of Shareholding

(As certified by the Management)

Shareholder	As at 31 March 2002		As at 31 March 2001	
	Number of Shares	% of Holding	Number of Shares	% of Holding
Promoters				
Indian – Bajaj Auto Ltd	81,400,000	74%	700	100%
Foreign – Allianz AG	28,600,000	26%	—	0%
<b>Total</b>	<b>110,000,000</b>	<b>100%</b>	<b>700</b>	<b>100%</b>



## Schedule 6 - Investments

Particulars	As at 31 March 2002 Rupees	As at 31 March 2001 Rupees
<b>Long Term Investments</b>		
Government securities and Government guaranteed bonds including Treasury Bills	844,657,852	—
Other Approved Securities	50,513,603	—
Other Investments		
(a) Mutual Funds	—	—
(b) Debenture/Bonds	427,599,785	—
Investments in Infrastructure and Social Sector	212,575,872	—
Other than Approved Securities	52,888,362	—
<b>Short Term Investments</b>		
Government securities and Government guaranteed bonds including Treasury Bills	49,926,150	—
Other Investments Mutual Funds	30,000,000	—
<b>Total</b>	<b>1,668,161,624</b>	<b>—</b>
<b>Investments</b>		
In India	1,668,161,624	—
Outside India	—	—
<b>Total</b>	<b>1,668,161,624</b>	<b>—</b>

**NOTES**

- All the Investments are free of any Encumbrances.
- Government of India Bonds aggregating Rs.71,698,632 have been deposited with The Reserve Bank of India under section 7 of the Insurance Act, 1938.
- Investments other than Equities and Derivative Instruments.  
Aggregate value of Investments as at 31 March 2002 Rs.1,668,161,625  
Market value as at 31 March 2002 Rs.1,735,601,043

## Schedule 7 - Fixed Assets

Particulars	Gross Block				Depreciation				Net Block	
	As at 1 April 2001	Additions during the year	Deductions During the year	As at 31 March 2002	As at 1 April 2001	For the Year	Adjustments Recoupments On sale etc.	As at 31 March 2002	As at 31 March 2002	As at 31 March 2001
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Computer Softwares	—	7,389,649	—	7,389,649	—	1,547,224	—	1,547,224	5,842,425	—
Leasehold Improvements	—	11,824,521	—	11,824,521	—	1,545,158	—	1,545,158	10,279,363	—
Building	—	49,363,283	—	49,363,283	—	497,941	—	497,941	48,865,342	—
Furniture & fixtures	—	12,444,127	—	12,444,127	—	3,613,184	—	3,613,184	8,830,943	—
Information Technology Equipment	—	38,880,912	—	38,880,912	—	7,244,285	—	7,244,285	31,636,627	—
Vehicles	—	7,939,378	—	7,939,378	—	1,291,833	—	1,291,833	6,647,545	—
Office Equipment	—	7,897,072	—	7,897,072	—	1,389,845	—	1,389,845	6,507,227	—
<b>Total</b>	—	<b>135,738,942</b>	—	<b>135,738,942</b>	—	<b>17,129,470</b>	—	<b>17,129,470</b>	<b>118,609,472</b>	—
Previous year	—	—	—	—	—	—	—	—	—	—

\* NOTE : Of the above, the following assets are shared with Allianz Bajaj Life Insurance Company Limited on a co-ownership basis.

Type of Assets	Gross Value Rs.
Computer Software	3,149,053
Information Technology	20,889,121
Air Conditioners	65,250
Furniture and fixtures	115,311

## Schedule 8 - Cash and Bank Balances

Particulars	As at 31 March 2002 Rupees	As at 31 March 2001 Rupees
<b>Cash</b> (including Cheques on hand Rs.127,340,705 and Stamps on hand Rs.6,890)	127,364,368	—
<b>Bank Balances</b>		
(a) Deposit Accounts Short Term (due within 12 months)	75,800,000	—
(b) Current Accounts	30,257,867	4,230
(c) Others (to be specified)	—	—
<b>Total</b>	<b>233,422,235</b>	<b>4,230</b>
<b>Balance with non-scheduled Banks</b> included in 2 and 3 above	—	—
<b>Cash and Bank Balances</b>		
In India	233,422,235	—
Outside India	—	—
<b>Total</b>	<b>233,422,235</b>	<b>—</b>

## Schedule 9 - Advances and Other Assets

Particulars	As at 31 March 2002 Rupees	As at 31 March 2001 Rupees
<b>Advances</b>		
Application money for investments	49,965,000	—
Advance Tax Paid and Taxes Deducted at Source (net of Provision for taxation)	5,912,776	—
Others		
Advance to employees	2,075,594	—
Advances recoverable in cash or in kind	25,727,545	620,948
<b>Total (A)</b>	83,680,915	620,948
<b>Other Assets</b>		
Income accrued on investments	51,823,659	—
Agent's Balances	255	—
Due from other entities carrying on Insurance Business, including reinsurance	40,379,300	—
Deposit with Reserve Bank of India (Pursuant to Section 7 of Insurance Act, 1938, Refer note 2 in Schedule 6)	4,000,001	—
Others		
Deposits	10,624,815	6,943,040
Prepaid expenses	818,020	—
Commission receivable from Reinsurers	6,011,570	—
Claims recoverable from reinsurers	18,170,668	—
<b>Total (B)</b>	131,828,288	6,943,040
<b>Total (A + B)</b>	215,509,203	7,563,988

## Schedule 10 - Current Liabilities

Particulars	Rupees	As at 31 March 2002 Rupees	As at 31 March 2001 Rupees
Agent's Balances		2,228,066	—
Balances due to other insurance companies		261,808,844	—
Premiums received in advance			
a) Unearned Premium pertaining to subsequent Periods of risk	1,111,553,577		—
<b>Less</b> : premium on Re-insurance ceded thereon	<u>369,086,645</u>		—
		742,466,932	—
b) Premium in respect of risk commencing in Subsequent period		11,622,306	—
Sundry creditors		97,620,448	720,013
Due to subsidiaries/holding company		15,981	15,400,219
Claims outstanding for (net of Re-insurance)			
i) More than Six months		—	—
ii) Less Than Six months		83,280,986	—
iii) Claims Incurred but not Reported and not enough reported		17,000,000	—
		<u>100,280,986</u>	—
Unallocated Premium		37,214,884	—
Due to Officers/Directors		2,356,088	—
Temporary Overdraft as per the books of accounts only		19,905,643	—
<b>Total</b>		<u>1,275,520,178</u>	<u>16,120,232</u>

## Schedule 11 - Provisions

Particulars	As at 31 March 2002 Rs.	As at 31 March 2001 Rs.
Reserve for Unexpired Risk	49,118,916	—
For taxation (Wealth tax) (Refer Schedule 12 Note 12)	48,184	—
<b>Total</b>	<u>49,167,100</u>	<u>—</u>

## SCHEDULE - 12 Notes to and forming an integral part of the financial statements for the year ended 31 March, 2002

### 1. Significant accounting policies

The Financial Statements are prepared 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 Regulatory and Development Authority (IRDA) (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002 and comply with the accounting standards issued by the Institute of Chartered Accountants of India (to the extent applicable).

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 assets and 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.

#### a) Revenue Recognition

##### *Premium*

Premium is recognized as income over the period of risk. Any subsequent revisions to or cancellations of premiums are accounted for in the year in which they occur.

##### *Interest income*

Interest income is recognized on accrual basis.

##### *Profit / Loss on sale of securities*

Profit or Loss on sale of securities is recognized on trade date. Cost of security is arrived on 'First in First Out' cost basis.

##### *Premium / Discount on purchase of investments*

Premium or Discount on acquisition, as the case may be, are amortized on constant yield to maturity basis over the period of maturity/holding and netted off against Interest income.

#### b) Reinsurance ceded and commission

Re insurance is ceded in the year in which the risk commences and recognised over the period of risk. Reinsurance ceded on unearned premium carried to subsequent period is set off against related unearned premium. Any subsequent revision to or cancellations of premiums are recognized in the year in which they occur.

Commissions on reinsurance ceded is recognized as income on accrual basis.

Profit commission under re-insurance treaties, wherever applicable, is recognized in the year of final determination of the profits.

#### c) Acquisition cost

Acquisition costs, defined as a cost 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.

#### d) Premium received in Advance

Unearned premium represents premium written during the year less reinsurance, which relates to periods (days) of insurance/risk subsequent to Balance Sheet date.

Premium received in Advance represents premium received during the year, where the insurance/risk commences subsequent to the Balance Sheet date.

## SCHEDULE - 12 Notes to and forming an integral part of the financial statements for the year ended 31 March, 2002 (contd.)

### e) Reserve for unexpired risk

Represents amount set aside for subsequent risks to be borne by the Company under contractual obligations and are a percentage of earned premium net of re-insurance in accordance with Section 64 (1)(ii)(b) of the Insurance Act, 1938.

### f) Premium Deficiency

Premium deficiency represents the amount by which sum of expected claim costs, related expenses and maintenance costs exceeds the sum of related premium carried forward to the subsequent accounting period and the reserve for unexpired risk.

### g) IBNR (Claims incurred but not reported)

IBNR represents that amount of claims that may have incurred during the accounting period but have not been reported or claimed. The appointed actuary for the purpose has arrived at the said amounts on assumptions detailed in note 3 below.

### h) Claims

Claims reported are recognized for as and when reported.

Amounts received/to be received from the re-insurers, proportionate to the risk ceded, are also recognized together with the claim.

Amounts received/receivable/paid/payable from the Coinsurers, proportionate to the risk shared, are recognized together with the claim.

### i) Operating expenses

Operating expenses relating to insurance business are allocated to specific business segments on the basis of

- i) Expenses which are directly identifiable to the business segments are allocated on actual basis;
- ii) Other expenses, which are not directly identifiable, are allocated on either of the following basis, as may be appropriate:
  - Number of policies
  - Gross written premium
  - Average premium weighted by the number of policies
  - Sum assured

The method of allocation has been decided based on the nature of the expenses and its logical correlation with various business segments, wherever possible.

### j) Income from investments

Other income derived from investments and deposits are allocated to the revenue accounts and the profit and loss account on the basis of funds available from insurance operations and shareholders' funds.

### k) Fixed assets and depreciation

Fixed assets are stated at cost (including incidental expenses relating to acquisition and installation) less accumulated depreciation.

Fixed assets include assets jointly owned with Allianz Bajaj Life Insurance Company Limited. These assets have been capitalized on an agreed upon proportionate sharing basis.

Assets costing individually less than Rs.5,000 have been charged off as revenue expenses. Assets costing more than Rs.5,000 upto Rs.20,000 are charged fully to expense as depreciation in the year of acquisition.

## SCHEDULE - 12 Notes to and forming an integral part of the financial statements for the year ended 31 March, 2002 (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.

### Depreciation is provided at the following rates

Information technology equipment	33.33%
Computer software	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 furniture & fixtures)	10.00%
Leasehold Improvements	Over the balance period of lease

The Company provides pro rata depreciation from the month in which the asset is acquired / put to use.

### l) Investments

#### Debt Securities

##### 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 other than short term are classified as long-term investments

##### Valuation

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

The realized gains or loss on the securities is the difference between the sale consideration and the amortized cost in the books of the Company as on the date of sale.

#### Equities/Units of Mutual Funds & Derivative Instruments

##### Listed & Actively Traded

Are stated at the lowest of the last quoted closing price. The change in the value is credited to an account designated as "Fair Value Change Account".

##### Unlisted & Not Actively Traded

Are stated at their cost of acquisition less provisions for diminution in the value.

### m) Retirement benefits

#### Provident Fund

Provident Fund Contributions are made to the Regional Provident Fund Authority at prescribed rates.

#### Super Annuation

Contribution to Super Annuation Fund is being provided for as per the Scheme of the Company to be remitted after necessary approvals.

## SCHEDULE - 12 Notes to and forming an integral part of the financial statements for the year ended 31 March, 2002 (contd.)

### Gratuity

The Company provides for Gratuity based on actuarial valuation done by the Life Insurance Corporation of India ('LIC'). The Company makes a contribution towards Employees' Group Gratuity cum Life Assurance (Cash Accumulation) scheme of LIC. The difference between the actuarial liability at year-end and the funded amount is provided as liability.

### Employees Pension Scheme

Contributions to Employees Pension Scheme 1995 are made to Regional Provident Fund Authority

### n) Foreign Currency Transactions

Transactions denominated in foreign currencies, if any, are recorded at the exchange rate prevailing on the date of the transaction/remittance. Assets and Liabilities in foreign currency, if any, as at the Balance Sheet date are converted at the exchange rates prevailing at that date.

Exchange difference either on settlement or on translation are recognised in the Revenue Account or Profit and Loss Account, as applicable, except in cases where they relate to the acquisition of Fixed Assets in which case, they are adjusted to the carrying cost of such assets.

### o) Preliminary and Pre-operative Expenses

Preliminary expenses incurred are written off to the Profit and Loss account in five equal installments commencing from the year in which they were first incurred. The balance to the extent not written off is adjusted against Share Capital as required by the regulations.

Pre-operative expenses, representing expenses incurred post incorporation but prior to the commencement of business i.e. up to the date of obtaining approval from IRDA permitting commencement of Insurance Business, have been written off to the Profit and Loss account during the year.

## 2. Contingent Liabilities, not provided for Rs. NIL

## 3. Assumptions made by the actuaries for determining provision required for IBNR.

"Estimate for Incurred But Not Reported [IBNR], including Incurred But Not Enough Reported [IBNER], loss reserves depends mainly on an insurer's past experience in respect of delays in reporting, average claims costs, and adequacy of reserves in respect of reported claims taking into account likely impact of future inflation. At this early stage of the company's operations, the required experience statistics are unavailable.

Thus, in the absence of necessary statistics in the first year of operations, application of recognised IBNR reserving methodologies would be inappropriate. Accordingly, the alternative approaches are used to arrive at estimates for IBNR loss reserves separately for each product category. An attempt is also made to keep in view the available general industry experience.

(a) The Report of the Experts' Group headed by Shri A.C.Mukherji submitted to the Government in May 1995, had recommended provision of certain percent of the net earned premiums (net written premium in case of first year of operations) as IBNR loss reserves. The recommended percentages for the various product categories are as follows:

Class of business	Percentage
Fire	03%
Marine Cargo	03%
Motor [TPPI]	10%
General Public Liability	10%
Marine Hull	10%
Engineering / CAR	07%
Health	03%
Workmen's Compensation	03%
Personal Accident	03%
Other classes	03%



## SCHEDULE - 12 Notes to and forming an integral part of the financial statements for the year ended 31 March, 2002 (contd.)

The reserves computed as per the above recommendations are taken as the minimum reserves to be kept. In case the amount of reserve arrived at by use of the methodology under (b) below in respect of any product category is higher, the higher amount is taken.

- (b) The Company has used the method of estimation of IBNR loss reserves, which is stated to be adopted by the PSU companies. Certain percents are applied to the incurred claims, i.e., sum total of paid and outstanding claims provision. This method assumes that if for a class of business, there were no claims made on the Company during the year, no provision would be made in respect of IBNR claims. Thus, no IBNR loss reserve would be provided in respect of Liability, Aviation, Plate Glass and CAR business as at 31 March 2002. This does not seem to be a reasonable assumption. The amounts arrived at by using the PSU method has, however, been taken as one alternative.
- (c) Approximate checks were applied on the overall results by comparing the Delay Pattern and Average Claims Amount as produced by the working of the 9 month's operations of the Company as also by applying the Bornhuetter-Ferguson Method. The order of the figures of the reserves for IBNR now finalised appeared acceptable. Going forward, the percentages shown under (a) & (b) above, will be reviewed in the light of future claims experience. The IBNR loss reserve figures arrived at as above will be compared with the actual claims experience. It is also proposed to set up a process of recording statistics in suitable formats so as to facilitate IBNR loss reserve estimation in the future."

#### 4. Commitments made and outstanding on capital account amount to Rs.12,068,585

#### 5. Computation of managerial remuneration;

	As at 31 March, 2002
	Rs.
Salary	3,000,000
Perquisites	1,680,851
	<u>4,680,851</u>

Note: Perquisites have been valued on cost to company basis.

6. Some of the Re-insurance treaties remain to be formally executed by the Company. However the broad terms and conditions on which re-insurances have been effected during the year have been conclusively decided and agreed upon by both the parties. Until such time the treaties are formally signed the underlying risk stands covered and have been reflected as such in the financial statements.

#### 7. All Investments are performing assets

#### 8. Percentage of business, sector-wise.

Business sector	Percentage
Rural	2.14 %
Urban	97.86 %
	<u>100.00 %</u>

9. In absence of any confirmation of balances from parties in respect of liabilities and receivables, the balances are as per the books of accounts only.

10. Related party disclosures have been set out in a separate statement annexed to this schedule. The related parties, as defined by Accounting Standard 18 'Related Party Disclosures' issued by the Institute of Chartered Accountants of India, in respect of which the disclosures have been made, have been identified on the basis of disclosures made by the key managerial persons and taken on record by the Board.

#### 11. Extent of risk written and reinsured.

	Amount of business written	% age of business written
Risk retained	896,273,731	63.10%
Risk Reinsured	523,363,695	36.90%
	<u>1,419,637,426</u>	<u>100.00%</u>

## SCHEDULE - 12 Notes to and forming an integral part of the financial statements for the year ended 31 March, 2002 (contd.)

### 12. Taxation

Provision for Taxation has been made on the basis of computation certified by the Tax Advisors of the Company and relied by the statutory auditors.

Accounting Standard 22 – ‘Taxes on Income’ issued by the Institute of Chartered Accountants of India requires the company to accrue taxes on income in the same period as the revenue and expenses to which they relate. As the taxable income is different from the reported income due to timing differences, there arises a necessity to create a deferred tax asset or deferred tax liability, as the case may be. In view of the loss reported for the year, no liability is required to be created. Further, as the availability of future taxable profits to realise deferred tax assets cannot be estimated with virtual certainty, the same has not been accounted for.

13. Lease commitment represents operating lease assets, in the form of office premises and residential premises for an officer of the company, acquired on or after 1 April 2001.

Minimum future lease payments as on 31 March 2002

(a) Payable within one year	Rs. 14,503,104
(b) Payable between one year and five years	Rs. 17,840,914
(c) Payable after five years	Nil

14. In accordance with Accounting Standard 20 – Earning per Share, the Earnings per Share (EPS) – Basic has been calculated on the net profit in the Profit and Loss account, that is attributable to the average number of equity shares weighted by the number of days from the date the equity shares were allotted during the year.

15. As the Company commenced its business on 3 May 2001, there are no previous period comparatives in the Profit and Loss account and the Revenue accounts. Further, previous period figures in the Balance Sheet are not comparable with those of the current year.

For and on behalf of the Board of Directors

Rahul Bajaj  
Chairman

Sanjiv Bajaj  
Director

Ranjit Gupta  
Director

Soumen Ghosh  
Alternate Director and Chief Executive Officer

Place: Pune  
Date: 9 May 2002

S Venkatesh  
Company Secretary

GB Laddha  
Chief Financial Officer

## Cash Flow for the year 2001-02

Particulars	Rupees	Rupees
<b>Cash Flow from Operations</b>		
Receipts from Policyholders	1,431,126,352	
Foreign Exchange Gain	1,465,397	
Payment to Reinsurers net of Commission	(190,131,528)	
Payment of Claims net of Reinsurance	(45,250,939)	
Payment of Commission	(5,061,953)	
Payment of other Operating Expenses	(309,745,823)	
Cash Deposit under Section 7	(4,000,001)	
Preoperative Expenses	(1,876,542)	
Income Tax deducted at source	(5,912,776)	
Preliminary Expenses Paid	(1,099,993)	
<b>Cash Flow from Operating Activities</b>		869,512,194
<b>Investment Activities</b>		
Purchase of Fixed Assets	(128,795,902)	
Purchase of Investments	(4,101,573,603)	
Sale of Investments	2,419,367,344	
Interest Income	55,194,422	
Interest Expense and Other Investment Exp	(185,093)	
<b>Cash Flow from Investment Activities</b>		(1,755,992,832)
<b>Financing Activities</b>		
Issue of Share Capital	1,099,993,000	
<b>Cash Flow from Financing Activities</b>		1,099,993,000
<b>Increase in Cash and Cash equivalent during the year</b>		213,512,362
<b>Cash and Cash Equivalent at the year beginning</b>		4,230
<b>Cash and Cash Equivalent at the year end</b>		213,516,592

For and on behalf of the Board of Directors

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

For and on behalf of  
Bharat S Raut & Co  
Chartered Accountants

Rahul Bajaj  
Chairman

Sanjiv Bajaj  
Director

Ranjit Gupta  
Director

Soumen Ghosh  
Alternate Director and Chief Executive Officer

Anish Amin  
Partner  
MUMBAI  
9 May 2002

Russell I Parera  
Partner  
MUMBAI  
9 May 2002

S. Venkatesh  
Company Secretary

G B Laddha  
Chief Financial Officer  
PUNE  
9 May 2002

## 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.		15329
State Code		11
Balance Sheet date		31 March 2002
<b>II. Capital raised during the year</b>		Rs. in '000s
Public Issue		—
Rights Issue		—
Bonus Issue		—
Private Placement		1,099,993
Others		—
	<b>Total</b>	<u>1,099,993</u>
<b>III. Position of mobilisation and deployment of funds</b>		Rs. in '000s
Total liabilities		1,092,849
Total assets		1,092,849
<b>Sources of Funds</b>		
Paid-up capital		1,092,849
Reserves and surplus		—
Secured loans		—
Unsecured loans		—
	<b>Total</b>	<u>1,092,849</u>
<b>Application of Funds</b>		
Net Fixed Assets		118,609
Investments		1,668,162
Net Current Assets		(875,756)
Misc. Expenditure		—
Accumulated Losses		181,834
	<b>Total</b>	<u>1,092,849</u>
<b>IV. Performance of the Company</b>		Rs. in '000s
i) Turnover		308,084
ii) Total Expenditure		370,659
iii) Profit / (Loss) before tax		(181,786)
iv) Profit / (Loss) after tax		(181,834)
v) Accumulated Profit		(181,834)
vi) Earning per share Rs.		(1.76)
vii) Dividend Rate (Percent)		—

#### Note

The Company being an insurance company, the accounts of the company are not required to be made in accordance with schedule VI. Further the Insurance Act, 1938 requires the financial statements of the Company to be split in revenue accounts and profit and loss account. In view of this, it is not possible to give all the information as required by part VI of this schedule.

**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 (contd.)**

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

Item Code No. (ITC Code)	—
Product Description	General Insurance Business

For and on behalf of the Board of Directors

Rahul Bajaj Chairman	Sanjiv Bajaj Director	Ranjit Gupta Director
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Soumen Ghosh  
Alternate Director and Chief Executive Officer

Place: Pune  
Date: 9 May 2002

S. Venkatesh Company Secretary	G B Laddha Chief Financial Officer
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**Related Party Disclosures under AS 18 of ICAI (for the year ended 31-3-2002) (Refer Schedule 12- Note 10)**

Related party	Relationship	Amount Rs	Nature of transaction
1. Bajaj Auto Ltd	Holding Company	2,750,000	Salary of CFO on Deputation from Bajaj Auto Ltd.
		151,230	Reimbursement of expenses of CFO
		3,886,450	Rent for Mumbai Regional Office premises on lease.
		240,000	Rent for Nayan Apts.(Guest House) on lease
		4,663,740	Security Deposit on the above premises.
		536,165	Deposit for Brihanmumbai Municipal Corporation for Mumbai Regional Office premises
		134,775	Printing cost of publicity material reimbursed
		6,611	Travel expenses reimbursement
		33,325	Reimbursement of Stamp Duty
		367,130	Reimbursement of Maintenance charges
		300	Reimbursement of expenses of Delhi Branch
		11,087,216	Co-insurance share of Insurance Premium of Bajaj Auto Ltd
		258,686	Insurance premium received on various policies of Bajaj Auto Ltd
2. Allianz AG, Germany - (Branch Asia Pacific)	Joint Venture promoter	106,540,794	Reinsurance premium paid/payable
		37,649,466	Commission on reinsurance received/receivable
3. Allianz Bajaj Life Insurance Co Ltd	Fellow Subsidiary	53,133,056	Payments made by us on behalf of Allianz Bajaj
		14,918,809	Payments made by Allianz Bajaj on our behalf
		157,081	Insurance premium received on various policies
		50,684,657	Sale of Investment (Tata Power Bonds - Face value Rs.50 million)
4. Allianz AG India Liaison Office	Associate Company	3,673,102	Amounts received from Allianz AG India Liaison Office for expenses
		2,881,397	Value of assets taken over by us on formation of Joint Venture Company
		2,578,300	Expenses incurred by Allianz AG ILO on behalf of our Company after formation of JV
		<b>9,132,799</b>	<b>Total credit amount</b>
			<b>Less:</b> Payments made on behalf of Allianz AG ILO out of the above
		7,591,915	For employees of Allianz AG deputed to our Company
		1,234,642	For other purposes
<b>306,242</b>	<b>Net amount payable to Allianz AG India Liaison office as on 31 March, 2002</b>		
5. Bajaj Auto Finance Ltd	Associate Company	11,591,393	Service Charges for Administrative services for Insurance business
		122,466	Reimbursement of training expenses for BAFL Employees
6. Soumen Ghosh	CEO	4,680,851	Remuneration for the year 2001-02
7. Bajaj Hindustan Ltd.	Group Company		No transactions
8. Bajaj Electricals Ltd.	Group Company		No transactions

ALLIANZ BAJAJ  
LIFE INSURANCE COMPANY LTD

**FIRST ANNUAL REPORT**

## DIRECTORS' REPORT

The Directors of your company take pleasure in presenting the First Annual Report for the period 12 March 2001 to 31 March 2002.

### 1. INCORPORATION AND CAPITALISATION OF THE COMPANY

Your company was incorporated on 12 March 2001 and it received the Certificate of Commencement of business on 22 May 2001.

Pursuant to the Joint Venture Agreement dated 13 March 2001 entered between Bajaj Auto Ltd. and Allianz AG, the two promoter-shareholders of the company, the company was capitalised on 31 July, 2001 with a paid up capital of Rs.1,500 million. The shareholding of Bajaj Auto, is 111 million shares representing 74% of the total paid up capital of the company and that of Allianz AG, is 39 million shares against its foreign direct investment representing 26% of the total paid up capital of the company.

Consequent to capitalisation, the company received the Certificate of Registration from the Insurance Regulatory and Development Authority (IRDA) on 3 August 2001.

### 2. MARKET SCENARIO IN THE LIFE INSURANCE INDUSTRY

The year ended 31 March 2002 was the first full year of operations for five new companies in the private sector after the liberalisation of the life insurance industry in India. In addition to the Life Insurance Corporation of India (LIC), there were nine private companies who carried out life insurance operations during the year. A few more companies have received approval from the IRDA and will be commencing operations shortly.

The past year has been a year of about 39% growth in the total premium income of LIC at about Rs.496 billion. LIC's First Premium income under individual plans has grown by 137% to Rs.148 billion comprising Rs.69 billion (66% growth) under Individual Plans, Rs.54 billion (247% growth) under Bima Nivesh/ Single Premium and the balance Rs.26 billion (355%) under Individual Pension Plans. First premium group insurance income has also gone up by 43% to Rs.10 billion. Total first premium income of new private sector companies is estimated at about Rs.3 billion / two percent of the total new market. It is expected that share of new companies will grow to about 10 to 12 % of the new market in the next four years.

### 3. SUMMARY OF OPERATIONS FOR THE YEAR

In the six months of its operations, your company has been able to sell over 21,000 policies with a premium of Rs.71.4 million corresponding to annualised premium of Rs.110 million. Keeping in line with the commitment to the rural and social sector, the company has issued over 3,800 policies in the rural sector and covered over 2,500 lives in the social sector.

During the period ending 31 March 2002, your company incurred an expenditure of Rs.295.01 million on business

acquisition, operating expenses and setting up of the infrastructure for the operations across 18 locations. Investment income during the period amounts to Rs.104.03 million. At the year end, an amount of Rs.240 million has been transferred from the Shareholder's Account to the Policyholder's Account, which was then in deficit. Your company is carrying forward a loss of Rs.156.43 million to the Balance Sheet from the Shareholder's Profit and Loss account.

Directors do not recommend any dividend for the period under consideration.

### 4. PRODUCTS

Your company at present offers 5 individual life products in 46 packages and 2 group products in 4 packages. The brand positioning have been developed around the platform of CARE, which is the essence of Life Insurance. Your company aims to position itself as an entity that cares for the life of the customer, at every stage of his/her life, by fulfilling his/her needs with the appropriate products and setting service standards that everybody will strive to benchmark. All the individual life products are offered as customised packages - with combinations of additional benefits.

Your company has plans for new products covering Children's Education Plan, Immediate and Deferred Annuities, Family Income Protection Plan, Mortgage Term Insurance and specific requirements for Women and Farmers.

### 5. BRANCH AND AGENCY NETWORK

During the year, your company opened branch offices in 18 major cities of the country and plans to open up further branches in the next financial year.

A model branch of your company has 12 Sales Training Managers (STMs commonly known as Development Officers) and each STM has 15 agents. The agents in your company are referred to as Insurance Care Consultants (ICC) as they offer consultancy to customers on a range of insurance products of the company. The company already has a sales force of 3,500 ICCs, which continues to grow.

Recognising the importance of effective training, an in-house training department has been set up under an experienced trainer to develop programmes for its consultants. An Agent's Manual has been prepared incorporating the details of products offered by the company, premium tables, medical questionnaires and other important and useful guidelines for the ICC's.

### 6. MARKETING TIE UPS AND RELATIONSHIPS

To supplement the efforts of the large and dedicated agency force, your company has successfully tied up with foreign banks, corporate houses and other retail distribution outlets for selling the company's policies and expects that a good volume of business can be generated through these channels.



**7. EMPLOYEES**

Your company had 527 employees as on 31 March 2002. Under the provisions of Section 217(2A) of the Companies Act, 1956 and the rules framed thereunder, the names and other particulars of employees are set out in the Annexure to this Report.

A detailed HR policy has been drafted and the same is operational in the company. The Provident fund, Gratuity and Superannuation schemes are being implemented subject to approvals from the respective authorities.

**8. AUDIT COMMITTEE**

At the meeting of the Board of Directors held on the 21 February 2002, an Audit Committee of Directors comprising Mr. Sanjiv Bajaj, Mr. Heinz Dollberg, Mr. Ranjit Gupta and Mr. Dietmar Raich was constituted in accordance with the provisions of Section 292A of the Companies Act, 1956.

**9. FOREIGN EXCHANGE EARNINGS AND EXPENDITURE**

Your company does not have foreign exchange earnings. The expenditure in foreign currency for the period under review is Rs.402,832.

**10. DIRECTORS**

Mr. Rahul Bajaj, Mr. Sanjiv Bajaj and Mr. Ranjit Gupta, being the first Directors of the company, would retire at the ensuing Annual General Meeting and, being eligible, offer themselves for re-appointment.

Mr. Heinz Dollberg, Mr. Dietmar Raich, Dr. Warner Zedelius and Dr. P.S.Palande, having been appointed as Additional Directors during the year, would retire at the ensuing Annual General Meeting and, being eligible, offer themselves for re-appointment.

During the period, the Board accepted the resignations of Mr. Niraj Bajaj and Mr. Michael Diekmann. The Board places on record its sincere appreciation for the valuable contribution made by both Mr. Bajaj and Mr. Diekmann during their tenure as Directors of the company.

**11. AUDITORS**

In view of the IRDA Regulations/Guidelines requiring an insurance company to appoint two joint statutory auditors, the Board of Directors of the company appointed M/s Bharat S. Raut and M/s Dalal & Shah, Chartered Accountants as joint Statutory Auditors of the company. They hold office upto the date of the Annual General Meeting and the resolution for their re-appointment forms part of the notice convening the Annual General Meeting.

**12. CHANGE OF REGISTERED OFFICE**

During the year, the Registered office of the company has been shifted from Bajaj Auto Ltd., Mumbai Pune Road, Akurdi, Pune to a new premises purchased by the company at GE Plaza, Airport Road, Yerawada, Pune 411 006 with effect from 28 October 2001.

**13. DIRECTORS' RESPONSIBILITY STATEMENT**

In accordance with the requirements of Section 217(2AA) of the Companies Act, 1956, your Board of Directors wish to confirm the following:

(i) that in preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;

(ii) that the directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as on 31 March, 2002 and of the profit or loss of the company for that period;

(iii) that the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of your company and for preventing and detecting fraud and other irregularities;

(iv) that the directors have prepared the annual accounts on a going concern basis.

**14. APPRECIATION**

The Board is grateful to the Insurance Regulatory and Development Authority, Reserve Bank of India and other regulatory authorities for their continued support. The Board is also grateful to its Policyholders and Bankers for their continued support.

The Directors take this opportunity to thank the concerned employees of Bajaj Auto Limited as well as Allianz AG for their invaluable contribution in setting up and establishing the company.

The Directors also take this opportunity to thank the employees at all levels for their hard work, dedication and commitment.

On behalf of the Board of Directors of  
Allianz Bajaj Life Insurance Company Limited



Rahul Bajaj  
Chairman

9 May 2002

Information as per section 217(2A)(b)(ii) read with the Companies (particulars of employees) Rules, 1975 and forming part of Directors' Report for the year ended March 31 2002

Sr No	Name	Designation (Nature of Duties)	Gross Remuneration Rs	Qualification	Age	Total Experience (years)	Date of Commencement of Employment	Last Employment	Designation
<b>A) Employed throughout the financial year</b>									
1.	Mark Purslow	Chief Executive Officer	5,000,000	B.Sc., FIA	37	11	01-04-2001	Allianz AG Reinsurance Branch Asia Pacific	General Manager (Life & Health)
<b>B) Employed for the part of the year</b>									
2.	James Walton	Chief Operating Officer	2,067,000	B.Sc.	58	30	01-08-2001	PT Assuransi Allianz Life, Indonesia	Chief Operating Officer
3.	Andrew Wakeling	Chief Actuary	1,750,000	B.Sc., FIA, FIAA	49	27	01-01-2002	County Investment Management Ltd., Australia	Dy. Chief Executive Officer
4.	Mukul K. Gupta	Chief Financial Officer	2,129,386	B.Com, ACA	38	15	16-07-2001	Andersen Consulting	Sr. Manager
5.	Krishna Muralidhar	Dy. Chief Operating Officer	2,100,089	Licentiate IIA, M.A. (Eco)	51	23	21-06-2001	Life Insurance Corporation Of India	Sr. Divisional Manager

## Auditors' Report

To the Members of  
Allianz Bajaj Life Insurance Company Limited

We have audited the attached Balance Sheet of Allianz Bajaj Life Insurance Company Limited ('the Company') at 31 March 2002 and the related Policyholders' Account for the Participating Business and Non – Participating Business (Technical Accounts) and the Shareholders' Account (Non Technical Account) of the Company for the period 12 March 2001 to 31 March 2002, annexed thereto.

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

The Balance Sheet, the Policyholders' Revenue Account and the Shareholders' Profit & Loss Account have been drawn up in accordance with the Insurance Regulatory and Development Authority ('IRDA') (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations 2002 read with Section 211 of the Companies Act, 1956.

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

We report thereon as follows:

- a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of the audit and have found them satisfactory;
- b) Proper books of account have been maintained by the Company so far as appears from our examination of those books;
- c) The Balance Sheet, Policyholders' Account for the Participating Business and Non –

Participating Business (Technical Accounts) and the Shareholders' Account (Non Technical Account) dealt with by the report and the Cash Flow statement are in agreement with the books of account;

- d) The actuarial valuation of liabilities is duly certified by the appointed actuary. The appointed actuary has certified that assumptions for such valuation are in accordance with the guidelines and norms issued by the Insurance Regulatory and Development Authority (IRDA);
- e) On the basis of the written representations received from the Directors of the Company, as on 31 March 2002 and taken on record by the Board of Directors, we report that no Director is disqualified as at 31 March 2002 from being appointed as Director of the Company under clause (g) of sub section (1) of Section 274 to the Companies Act, 1956.

In our opinion and to the best of our information and according to the information and explanations given to us:

- a) The Company has valued its investments in accordance with the provisions of IRDA (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002;
- b) The accounting policies selected by the Company are appropriate and in compliance with the Accounting Standards referred to in sub-section 3(C) of Section 211 of the Companies Act, 1956, to the extent applicable and with the accounting principles as prescribed by the IRDA (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002; and
- c) The said accounts give the information required by the Insurance Act, 1938, the Insurance Regulatory and Development Act, 1999 and the Companies Act, 1956 to the extent applicable in a manner so required and give a

true and fair view in conformity with the accounting principles generally accepted in India:

- in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2002;
  - in the case of the Policyholders' Account for the Participating Business and Non – Participating Business (Technical Accounts), of the surplus for the period 12 March 2001 to 31 March 2002;
  - in the case of the Shareholders' Account (Non Technical Account), of the loss for the period 12 March 2001 to 31 March 2002; and
  - in the case of the Cash Flow statement, of the Receipts and Payments for the period 12 March 2001 to 31 March 2002.
- There are no terms and conditions specified in the certificate of registration number 116 dated 3 August 2001 received by the Company from the IRDA;
  - We have verified the cash balances and investments by comparing the stock of investments to certificate issued by the custodians of investments;
  - Based on information and representations made by the Company, the Company is not the trustee of any trust; and
  - All investments of Policyholders' Funds have been made in accordance with the provisions of the Insurance Act, 1938 relating to applications and investments of policyholders funds.

We further certify that:

- We have reviewed the management report and there is no apparent mistake or material inconsistency with the financial statements;

For Dalal & Shah  
Chartered Accountants

Anish Amin  
Partner

Mumbai : 9 May 2002

For Bharat S Raut & Co.  
Chartered Accountants

Russell I Parera  
Partner

## Management Report

With respect to the operations of Allianz Bajaj Life Insurance Company Limited ('the Company') for the financial period 12 March 2001 to 31 March 2002 and results thereof, the Management of the Company confirms and declares that

1. The registration certificate granted by Insurance Regulatory and Development Authority (IRDA) is valid and the same has been renewed for the year 2002 - 2003.
2. We certify that all dues payable to the statutory authorities have been duly paid.
3. Transfer of shares during the year and the shareholding pattern are in accordance with the statutory and regulatory requirement.
4. The management has not invested any funds of holders of policies in India, directly or indirectly outside India.
5. The required solvency margins have been maintained as required by the IRDA.
6. We certify that the values of all the assets have been reviewed on the date of Balance Sheet and in management's belief, the assets set forth in the Balance Sheet are in the aggregate amounts not exceeding their realisable or market value under their related headings.
7. We certify that, no part of the life insurance fund has been directly or indirectly applied in contravention of the Insurance Act, 1938 (4 of 1938) relating to the application and investment of the life insurance fund.
8. The Company commenced its operations during the period and does not have any material risk exposures on the Balance Sheet date. The Company has entered into reinsurance arrangements wherein it reinsures risk in excess of its retention limits.
9. The Company does not have operations in any other country.
10. The Company has not received any claims in the financial period covered by the financial statements.
11. We certify that the values, as shown in the Balance Sheet, of the investments which consist of debt securities have been valued at historical costs subject to amortisation. Market values have been ascertained on the basis of quotes received from market participants.
12. The Company has invested only in approved Government securities and highly rated bonds. The Management is confident of the quality and performance of the investments.
13. The Management of Allianz Bajaj Life Insurance Company Limited certifies that
  - a) The financial statements of Allianz Bajaj Life Insurance Co. Ltd. have been prepared in accordance with the applicable accounting standards and principles and policies with no material departures;
  - b) The management has adopted accounting policies and applied them consistently and made judgment and estimates that are reasonable and prudent so as to give a true and fair view of the state of the affairs of the Company at the end of the financial year and of the operating loss of the Company of the period;
  - c) The management has taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the applicable provisions of the Insurance Act, 1938 (4 of 1938) and Companies Act, 1956 (1 of 1956), for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
  - d) The financial statements have been prepared on a going concern basis;
  - e) The management is in the process of developing an internal audit system. However, the management has ensured that the internal controls and procedures provide adequate internal controls which are commensurate with the size and nature of the business.
14. The following are the payments made to individuals, firms, companies and organisations in which the directors of the insurer are interested:

Name of Company in which directors are interested	Amount of payments (Rs.)
Bajaj Auto Limited	27,729,595

For Allianz Bajaj Life Insurance Company Limited

Rahul Bajaj Chairman	Sanjiv Bajaj Director
Ranjit Gupta Director	James Walton Alternate Director and Chief Executive Officer
Mukul K Gupta Chief Financial Officer	AV Ganapathy Appointed Actuary

Date : 9 May 2002  
Place : Pune

Andrew Wakeling Chief Actuary	Kaushik Majumdar Company Secretary
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## Revenue Account for the Period ended 31 March 2002

Policyholder's account (Technical account)		Rupees		
Particulars	Schedule	Current Period Total	Current Period Participating	Current Period Non Participating
<b>PREMIUMS EARNED – Net</b>				
(a) Premium	1	71,389,499	70,001,158	1,388,341
(b) Reinsurance ceded (Refer Schedule 12 Note No. 16)		(1,134,355)	(1,082,175)	(52,180)
<b>SUB-TOTAL</b>		<b>70,255,144</b>	<b>68,918,983</b>	<b>1,336,161</b>
Other Income		56,758	55,654	1,104
Transfer from Shareholders Account		240,000,000	235,242,309	4,757,691
<b>SUB-TOTAL</b>		<b>240,056,758</b>	<b>235,297,963</b>	<b>4,758,795</b>
<b>TOTAL (A)</b>		<b>310,311,902</b>	<b>304,216,946</b>	<b>6,094,956</b>
<b>COMMISSION</b>				
	2	<b>23,516,899</b>	<b>23,218,161</b>	<b>298,738</b>
<b>Operating Expenses related to Insurance Business</b>				
	3	251,079,072	246,161,853	4,917,219
<b>TOTAL (B)</b>		<b>274,595,971</b>	<b>269,380,014</b>	<b>5,215,957</b>
<b>Changes in valuation of liability against life policies in force (Refer Schedule 12 Note 1 (c))</b>				
(a) Gross		34,113,427	33,234,428	878,999
<b>TOTAL (C)</b>		<b>34,113,427</b>	<b>33,234,428</b>	<b>878,999</b>
<b>SURPLUS / (DEFICIT) (D) = (A) – (B) – (C)</b>		<b>1,602,504</b>	<b>1,602,504</b>	<b>—</b>
<b>APPROPRIATIONS</b>				
Balance being funds for future appropriation		1,602,504	1,602,504	—

The accompanying notes and schedules form an integral part of the financial statements.  
As per our report of even date.

For Dalal & Shah  
Chartered Accountants

For Bharat S Raut & Co.  
Chartered Accountants

For Allianz Bajaj Life Insurance Company Limited

Anish Amin  
Partner

Russell I Parera  
Partner

Rahul Bajaj  
Chairman

Sanjiv Bajaj  
Director

Ranjit Gupta  
Director

James Walton  
Alternate Director and  
Chief Executive Officer

Mukul K Gupta  
Chief Financial Officer

AV Ganapathy  
Appointed Actuary

Date : 9 May 2002  
Place : Pune

Andrew Wakeling  
Chief Actuary

Kaushik Majumdar  
Company Secretary

## Profit and Loss Account for the Period ended 31 March 2002

Shareholders account (Non-technical account)	Rupees
	Current Period
Amounts transferred to the Policy holders Account (Technical Account)	<b>(240,000,000)</b>
	(240,000,000)
<b>INCOME FROM INVESTMENTS</b> (Refer Schedule 12 Note No. 12)	
(a) Interest, Dividends & Rent – Gross	84,646,890
(b) Profit on sale / redemption of investments	20,917,128
(c) (Loss on sale/redemption of investments)	(1,530,256)
	<u>104,033,762</u>
<b>EXPENSES OTHER THAN THOSE DIRECTLY RELATED TO THE INSURANCE BUSINESS</b> (Refer Schedule 12 Note No 15)	
Preliminary Expenses written off	3,180,480
Pre-operative expenses	<u>17,238,860</u>
	<u>20,419,340</u>
<b>PROFIT / (LOSS) before Tax</b>	<u>(156,385,578)</u>
Provision for Taxation including wealth tax ( Refer Schedule 12 Note No 18)	50,000
<b>PROFIT / (LOSS) after Tax</b>	<u>(156,435,578)</u>
<b>PROFIT / LOSS CARRIED FORWARD TO BALANCE SHEET</b>	<u>(156,435,578)</u>
Earning per Share	(1.56)

The accompanying notes and schedules form an integral part of the financial statements.  
As per our report of even date.

For Dalal & Shah  
Chartered Accountants

For Bharat S Raut & Co.  
Chartered Accountants

For Allianz Bajaj Life Insurance Company Limited

Rahul Bajaj  
Chairman

Sanjiv Bajaj  
Director

Anish Amin  
Partner

Russell I Parera  
Partner

Ranjit Gupta  
Director

James Walton  
Alternate Director and  
Chief Executive Officer

Mukul K Gupta  
Chief Financial Officer

AV Ganapathy  
Appointed Actuary

Date : 9 May 2002  
Place : Pune

Andrew Wakeling  
Chief Actuary

Kaushik Majumdar  
Company Secretary

**Balance Sheet** as at 31 March 2002

Particulars	Schedule	Rupees		
		Current Period Total	Current Period Participating	Current Period Non Participating
<b>SOURCES OF FUNDS</b>				
<b>SHAREHOLDERS' FUNDS</b>				
Share Capital	4	1,487,278,080		
SUB-TOTAL		1,487,278,080		
<b>POLICYHOLDERS' FUNDS</b>				
Policy Liabilities		34,113,427	33,234,428	878,999
Funds for future appropriation		1,602,504	1,602,504	—
SUB-TOTAL		35,715,931	34,836,932	878,999
<b>Total</b>		<b>1,522,994,011</b>	<b>34,836,932</b>	<b>878,999</b>
<b>APPLICATION OF FUNDS</b>				
<b>INVESTMENTS</b>				
Shareholders' (Refer Schedule 12 Note No.17)	5	1,098,542,420		
Policyholders' (Refer Schedule 12 Note No.17)	6	35,715,931	34,836,932	878,999
FIXED ASSETS	7	193,985,723		
<b>CURRENT ASSETS</b>				
Cash and Bank Balances	8	73,635,842		
Advances and Other Assets	9	129,486,680		
SUB TOTAL (A)		203,122,522		
<b>CURRENT LIABILITIES</b>				
PROVISIONS	10	164,758,163		
	11	50,000		
SUB TOTAL (B)		164,808,163		
NET CURRENT ASSETS (C) = (A-B)		38,314,359		
DEBIT BALANCE IN PROFIT & LOSS ACCOUNT (Shareholders' account)		156,435,578		
<b>Total</b>		<b>1,522,994,011</b>	<b>34,836,932</b>	<b>878,999</b>

The accompanying notes and schedules form an integral part of the financial statements.  
As per our report of even date.

For Dalal & Shah  
Chartered Accountants

For Bharat S Raut & Co.  
Chartered Accountants

For Allianz Bajaj Life Insurance Company Limited

Rahul Bajaj  
Chairman

Sanjiv Bajaj  
Director

Anish Amin  
Partner

Russell I Parera  
Partner

Ranjit Gupta  
Director

James Walton  
Alternate Director and  
Chief Executive Officer

Mukul K Gupta  
Chief Financial Officer

AV Ganapathy  
Appointed Actuary

Date : 9 May 2002  
Place : Pune

Andrew Wakeling  
Chief Actuary

Kaushik Majumdar  
Company Secretary



## Schedules forming part of financial statements for the period ended 31 March 2002

### Schedule -1 Premium

Particulars	Rupees		
	Current Period Total	Current Period Participating	Current Period Non Participating
First Year Premium	66,328,401	65,320,552	1,007,849
Single Premiums	5,061,098	4,680,606	380,492
<b>Total Premiums</b>	<b>71,389,499</b>	<b>70,001,158</b>	<b>1,388,341</b>
Premium Income from Business written:			
In India	71,389,499	70,001,158	1,388,341
Outside India	—	—	—
<b>Total Premium (Net)</b>	<b>71,389,499</b>	<b>70,001,158</b>	<b>1,388,341</b>

### Schedule - 2 Commissions

Particulars	Rupees		
	Current Period Total	Current Period Participating	Current Period Non Participating
Commission Paid			
Direct – First Year Premiums	23,829,576	23,515,398	314,178
- Single Premiums	193,818	187,225	6,593
<b>Less: Commission on Reinsurance</b> (Refer Schedule 12 Note No.16)	<b>(506,495)</b>	<b>(484,462)</b>	<b>(22,033)</b>
<b>Net commission</b>	<b>23,516,899</b>	<b>23,218,161</b>	<b>298,738</b>

## Schedules forming part of financial statements for the period ended 31 March 2002 (contd.)

## Schedule - 3 Operating expenses Related to Insurance Business

Particulars	Rupees		
	Current Period Total	Current Period Participating	Current Period Non Participating
Employees' remuneration & welfare benefits	77,914,190	76,398,961	1,515,229
Travel, conveyance and vehicle running expenses	9,996,623	9,802,215	194,408
Training Expenses	22,190,078	21,758,538	431,540
Rents, rates & taxes	11,836,507	11,606,318	230,189
Repairs	2,409,703	2,362,841	46,862
Printing and Stationery	3,755,375	3,682,343	73,032
Communication expenses	8,379,624	8,216,662	162,962
Legal & professional charges	9,386,795	9,204,246	182,549
Medical Fees	130,496	127,958	2,538
Auditor's Fees, expenses, etc.			
(a) as auditor	693,000	679,523	13,477
(b) as adviser or in any other capacity, in respect of Taxation Matters	185,750	182,138	3,612
(c) in any other capacity	21,000	20,592	408
(d) out of pocket expenses	203,878	199,913	3,965
Advertisement and publicity	67,513,797	66,200,828	1,312,969
Interest & Bank Charges	205,654	201,655	3,999
Others			
a) Information Technology Expenses	5,873,903	5,759,671	114,232
b) Insurance, Water & Electricity Charges	3,610,014	3,539,809	70,205
c) Policy stamps	697,357	649,413	47,944
d) Books and Periodicals	78,673	77,143	1,530
e) Membership Fees	461,714	452,734	8,980
f) Licence Fees	5,000	4,903	97
g) Recruitment Expenses	1,973,367	1,934,990	38,377
h) Entertainment Expenses	254,944	249,986	4,958
i) Guest House Expenses	70,941	69,561	1,380
j) Security and Housekeeping	983,510	964,383	19,127
k) Agency Allowances and reimbursement	102,417	100,425	1,992
l) Sales Contest Expenses	1,915,116	1,877,872	37,244
m) Miscellaneous Expenses	403,472	395,626	7,846
Depreciation	19,826,174	19,440,606	385,568
<b>Total</b>	<b>251,079,072</b>	<b>246,161,853</b>	<b>4,917,219</b>

## Schedules forming part of financial statements for the period ended 31 March 2002 (contd.)

### Schedule - 4 Share Capital

Particulars	Rupees	
	Current Period	
Authorised Capital 200,000,000 Equity Shares of Rs.10 each	<u>2,000,000,000</u>	
Issued Subscribed, Called up Capital 150,000,000 Equity Shares of Rs.10 each	1,500,000,000	
Less : Preliminary Expenses (to the extent not written off)	<u>(12,721,920)</u>	
<b>Total</b>	<u>1,487,278,080</u>	

#### Notes

Out of the above issued capital

50,000 equity shares of Rs.10 each were allotted to the holding company, Bajaj Auto Limited and other subscribers on 6 April 2001. Out of the above, 600 equity shares held in the name of individual subscribers were transferred to Bajaj Auto Limited on 31 July 2001. Further, 110,950,000 equity shares of Rs.10 each were allotted to Bajaj Auto Limited on 31 July 2001. The total holding of Bajaj Auto Limited as on 31 March 2002 aggregated to 111,000,000 shares (74% of total shares issued).

39,000,000 shares of Rs.10 each were allotted to M/s Allianz AG on 31 July 2001. (26% of total shares issued).

#### 4A Pattern of shareholding (As certified by the management)

Shareholder	Current Period	
	Number of shares	% of Holding
<b>PROMOTERS</b>		
- Indian	111,000,000	74
- Foreign	<u>39,000,000</u>	<u>26</u>
<b>Total</b>	<u>150,000,000</u>	<u>100</u>

## Schedules forming part of financial statements for the period ended 31 March 2002 (contd.)

### Schedule - 5 Investments - Shareholders

Particulars	Rupees	
	Current Period	
<b>Long Term Investments</b>		
Government securities and Government guaranteed bonds including Treasury Bills		734,466,807
Other Investments		
(a) Debentures/ Bonds		155,402,759
Investment in Infrastructure and Social Sector		244,388,785
	<b>Total</b>	<u>1,134,258,351</u>
Market Value (Refer Footnote)		
<b>Less</b>		
Proportionate share of investments to the extent of Policyholders Fund (Refer Schedule 12 Note No.17)		35,715,931
	<b>Total</b>	<u>1,098,542,420</u>
In India		1,098,542,420
Outside India		—
	<b>Total</b>	<u>1,098,542,420</u>
<b>Note</b>		
Market value of the above total investments of Rs.1,134,258,351 is Rs.1,226,946,000		

### Schedule - 6 Investments - Policyholders

Particulars	Rupees	
	Current Period	
Proportionate share of investments to the extent of Policyholders Fund (Refer Schedule 12 Note No. 17)		35,715,931
	<b>Total</b>	<u>35,715,931</u>
In India		35,715,931
Outside India		—
	<b>Total</b>	<u>35,715,931</u>

## Schedules forming part of financial statements for the period ended 31 March 2002 (contd.)

### Schedule - 7 Fixed Assets

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK
	Opening	Additions (*)	Deductions	Closing	Upto last year	For the period	On Sales/ Adjustments	To date	As at period end
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Computer Software	—	5,681,965	—	5,681,965	—	1,051,176	—	1,051,176	4,630,789
Leasehold Improvements	—	16,553,623	—	16,553,623	—	2,534,616	—	2,534,616	14,019,007
Buildings	—	112,312,935	—	112,312,935	—	1,123,129	—	1,123,129	111,189,806
Electrical Fittings	—	4,126,313	—	4,126,313	—	130,305	—	130,305	3,996,008
Furniture & Fittings	—	16,716,575	—	16,716,575	—	6,731,614	—	6,731,614	9,984,961
Information Technology Equipment	—	40,146,454	—	40,146,454	—	6,597,180	—	6,597,180	33,549,274
Air Conditioner	—	2,881,667	—	2,881,667	—	148,222	—	148,222	2,733,445
Vehicles	—	6,934,937	—	6,934,937	—	854,421	—	854,421	6,080,516
Office Equipment	—	6,666,425	—	6,666,425	—	871,475	—	871,475	5,794,950
<b>Total</b>	—	<b>212,020,894</b>	—	<b>212,020,894</b>	—	<b>20,042,138</b>	—	<b>20,042,138</b>	<b>191,978,756</b>
Work in Progress	—	2,006,967	—	2,006,967	—	—	—	—	2,006,967
<b>Grand Total</b>	—	<b>214,027,861</b>	—	<b>214,027,861</b>	—	<b>20,042,138</b>	—	<b>20,042,138</b>	<b>193,985,723</b>

\* Note : Of the above, the following assets are shared with Bajaj Allianz General Insurance Company Limited on a co-ownership basis.

Type of Asset	Gross Value Rs.
Computer Software	3,149,053
Information Technology Equipment	20,889,121
Furniture and Fittings	115,311
Air Conditioner	65,250
<b>Total</b>	<b><u>24,218,735</u></b>

## Schedules forming part of financial statements for the period ended 31 March 2002 (contd.)

## Schedule - 8 Cash and Bank balances

		Rupees
Particulars		Current Period
Cash (including cheques,drafts and stamps)		24,955,909
Cash Includes : Cheques on Hand	14,248,216	
Cash in Transit	2,025,000	
Stamps on Hand	36,556	
Bank Balances (Scheduled Banks)		
(a) Deposit Accounts		
Short-term (due within 12 months of the date of Balance Sheet)		46,014,027
(b) Current Accounts		2,665,906
	<b>Total</b>	<u>73,635,842</u>
<b>Cash and Bank Balances</b>		
In India		73,635,842
Outside India		—
	<b>Total</b>	<u>73,635,842</u>

## Schedule - 9 Advances and other assets

		Rupees
Particulars		Current Period
<b>Advances</b>		
Application money for investments		50,000,000
Prepayments		5,892,781
Advances to officers/directors		85,643
Advance tax paid and tax deducted at source		2,177,335
Travel Advances		82,931
Employee Advances		6,410,765
Advances to Suppliers		1,755,043
Miscellaneous Advances		195,479
	<b>Total (A)</b>	<u>66,599,977</u>
<b>Other Assets</b>		
Income accrued on Investments		44,317,816
Outstanding Premiums		729,332
Deposit with Reserve Bank of India (Refer Schedule 12 Note No 14) [pursuant to section 7 of Insurance Act,1938]		—
Deposits		17,839,555
	<b>Total (B)</b>	<u>62,886,703</u>
	<b>Total (A + B)</b>	<u>129,486,680</u>

## Schedules forming part of financial statements for the period ended 31 March 2002 (contd.)

### Schedule - 10 Current Liabilities

Particulars	Rupees
	Current Period
Agent's Balance	5,999,913
Balances due to other insurance companies (Refer Schedule 12 Note No. 16)	627,861
Premium & other Deposits	10,707,028
Sundry Creditors	138,151,006
Due to Subsidiaries/holding companies	5,000
Temporary Overdraft as per the books of accounts only	9,267,355
<b>Total</b>	<u>164,758,163</u>

### Schedule - 11 Provisions

Particulars	Rupees
	Current Period
Provision for wealth tax	50,000
<b>Total</b>	<u>50,000</u>

## Schedules forming part of financial statements for the period ended 31 March 2002 (contd.)

### 12. Notes to financial statements

#### 1. Significant Accounting Policies

The accompanying financial statements are prepared under the historical cost convention, on the accrual basis of accounting and comply with the accounting standards issued by the Institute of Chartered Accountants of India (to the extent applicable) and in accordance with generally accepted accounting principles and the provisions of the Accounting Principles and the Statutory Requirements prescribed under the Insurance Regulatory and Development Authority (IRDA) (Preparation of Financial Statements and Auditors Report of Insurance Companies) Regulations, 2002.

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 assets and 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.

#### (a) Fixed assets and depreciation

Fixed assets are stated at cost (including incidental expenses relating to acquisition and installation) less accumulated depreciation.

Fixed assets include assets jointly owned with Bajaj Allianz General Insurance Company Limited. These assets have been capitalized on an agreed upon proportionate sharing basis.

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.

Depreciation is provided at the following rates

<u>Asset Class</u>	<u>Rate of Depreciation</u>
Computers and peripheral equipment	33.33%
Software	33.33%
Vehicles	20.00%
Office equipment	25.00%
Furniture & fittings	6.33%
Building	2.00%
Air Conditioner	10.00%
Electrical equipments	6.33%
Leasehold improvements	Over the balance period of lease

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

Assets costing individually less than Rs.5,000 have been charged off as revenue expenses. Assets costing more than Rs.5,000 upto Rs.20,000 are charged fully to expense as depreciation in the year of acquisition.

#### (b) Investments

##### i) 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 other than short term are classified as long term investments.

##### ii) Valuation

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

The realised gains 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.

#### (c) Actuarial Valuation

Liabilities for life policies in force are determined by the Appointed Actuary on the basis of a retrospective method to produce the calculated mathematical reserve. By the nature of the method there are no explicit assumptions required as to the future. However, for the reserve to be adequate to meet future liabilities (as



## Schedules forming part of financial statements for the period ended 31 March 2002 (contd.)

is its purpose) it is necessary that the premium basis should be adequate and the experience to date should be broadly as anticipated. All premium bases have been filed with and approved by the IRDA and include margins for profit. No policies have been in force longer than six months and the vast mass of business has only been in force less than a month. The Appointed Actuary is satisfied that the calculated mathematical reserve is at least equal to any of the reserves calculated on a range of reasonable assumptions and bases using a prospective Gross Premium Method as required by the Regulations.

### (d) Preliminary and Pre-Operative Expenses

Preliminary expenses are being amortised over a period of five years.

Pre-Operative expenses, incurred upto the date of receipt of certificate of registration received on 3 August 2001 from IRDA are charged fully to the Shareholders Account (Non Technical Account).

### (e) Retirement benefits

The Company makes a contribution to the Statutory Provident Fund at the prescribed rates.

The Company provides for Gratuity based on actuarial valuation done by the Life Insurance Corporation of India ('LIC'). The Company makes a contribution towards Employees Group Gratuity cum Life Assurance (Cash Accumulation) scheme of LIC.

In accordance with the rules of the Company, unavailed leave balance is not encashable. Accordingly no provision has been made for unavailed leave balance.

### (f) Revenue Recognition

Premium is recognised as income when due.

Re-insurance commission is recognized on accrual basis.

Interest income is recorded on an accrual basis.

Profit / loss on trading in securities is recognized on trade date. Cost of security is arrived on first in first out cost basis.

Discount on Treasury bill is amortised over the holding period.

### (g) Acquisition Costs

Acquisition costs are costs related to the acquisition of new and renewal insurance contracts. These costs are expensed in the year in which they are incurred.

### (h) Advertisement Expenses

All advertisement expenses are expensed in the year in which they are incurred.

### (i) Taxation

The Company provides for income tax on estimated taxable income in accordance with the provisions of the Income- Tax Act, 1961 and the rules framed there under.

### (j) Transactions in Foreign Currency

Transactions in foreign currency are mainly on account of revenue expenditure and are accounted for at the rate prevailing at the date of the transactions. Current assets and liabilities are translated at the year-end closing rates.

## 2. Contingent Liabilities

Claims other than those under policies, not acknowledged as debts Rs.112,500.

## 3. The assets of the Company are free from all encumbrances.

## 4. There are no commitments made and outstanding for loans and investments. The commitments made and outstanding for fixed assets amount to Rs.11,218,184 (net of advances).

## 5. Value of contract in relation to investments

Purchases where deliveries are pending Rs.Nil

Sales where payments are overdue Rs.Nil

## Schedules forming part of financial statements for the period ended 31 March 2002 (contd.)

6. There were no claims reported during the current financial period.
7. Operating expenses relating to insurance business are allocated to specific business segments participating and non participating as under
  - a) Expenses, which are directly identifiable, are allocated on an actual basis to participating and non-participating business.
  - b) Other expenses, which are not directly identifiable are apportioned based on
    - Sum Assured;
    - Total Premium Income;
    - Number of Policies;
    - Weighted annualized first year premium income.

The method of allocation has been decided based on the nature of the expense and its logical co-relation with various business segments.

8. As at 31 March 2002, the Company had made an application to the Insurance Regulatory and Development Authority for approving the appointment of the Chief Executive Officer. The Company has since received the approval for appointment in April 2002. Based on the terms of agreement the Chief Executive Officer being an employee of Allianz Insurance Management Asia Pacific Pte. Ltd, a sum of Rs.5,000,000 is reimbursable to Allianz Insurance Management Asia Pacific Pte. Ltd, towards his remuneration.
9. All investments are performing investments.
10. Percentage of business sector-wise (no. of policies)

	<b>Percentage</b>
Rural	18.13%
Urban	81.87%

11. Percentage of risk retained and risks reinsured

<b>Particulars</b>	<b>Sum Assured</b>	<b>Percentage</b>
Risk retained	Rs. 5,111,051,473	82.64%
Risk reinsured	Rs. 1,073,839,600	17.36%

12. At the year-end the Shareholders transferred funds to the Policyholders Account, which was until then in deficit. Consequently all income on investments for the year has been fully allocated to the Shareholders' Account.
13. The Company was incorporated on 12 March 2001 and consequently the financial statements are for the period 12 March 2001 to 31 March 2002. The previous year's comparatives are not given, this being the first period of operation.
14. Section 7 of the Insurance Act, 1938 requires every insurer who carry on business in India to deposit and keep deposited with the Reserve Bank of India 1% of the gross premium written in India after 31 March 2000 not exceeding Rs.100,000,000 in cash or in the form of approved securities. Accordingly, the Reserve Bank of India was approached for opening the Deposit account with them. However, due to a policy decision, the Reserve Bank of India have advised that insurance companies may open the current account for the purpose of compliance with Section 7(1) of the Insurance Act, 1938 with a designated Scheduled Bank for this purpose. After receiving confirmation from the Insurance Regulatory and Development Authority to this effect on 4 April, 2002, the Company deposited a sum of Rs.10,00,000 with the State Bank of India, New Delhi Branch in April, 2002, to meet the requirements of the Insurance Act, 1938.
15. Expenses charged to the Shareholders Account are expenses incurred prior to receipt of certificate of registration from IRDA and expenses directly attributable to shareholders account.
16. The Reinsurance treaties remain to be officially executed by the Company. However, the terms and conditions on which reinsurance arrangements have been conclusively decided and agreed upon by both the parties, by which the risk stands covered have been reflected as such in the accounts.

## Schedules forming part of financial statements for the period ended 31 March 2002 (contd.)

17. No specific assets have been assigned to the Policyholders because to do so, could compromise the interests of Policyholders. The Policyholders' fund is relatively small compared to investment lot size and a segregated portfolio would be insufficiently diversified. Accordingly, 'Policyholder' investments' reflect a proportionate share of all the investments made by the Company to the extent of the Policyholders' Fund.
18. Accounting Standard 22 – "Taxes on Income" issued by the Institute of Chartered Accountants of India requires the company to accrue taxes on income in the same period as the revenue and expenses to which they relate. As the taxable income are different from the reported income due to timing differences, there arises a necessity to create a deferred tax asset or deferred tax liability, as the case may be. In view of the loss reported for the year, no deferred tax liability is required to be created. Further, as the availability of future taxable profits to realize deferred tax assets cannot be estimated with virtual certainty the same has not been accounted for.
19. As per Accounting Standard 18 issued by the Institute of Chartered Accountants of India, payments to/receipts from the related party disclosures have been set out in a separate statement annexed to this schedule as Appendix 1. The related parties, in respect of which the disclosures have been made, have been identified on the basis of disclosures made by the key managerial persons and taken on record by the Board.
20. In accordance with Accounting Standard (AS 20) – on Earnings per Share (EPS), the Basic EPS has been calculated on the net loss in the Profit & Loss account, that is attributable to the average number of equity shares weighted by the number of days from the date, the equity shares were allotted during the year. In accordance with AS 20, the EPS of the Company for the period ending 31 March 2002 is Rs.(1.56) per equity share. The weighted average number of equity shares is 100,290,137. The face value of the share is Rs.10 each.
21. The Company has entered into agreements in the nature of Lease/ Leave and Licence Agreements with different lessors/ licensors for the purpose of establishment of office premises. These are generally in the nature of operating leases/ leave and licenses and disclosure required as per Accounting Standard 19 with regard to the above are as under
- i) The payments under operating lease/ leave and licence for not later than one year is Rs.20,959,596 and later than one year and not later than five year is Rs.29,770,823;
  - ii) There are no transactions in the nature of sub-leases;
  - iii) Payments recognized in the statement of Profit and Loss account for the period ended 31 March 2002 is Rs.12,106,007; and
  - iv) The period of agreement is generally for three years and renewable thereafter at the option of the lessee.

For Allianz Bajaj Life Insurance Company Limited

Rahul Bajaj  
Chairman

Sanjiv Bajaj  
Director

Ranjit Gupta  
Director

James Walton  
Alternate Director and  
Chief Executive Officer

Mukul K Gupta  
Chief Financial Officer

AV Ganapathy  
Appointed Actuary

Date: 9 May 2002  
Place: Pune

Andrew Wakeling  
Chief Actuary

Kaushik Majumdar  
Company Secretary

## Schedules forming part of financial statements for the period ended 31 March 2002 (contd.)

## Related Party Disclosures

## Appendix 1

Sr. No.	Related party	Relationship	Amount Rupees	Nature of transaction	Balance payable as at 31 March 2002 Rupees
1.	Bajaj Auto Ltd	Holding company	5,593,400	Lease rent expense of premises	—
			6,568,080	Security Deposit for Premises	—
			1,258,887	Reimbursement of electricity and water charges	—
			42,850	Reimbursement of Stamp Duty	5,000
			39,385	Purchase of scooter	—
			14,226,993	Reimbursement of expenses incurred on behalf of Allianz Bajaj Life Insurance Company Ltd.	—
2.	Bajaj Auto Finance Ltd.	Group company	120,000	Lease of premises	—
3.	Bajaj Allianz General Insurance Co. Ltd.	Group company	53,133,056	Revenue and capital expenditure incurred on behalf of Allianz Bajaj Life Insurance Company Ltd.	21,782,414
				Revenue and capital expenditure incurred on behalf of Bajaj Allianz General Insurance Company Ltd.	—
				Insurance of assets	—
				Purchase of Investments	—
4.	Allianz Insurance Management Asia Pacific Pte Ltd.	Group company	8,816,667	Reimbursement of Chief Executive Officer, Chief Operating Officer, Chief Actuary's salary	8,816,667
				Expenses incurred by the company on their behalf	3,074,054
5.	Allianz AG Reinsurance Branch Asia Pacific	Group company	567,178	Reinsurance premium ceded	567,178
			253,248	Reinsurance commission recd	253,248
6.	Allianz AG India Liaison Office	Representative office of Group company	3,902,249	Reimbursement of expenses incurred on behalf of Allianz Bajaj Life Insurance Company Ltd.	3,060,692
7.	Allianz AG	Shareholder	—		—

## Cash flow statement for the period 12 March 2001 to 31 March 2002

Cash Flow Statement for the period ended 31 March 2002.	Rupees	Rupees
<b>Cash Flows from operating activities</b>		
Receipts from customers		
- Premium Income	70,660,167	
- Premium & Other Deposits	10,707,028	
- Other Income	56,758	
Cash generated from operations		81,423,953
<b>Cash paid towards operating activities</b>		
Expenses	170,833,301	
Loans, Advances & Deposits	32,262,197	
		(203,095,498)
Cash flow before extraordinary item		(121,671,545)
Extraordinary item		
<b>Net cash from operating activities</b>		<b>(121,671,545)</b>
<b>Cash Flow from Investing Activities</b>		
Purchase of Fixed assets	187,305,028	
Investments	1,184,193,551	
		(1,371,498,579)
Interest Received	38,151,739	
Proceeds from Sale of Investments	19,386,872	
		57,538,611
<b>Net cash from investing activities</b>		<b>(1,313,959,968)</b>
<b>Cash Flow from Financing activities</b>		
Proceeds from Issuance of Share Capital	1,500,000,000	
<b>Net cash used in financing activities</b>		<b>1,500,000,000</b>
<b>Net increase in cash &amp; cash equivalents</b>		<b>64,368,487</b>
<b>Cash &amp; cash equivalents at the beginning of the period</b>		<b>—</b>
<b>Cash &amp; cash equivalents at the end of the period</b>		<b>64,368,487</b>

The accompanying notes and schedules form an integral part of the financial statements.  
As per our report of even date.

For Dalal & Shah  
Chartered Accountants

For Bharat S Raut & Co.  
Chartered Accountants

For Allianz Bajaj Life Insurance Company Limited

Rahul Bajaj  
Chairman

Sanjiv Bajaj  
Director

Anish Amin  
Partner

Russell I Parera  
Partner

Ranjit Gupta  
Director

James Walton  
Alternate Director and  
Chief Executive Officer

Mukul K Gupta  
Chief Financial Officer

AV Ganapathy  
Appointed Actuary

Date: 9 May 2002  
Place: Pune

Andrew Wakeling  
Chief Actuary

Kaushik Majumdar  
Company Secretary

## Balance Sheet Abstract and Company's General Business Profile (Part IV)

<b>I. Registration Details</b>		
Registration No.		15959
State Code		11
Balance Sheet date		31 March 2002
<b>II. Capital Raised during the year</b>		Rs. in '000s
Public Issue		—
Rights Issue		—
Bonus Issue		—
Private Placement		1,500,000
Others		—
	<b>Total</b>	<b>1,500,000</b>
<b>III. Position of Mobilisation and Deployment of Funds</b>		
Total liabilities		1,522,994
Total assets		1,522,994
<b>Sources of Funds</b>		
Paid-up capital		1,487,278
Reserves and surplus		—
Secured loans		—
Unsecured loans		—
Policyholders funds		35,716
	<b>Total</b>	<b>1,522,994</b>
<b>Application of Funds</b>		
Net Fixed Assets		193,986
Investments		1,134,258
Net Current Assets		38,314
Misc. Expenditure		—
Accumulated Losses (Shareholders)		156,436
	<b>Total</b>	<b>1,522,994</b>
<b>IV. Performance of the Company for the year ended 31 March 2002</b>		Rs. in '000s
i) Turnover		—
ii) Total Expenditure		—
iii) Profit/(Loss) before tax		—
iv) Profit/(Loss) after tax		—
v) Accumulated Profits		—
vi) Earning per share (Rs.)		(1.56)
vii) Dividend		Nil
<b>V. Generic Names of Three Principal Products/Services of Company (As per monetary terms)</b>		
Item Code No. (ITC Code)	—	
Product description	Life Insurance Business	

### Note

The company being a life insurance company the accounts of the company are not required to be made in accordance with Schedule VI. Further, the Insurance Act, 1938, requires the accounts of the company to be split between Policyholders' & Shareholders' Account. In view of this it is not possible to give all the information as required in Part IV of the Schedule.