



## Chairman's Letter

Dear Shareholder,

I began the practice of writing the Chairman's letter in the Annual Report of 1998-99. These have been fairly detailed letters, where I have attempted to share with you the results of your company as well as our plans for the future.

Simultaneously, the chapter on Management Discussion and Analysis (MD&A) in every successive annual report has contained increasingly detailed data on markets, operations and financials. Given the kind of detail that you can read in that chapter, I have decided on an abbreviated letter this year — one in which I will share a few of our aspirations.

But before doing so, I would be failing in my duty if I were not to congratulate the management team for Bajaj Auto's excellent results in 2002-03.

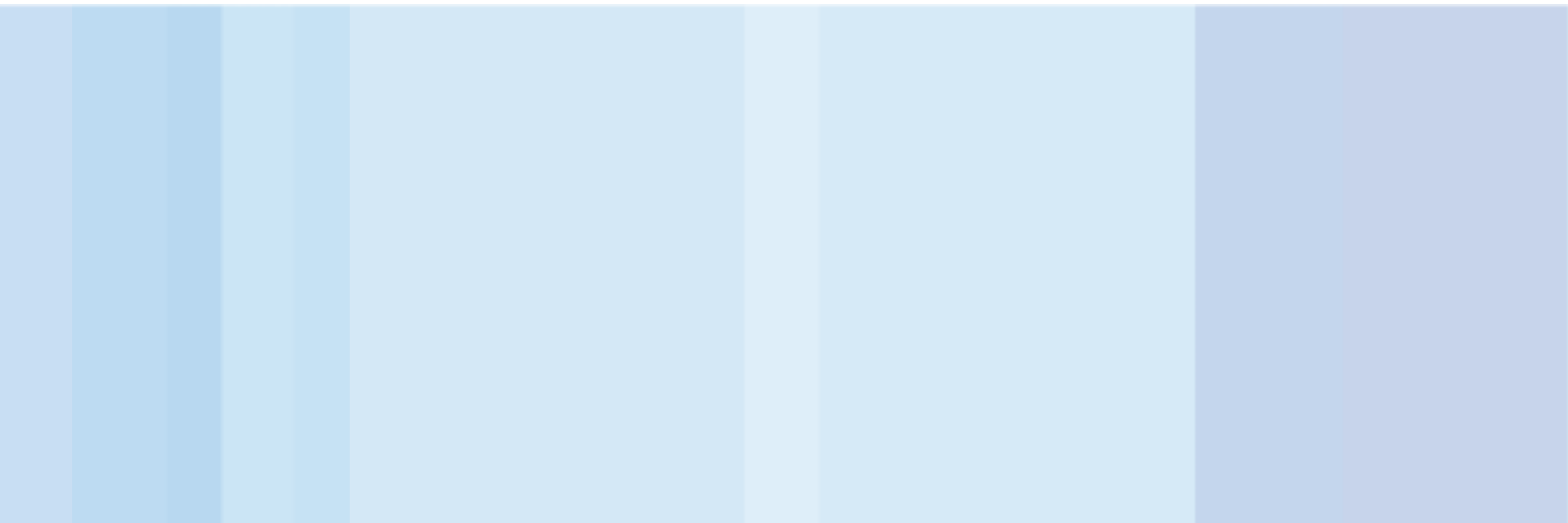
At Rs.50.71 billion, your company's turnover in 2002-03 touched an all time high. So did operating profits (EBITDA) — Rs.8.17 billion in 2002-03. Your company's margins are again the

highest in the industry. Return on operating capital, which had dipped to a low of 14 per cent in 2000-01, has now increased to a healthy 60 per cent. And our exports have more than doubled, making Bajaj Auto a significant net earner of foreign exchange.

We have executed a skilful turnaround from the difficult days of 2000-01, and are poised for a period of rapid growth in sales and profits.

Having said this, let me discuss something about the motorcycle segment. Your company has done excellently in motorcycles. With its Boxers and the newly introduced "BYK", Bajaj Auto is the clear market leader in the entry level / utility segment of motorcycles. And the Pulsar models have made your company the market leader by far in the premium segment as well.

Going forward, our greatest challenge will be to substantially increase our presence in the large and rapidly growing executive segment. Today, we account for only 7 per cent of this segment. To face



tomorrow's competition, we have to substantially increase this share. Hopefully, the new Caliber 115 (popularly called "Hoodibabaa") will be a vanguard of growth in this market. We are also going to introduce a new 125 cc "World Bike" — jointly with Kawasaki. I sincerely hope that these two models, and our other planned launches, will give us a strong position in this executive segment, and thus complement our leading status at the entry and premium levels.

I feel that we have another 15 to 18 months to further strengthen our prime position at the entry level and the premium segments and significantly ramp up our market share in the executive segment. By the end of 2004, virtually every international motorcycle major will treat the Indian market as their playing field, and we at Bajaj Auto have to be proactively prepared for this. Believe me, we will be seeing the "mother of all battles" in the two-wheeler space. My youthful management team and the old combatant in me are relishing the challenge.

Now for a few words on scooters. Last year, in my Chairman's letter, I had predicted that "we have probably succeeded in arresting the decline in the sales of geared scooters". I was wrong. As the chapter on MD&A shows, both the industry's and Bajaj Auto's sale of geared scooters continued to fall in 2002-03.

While I clearly recognise the importance of driving the motorcycle market, I still refuse to believe that the days of scooters are over. We need to combine the qualities of motorcycles and those of scooters in radically new models. Your company is now engaged in such a project. The "scooterwalla" in me is waiting to see the outcome.

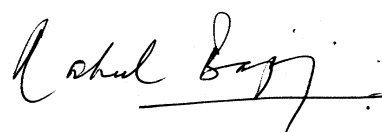
Let me end by reiterating my views on future competition. Of the few large markets in the world, only China's and India's GDP have grown at an average rate in excess of 5.5 per cent per year over the last decade. Therefore, India will be a large and attractive market for all international players. It is important to remember that most of them have

deep pockets and, if past experience is an indicator, they are more than willing to take hits for a long time in order to establish a strong market presence.

We at Bajaj Auto recognise this. We also recognise that the only lasting competitive advantage is higher and higher quality at affordable cost. Therefore, we are continuously focusing on the details that make for quality — research and design for products and manufacturing processes. We are concentrating on quantum increases in productivity and throughput as well as vendor improvements so as to reduce costs. And we need to fire on all cylinders — motorcycles, scooters, and three-wheelers.

Bajaj Auto has been around long enough to see many ups and downs. After its successful turnaround from 2001-02, I am confident that your company will deal with tomorrow's competition at least as well as, if not better, than others.

Let me thank you for your constant support to Bajaj Auto. Here's to an even better 2003-04.



**Rahul Bajaj**

Chairman and Managing Director

## Board of Directors

**Rahul Bajaj**  
Chairman and Managing Director

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

**D S Mulla**  
(upto 31 March 2003)

**Kantikumar R Podar**

**Atul C Kirloskar**  
(upto 23 October 2002)

**Shekhar Bajaj**

**D J Balaji Rao**

**D S Mehta**  
Whole-time Director

**J N Godrej**

**S H Khan**

**Rajiv Bajaj**  
Joint Managing Director

**Suman Kirloskar (Ms)**  
(w e f 23 October 2002)

**Naresh Chandra**  
(w e f 15 January 2003)

**Nanoo Pamnani**  
(w e f 14 May 2003)

## Management

**1 Rahul Bajaj**  
Chairman and Managing Director

**2 Madhur Bajaj**  
Vice Chairman

**3 Rajiv Bajaj**  
Joint Managing Director

**D S Mehta**  
Whole-time Director

**4 R A Jain**  
Executive Director

**5 Ranjit Gupta**  
Vice President (Insurance)

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

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

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

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

**10 Sanjiv Bajaj**  
Vice President (Finance)

## Company Secretary

**J Sridhar**

## Auditors

**Dalal & Shah**  
Chartered Accountants

## International Accountants

**KPMG**

## Cost Auditor

**A P Raman**  
Cost Accountant

## Bankers

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

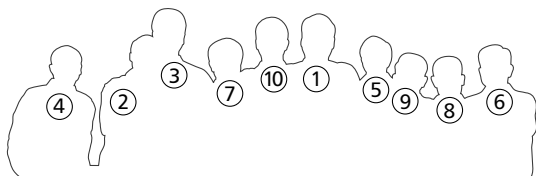
Registered under the  
Indian Companies Act, VII of 1913

## Registered Office

Akurdi, Pune 411 035

## Works

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



## Management Discussion and Analysis

For the last three years, Bajaj Auto's Annual Report and its chapter on Management Discussion and Analysis has focused on the process of "change" — in products, in marketing, in manufacturing operations, in technology and R&D, and in the company's overall business strategy. The objective was to share with you the transformation that was occurring within the company to successfully overcome greater competition in the future.

Change, however, is a journey — a continuous process of re-engineering the DNA of a corporation. It does not stop after three years. Therefore, we want to remain with this theme for 2002-03, and show you how changes that began two to three years ago have begun to yield results. We also want to outline further changes that you can expect from Bajaj Auto in the next few years, and why these are necessary for the company.

Let's begin with some of Bajaj Auto's results for 2002-03, which relate to the manufacturing side of the business.

- The company has achieved its highest ever sales. Sales grew by 15 per cent — from Rs.41.26 billion in 2001-02 to Rs.47.44 billion in 2002-03.
- Highest ever operating profits. Earnings before interest, taxes, depreciation and amortisation (EBITDA) increased by 32 per cent — from Rs.6.21 billion in 2001-02 to Rs.8.17 billion in 2002-03.
- Operating EBITDA margins increased from a low of 9.8 per cent in 2000-01 to 16.8 per cent in 2001-02 to 19 per cent in 2002-03.
- Pre-tax return on operating capital rose by 19 percentage points — from 41 per cent in 2001-02 to 60 per cent in 2002-03.

These numbers indicate that Bajaj Auto's change process has already begun to yield stronger financial results. Chart A gives a flavour of the turnaround.

We shall be discussing the company's financial performance in a later section. As before, this chapter is in three parts. The first analyses markets and sales across the various product segments; the second part focuses on operations; and the third on the financials.

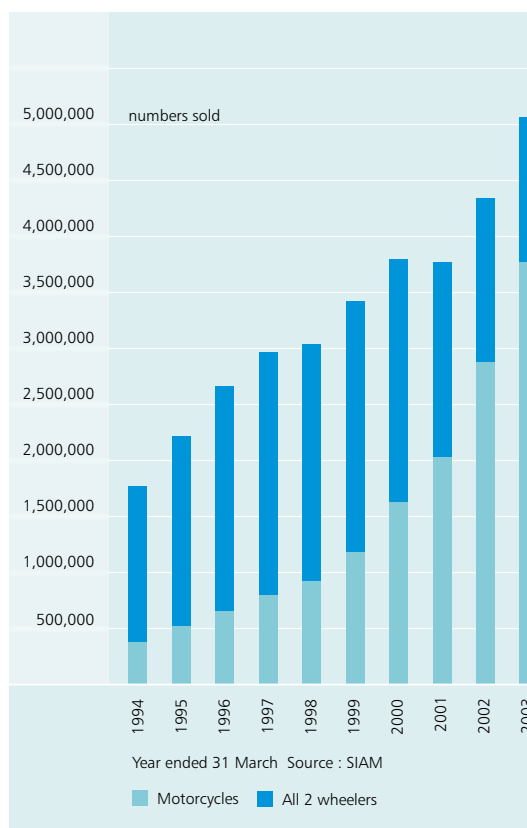
**CHART A: Turnaround in profitability**



## Markets

It will be useful to start this section with the market for two-wheelers. Chart B plots the market for motorcycles and total two-wheelers. As the chart clearly shows, while the two-wheeler market has grown at a compound annual rate of 11.7 per cent between 1994 and 2003, motorcycle sales exploded at a rate of 41 per cent per year. Consequently, from a market share of under 22 per cent in 1993-94, motorcycles now account for over 74 per cent of India's two-wheeler sales. Indeed, this share of motorcycles grew by over 8 percentage points between 2001-02 and 2002-03 — from 66.2 per cent to 74.3 per cent. Simply put, motorcycles is the name of the game. Table 1 and Chart C underscore the point.

**CHART B: Industry's sale of two wheelers**



## Motorcycles

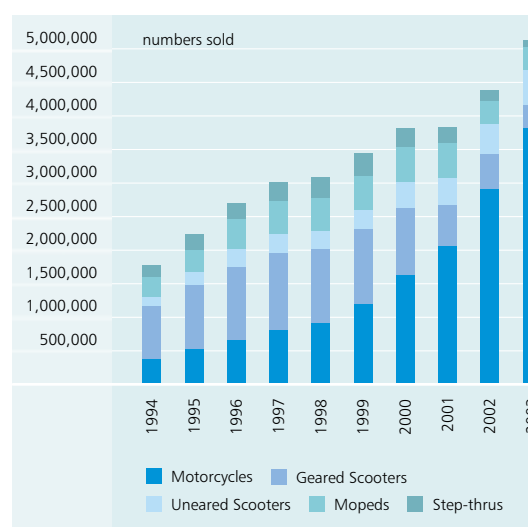
**TABLE 1: Changing composition of the two-wheeler market (vehicles sold)**

Year ended 31 March	All two-wheelers	Motorcycles	Ung geared scooters	Geared scooters	Mopeds	Step-thrus
1994	1,763,210	21.6%	7.9%	43.3%	17.6%	9.6%
1995	2,208,231	23.9%	8.6%	42.6%	15.1%	9.8%
1996	2,660,005	24.8%	9.1%	40.6%	16.8%	8.7%
1997	2,965,474	27.1%	8.9%	38.4%	16.6%	9.1%
1998	3,042,347	30.0%	8.8%	35.4%	15.5%	10.3%
1999	3,403,471	34.6%	8.3%	32.7%	14.6%	9.8%
2000	3,776,719	42.7%	10.0%	25.9%	14.0%	7.3%
2001	3,745,516	54.1%	10.9%	16.0%	12.9%	6.1%
2002	4,318,531	66.2%	9.5%	12.3%	8.7%	3.3%
2003	5,053,562	74.3%	10.5%	6.6%	6.2%	2.2%

Source : SIAM

Given the critical role of motorcycles, it is important to share what Bajaj Auto has done and proposes to do in this market segment. Since 1997-98, we had to shrug off our image of being a manufacturer of traditional metal-bodied geared scooters by systematically introducing motorcycles that could combine the company's historical selling points of ruggedness, fuel economy and price competitiveness with style, performance and comfort. As Table 2 shows, Bajaj Auto has clearly succeeded in this endeavour. Between 1997-98 and 2002-03, we have increased our share in an explosively growing, highly discerning market from under 15 per cent to over 23 per cent. Today, Bajaj Auto is the clear number two in motorcycles.

**CHART C: Industry's sales of two-wheelers, segment-wise**



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

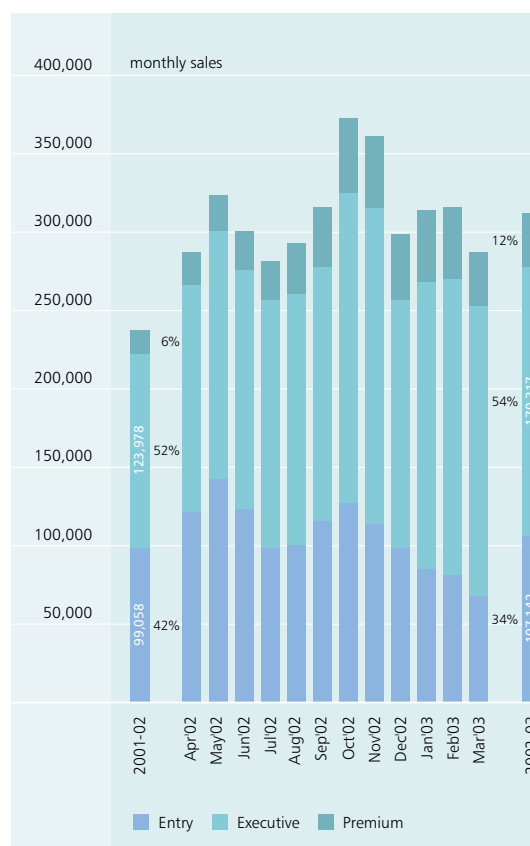
Year ended 31 March	Market	BAL	Growth of the Market	Growth of BAL's sales	BAL's market share
1994	380,558	42,080	25.2%	21.4%	11.1%
1995	528,043	75,087	38.8%	78.4%	14.2%
1996	660,672	89,675	25.1%	19.4%	13.6%
1997	802,266	129,263	21.4%	44.1%	16.1%
1998	913,956	136,017	13.9%	5.2%	14.9%
1999	1,176,779	200,183	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%
2003	3,757,125	868,138	31.3%	32.3%	23.1%

Having shown that Bajaj Auto has been steadily gaining market share for motorcycles, it is necessary to go into greater details of this important segment. In last year's Annual Report, we had segregated the market in four broad segments. Except for some changes at the margin, categorisation for motorcycles more or less remains the same:

- **Entry level — models priced between Rs.27,000 and Rs.37,000.** We are firmly placed in this category with the entire family of Boxers (AT, CT and AR), as well as our new 100 cc BYK model introduced in December 2002.
- **Executive category — models priced between Rs.38,000 and Rs.45,000.** These are models with Japanese and European standards of engineering, styling, manufacturing and riding comfort. We have the "Hoodibabaa" Caliber 115, and we propose to launch the World-Bike, developed in India with Kawasaki for the global market.
- **Premium category — models priced above Rs.45,000.** We have the Pulsar 150, Pulsar 150 ES, the Pulsar 180 and, in the super-premium, the Eliminator.

It is necessary to focus on these three segments individually and see how these sub-markets have moved in the last year. Chart D shows the trends.

**CHART D: Monthly sales of motorcycles segment-entry level, executive, premium**





As Chart D shows, in 2001-02, the industry's average sales in the entry level segment was a bit over 99,000 per month, and accounted for 42 per cent of the number of motorcycles sold. Despite an 8 per cent growth in the volume of sales in 2002-03, the overall market share of this segment dropped to 34 per cent.

No doubt, poor monsoons of 2002 and lower farm incomes played a role in declining sales in this segment, especially since November 2002. Nevertheless, even in the best case scenario, it is unlikely that the market share of the entry-level category will exceed 40 per cent. That would still make it a market ranging between 1.4 million and 1.5 million motorcycles. However, we at Bajaj Auto believe that it will be an increasingly competitive market, especially at the upper end of this segment. As the clear leader accounting for 42 per cent of this market, how do we propose to fight competition and further increase our share?

In 2002-03, we sold 502,144 Boxers (ATs, CTs and ARs). It is the largest selling brand in the entry-level category, and the second largest selling two-wheeler brand in the country. In addition, in the four month period from December 2002 to March 2003, we succeeded in selling 32,815 BYKs. Together, these models accounted for 62 per cent of the volume of Bajaj Auto's motorcycle sales.

We don't propose to gain market share in this segment by needlessly triggering debilitating price wars. Instead, we are going to further cut manufacturing costs, work on scale economies, improve efficiencies, and pass on the resultant price benefits to our entry-level consumers. In addition, starting with the BYKs, Bajaj Auto will introduce a new range of variants in this segment —

motorcycles with adequate power, high fuel efficiency and high reliability.

Let's now move on to the very top end of motorcycles — the premium category. In 2002-03, almost 425,000 motorcycles were sold in this segment. With our Pulsar 150, 150 ES and 180, Bajaj Auto sold 183,743 vehicles in this segment, and accounted for 43 per cent of the market share. We are comfortably placed here as the clear market leader.

We propose to introduce an upgraded version of the Pulsar in the second quarter of 2003-04. This machine is designed to set new benchmarks in engine performance, fuel economy, handling, braking and ergonomics. With the Pulsar range we aim to increase the market size of this premium segment and also further increase our share.

That brings us to the huge middle — the executive segment. As Chart D shows, this market has grown by a staggering 37 per cent from an average sales of 124,000 units per month in 2001-02 to well over 170,000 units per month in 2002-03. Today, this market accounts for over 54 per cent of the volume of motorcycle sales. And, three factors — higher disposable urban incomes for progressively younger people, the desire to ride smartly styled, well performing, fuel efficient bikes, and extremely attractive retail finance schemes — have made this a very large, attractive and robustly growing segment.

In 2002-03, the executive segment accounted for the overall sales of 2.04 million motorcycles. Bajaj Auto accounts for 7 per cent of the total sales in this market, and we clearly need to substantially ramp up our presence in this segment. The new Caliber 115 (popularised as "Hoodibabaa") was

launched in March 2003. In its first month, it notched sales in excess of 25,000. Although it is too early to tell, we expect this model to make inroads in this market throughout 2003-04. In addition, we will be introducing the 125 cc World-Bike jointly designed with Kawasaki. This will be further supplemented by another model designed in-house, slated for a launch towards the end of 2003-04. With these three products, Bajaj Auto will operate at three distinct price points in the executive segment, which should allow the company to increase its presence in this category.

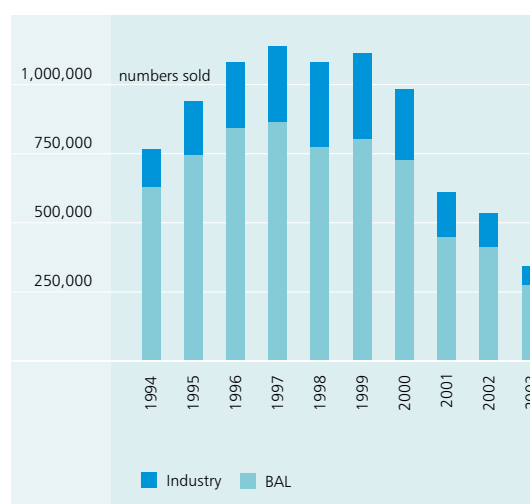
The philosophy that we have been following is in three parts. The first was, "Do what's Do-able". That led to the development, production and marketing of the Boxer models, which eventually resulted in our being the market leader in the entry level category. The second part was, "Do what's Unexpected". That led to the top-of-the-line Pulsar, and our quest to capture the high-end market with international quality. Now the stage is set to "Do what's Necessary" — to focus on populating the executive segment and gaining market share in this major category.

### Geared Scooters

As Chart E shows, the geared scooter market continues to slump. In 2002-03, overall industry's sale of geared scooters fell to under 336,000 units — a decline of 37 per cent over the previous year. Bajaj Auto's sales fell by 34 per cent to 268,656 units. In last year's Management Discussion and Analysis, we had projected average monthly sales of 31,000 for 2002-03. We fell short by almost 28 per cent. The fact of the matter is becoming evident. Simply put, barring some pockets in North India, there is no appetite for the traditional geared

scooter. It would be all too easy to claim that, having hit the depth of 336,000 units, the market has finally bottomed out. Only the future will show whether this is true. The only thing that one can say with certainty is that if we were to produce a well priced model that is stylish, gives great fuel economy, riding comfort and reliability, Bajaj Auto would be able to grow this market once again. At present, we have begun working on new scooter projects that incorporate such attributes. Two models incorporating an entirely new approach to scooters will be unveiled at the Auto Expo in January 2004. It will then be seen how these do at the market place.

CHART E: Geared scooter sales continue to fall



### Three-wheelers

After years of moderate growth, the three-wheeler industry has shown a 23 per cent growth over the previous year. Bajaj Auto has, more or less, grown in line with the industry by selling over 193,000 three-wheelers in 2002-03 — a growth of 21 per cent over the previous year. Our overall market share stands at 68.5 per cent, compared to almost 70 per cent in 2001-02.

The three-wheeler market is made up of two broad segments — three and six-seater passenger vehicles, and goods carriers. Table 3 breaks down the market across the different segments, and indicates Bajaj Auto presence in each.

**TABLE 3: Bajaj Auto's share of the three-wheeler market (in numbers)**

Segment	Industry	Bajaj Auto	Market share (%)
Passenger Carriers			
3-seater	198,372	183,800	92.7
6-seater	15,982	N A	N A
Subtotal	214,354	183,800	85.7
Goods carrier	68,708	10,059	14.6
<b>Total</b>	<b>283,062</b>	<b>193,859</b>	<b>68.5</b>

As Table 3 indicates, Bajaj Auto is the clear market leader in the three-seater passenger segment, with a dominant share at 93 per cent. This dominance is due to our supplying a complete range of autorickshaws built on petrol, diesel, and CNG engines. In addition, during March 2003, we commercialised the LPG range of autorickshaws and have started marketing the same. We are consciously absent in the six-seater passenger segment, which is still facing regulatory hurdles and opposition from local governments. Should this negative scenario change in the future, Bajaj Auto would review this decision.

Bajaj Auto has been weak in the goods carrier segment, with a market share of 15 per cent and an average monthly sale of 800 vehicles in 2002-03. To complement its current range of goods carriers, we have launched GC 1000, a one ton diesel goods carrier in April 2003 and, with it, we hope to increase sales in this segment in 2003-04.

Exports have played an important role in boosting our overall three-wheeler volumes in 2002-03 — growing from 14,619 vehicles in 2001-02 to 40,875 in 2002-03. A more detailed discussion on the subject follows.

## Exports

Thanks to excellent sales achieved in Sri Lanka and Bangladesh, Bajaj Auto's exports increased from 44,311 vehicles in 2001-02 to 94,241 vehicles in 2002-03. This comprised an 80 per cent increase in two-wheelers, aided mainly by 173 per cent growth in motorcycles, and 180 per cent growth in three-wheelers. Table 4 summarises our product-wise exports.

**TABLE 4: Product-wise exports of Bajaj Auto (in numbers)**

Product	2001-2002	2002-2003	Growth
Motorcycles	15,811	43,218	173.3%
Total two-wheelers	29,692	53,366	79.7%
Three-wheelers	14,619	40,875	179.6%
<b>Total vehicles</b>	<b>44,311</b>	<b>94,241</b>	<b>112.7%</b>

Bajaj Auto's traditional dominance of the Sri Lankan markets continued in 2002-03. We were always the number one three-wheeler brand in Sri Lanka; we are now also the number one two-wheeler brand in Sri Lanka, with over 50 per cent market share. In Bangladesh, persistent efforts over the last few years have paved the way for permissions to register our environment friendly CNG three-wheelers. Having done so, we have achieved a two- and three-wheeler growth of over 200 per cent compared to the previous year. We have continued to export to the Americas, where there has been a growth of almost 50 per cent, albeit over a low base. This growth came mainly

from motorcycles in Colombia, and three-wheelers in Peru.

Bajaj Auto opened its first overseas marketing office at Dubai in January 2003 at Jebel Ali Free Trade Zone. Dubai is the commercial hub of the Middle East and Africa, and this office is expected to strengthen the presence of our products in existing markets of Iran and Egypt, and explore opportunities for entering new markets in the region.

In terms of value, our exports more than doubled from Rs.1.59 billion in 2001-02 to Rs.3.53 billion in 2002-03 — making Bajaj Auto the number one exporter of two- and three-wheelers. The company is now a significant net foreign exchange earner for the country.

## Operations

### Research and Development

With rapid changes in customer preferences and shorter product life cycles, the ability to consistently develop and market top-class products will become a key differentiator between manufacturers who win and those who don't. In this race, Bajaj Auto is convinced of the need to develop world class in-house engine and product research, development and testing capabilities. To this end, the company has in the past years built a young, talented, and motivated team with skills in styling, engine and product design and testing, and efficient and reliable development practices.

Recognising the need to allocate specific resources to research and product development, three focus areas are being developed:

- Engine research, development and testing.
- Product development and testing.
- Product styling.

In 2002-03, we embarked on the creation of two new centres at the Akurdi complex — one which will house the engine group, and the other for the product development group. The R & D Centre provides a completely self-sufficient environment to its occupants including offices, engine design, testing and prototyping facilities. The second centre includes a world class vehicle testing area, and supplements the existing space for the product development teams.

We propose to significantly enhance the styling studio in the coming years.

In 2002-03, Bajaj Auto spent Rs.100 million as capital expenditure on R&D. To build the above centres, Bajaj Auto set aside a further capital investment of Rs.378 million, which will be spent over the next year. This is in addition to investments already earmarked for other R&D initiatives in the next year.

Bajaj Auto's commitment to in-house R&D has begun to yield results. Either solo, or in collaboration with Kawasaki and Tokyo R&D, the company has designed, developed and launched a string of successful models. These are:

- Pulsar 150 and 180 — which together averaged sales of over 15,000 units per month in 2002-03, and emerged as the clear leader in the premium category of motorcycles.
- BYK — a youthful bike for first time buyers, launched in December 2002 and averaging around 8,000 units a month.

- Caliber 115 (“Hoodibabaa”) — a new and clever configuration of engine and styling geometry, resulting into exhilarating performance. As mentioned earlier, we hope that this model will spearhead Bajaj Auto's renewed focus in the executive segment of motorcycles.
- GC 1000 — a diesel goods carrier launched in March 2003, and expected to sell about 1,500 units a month.

While the company will continue to build its own R&D capabilities, it also recognises the contribution of its partners, particularly Kawasaki and Tokyo R&D. With them and other specialist styling and design establishments, Bajaj Auto will continue to introduce a string of exciting, new products in the coming year. 2003-04 will see the launch of the Kawasaki-Bajaj 125 cc WorldBike, as well as new models on the Caliber and Pulsar platform. A range of new scooters is also under joint development between our internal team and external specialists.

## Plants

Bajaj Auto's three plants at Akurdi, Waluj and Chakan produced 1,457,066 vehicles in 2002-03. The current distribution of products across plants is given in Table 5.

**TABLE 5: Distribution of products across plants**

Plant	2001-2002	2002-2003
Akurdi	Geared scooters, Step-thrus	Geared scooters, Step-thrus, Bajaj motorcycles (BYK)
Waluj	Bajaj Auto-Kawasaki range of motorcycles, three-wheelers	Bajaj Auto-Kawasaki range of motorcycles, three-wheelers
Chakan	Ungeared scooters, Bajaj motorcycles (Pulsar)	Ungeared scooters, Bajaj motorcycle (Pulsar)

The Akurdi plant continues to manufacture parts for motorcycles and three-wheelers produced in Chakan and Waluj. In the current year, capacity additions have been made in Waluj and Chakan to support the increasing demand for motorcycles. In Akurdi, part of the existing capacity has been converted to produce the BYK range of motorcycles without incurring any major capital cost. Table 6 shows the installed capacities plant-wise as on 31 March 2003.

**TABLE 6: Plant-wise capacities as on 31 March 2003 (in numbers)**

Plants	Capacities
Akurdi	840,000
Waluj	1,200,000
Chakan	480,000
<b>Total</b>	<b>2,520,000</b>

Total Productive Maintenance (TPM) continues as a way of life for the plants. With Akurdi being its earliest adopter, it is naturally the first to show some results. Overall productivity as measured by Overall Equipment Effectiveness (OEE) has markedly improved as is evident from Table 7.

**TABLE 7: Overall Equipment Effectiveness at Akurdi, 2002-03**

Area	Average OEE %		Gain
	April 2002	March 2003	
Steel machining	82.0	91.0	9.0
Aluminium machining	91.5	96.0	4.5
Press shop	80.0	91.5	11.5
Chassis shop	88.0	96.0	8.0
Paint and plating	93.5	95.5	2.0
Heat treatment	92.5	94.0	1.5
Assembly	89.0	96.5	7.5

From its inception, the Chakan plant imbibed the TPM culture. It will formally adopt TPM in the near future. At the Waluj plant, 54 manufacturing cells adopted the TPM methodology. Table 8 highlights improvement in specific manufacturing cells.

**TABLE 8: TPM benefits at Waluj**

	Before TPM	After TPM
<b>Petrol tank cell</b>		
OEE %	63.1	99.2
Production per hour	41.7	62.2
Breakdowns per month	13	0
Defects per month	3750	0
Kaizens implemented	0	45
<b>Cover generator cell</b>		
OEE %	67	97.6
Production per hour	48	77.7
Breakdowns per month	4	0
Defects per month	16	0
Kaizens implemented	0	83
<b>Shaft transmission cell</b>		
OEE %	74	95
Production per hour	130	174
Breakdowns per month	12	0
Defects per month	269	0
Kaizens implemented	0	335

Last year we had mentioned that TPM was being extended to the vendor base. TPM objectives of zero breakdown, zero rejections and zero accidents are expected to benefit the vendor base by improving their efficiency and effectiveness. Eight clusters involving a total of thirty two vendors are now involved in the implementation of the first steps of TPM, namely 1S (*seiri*, removal of unwanted elements), and 2S (*seiton*, proper arrangement of all required elements) in their plants.

## People

To be competitive in today's business environment requires flat, lean and decentralised organisations that facilitate fast decision making. Over the past few years, Bajaj Auto has transformed from being an employer of over 21,000 employees to around 12,000 employees today. Table 9 shows vehicle output per person per year has increased from 67.7 vehicles in 1996-97 to 118.1 in 2002-03.

**TABLE 9: Growing employment productivity at Bajaj Auto**

On 31 March	Production (no. of units)	No. of employees	Output/employee/year
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
<b>2003</b>	<b>1,457,066</b>	<b>12,338</b>	<b>118.1</b>

2002-03 was marked by a major exercise undertaken towards eliminating one entire management level in the organisation. Role differentiation across management layers was reviewed. Span of control was increased. Supervisory roles were enriched to add value addition by moving from an era of workforce control to facilitation. This new structure meant greater degree of delegation to individual employees, coupled with greater accountability.

The reduction in managerial levels has provided opportunities to re-staff positions with managers tuned to the future. Competence and potential were the key drivers that went into the re-manning exercise. The competency mapping exercise also resulted in identifying people whose skill sets did not meet current and future requirements. In 2002-03, 562 staff members were released through a voluntary retirement program. This was in addition to 544 workers who accepted a voluntary retirement scheme.

Development of leadership competencies using "Grid Methodologies" continued during the year. A post-training effectiveness survey indicated a positive shift in the leadership competency of the managers who were a part of this exercise. A new initiative in bringing about "customer orientation" will start in 2003-04, and will involve a significant proportion of the company's employees.

### Information Technology update

During 2002-03, Bajaj Auto upgraded its information systems with the installation of "mySAP" — an ERP solution from SAP A.G. The project was implemented in stages, and the final module was rolled out on 1 April 2003.

The implementation runs right across all three plants, engineering, materials, finance and sales and marketing functions, and extends to our regional offices and warehouses.

The key objectives were to consolidate diverse business activities into a single, coherent and consistent framework, to improve cross-functional information co-ordination, identify and intervene on critical business operating parameters "as it happens" and not "after it happens", and to monitor key performance indicators of individuals and functions. The implementation exercise on a single, centrally located infrastructure of computer systems is enabled by connectivity across all plants, sales offices and depots across the country on-line using fibre optic lines, radio and V-SAT links.

The IT system also extends to our dealers with the creation of a dealer interface where early improvements have been made through decentralisation of the order management process and information exchange via an internet-based information exchange portal. This allows us to book orders online, provide detailed order information, and get real time updates on the status of delivery and accounts. The application also simplifies information exchange on product release, after sales-service and other related issues between the company and its dealers. In 2003-04, we will add internet-based operations management software at dealerships to enable seamless information exchange on pre-sales, retail sales and service related issues.

Future initiatives will extend IT implementation backwards — from our plants to the vendor base, by giving suppliers direct information access into our planning and inventory systems. This will put

the onus of scheduling, delivery and inventory management of incoming materials on our vendors and third party logistic providers.

The total IT plan involves capital and revenue spend of Rs.300 million, of which Rs.244 million has been incurred so far.

## Supply Chain Management

### Vendors

Rationalisation across Bajaj Auto's vendor base, which was initiated three years ago, continued during the year, and resulted in further aggregation of purchases. This exercise will result in having a consolidated base of 180 vendors supplying components to all Bajaj Auto's plants.

A large number of vendors are now located either near Pune or Aurangabad. Those that are further away are encouraged to tie up with third-party logistic providers who, along with local vendors, are already supplying multiple deliveries daily to our Chakan and Waluj plants. Bajaj Auto has extended its TPM mission to vendors — details of which have been discussed earlier.

### Dealers

Bajaj Auto has a network of 422 dealers and over 1,300 authorised service centers. To widen its presence and get closer to customers, new dealers are proposed to be added in the current year, which should take the total dealer network to around 500 by the end of 2003-04. A large number of these new dealerships will be in semi-urban and rural locations.

During the year, the company extended BASS (Bajaj Auto Service Standard) to standardise the workshops of 250 dealers and 50 authorised service centers. This programme included a uniform external and internal look, where well laid-out service areas were equipped with hydraulically operated product bays, hi-tech tools and completely retrained mechanics. This initiative has improved work hygiene, promoted consistent and better service quality, and greater productivity. Faster turnaround of serviced vehicles coupled with higher spare parts sales is converting such workshops into independent profit centres for our dealers.

## Financials

The strategy of Bajaj Auto to drive top-line growth while continuing to improve operational efficiency has resulted in increasing margins for the current financial year. Sales for 2002-03 was Rs.47.44 billion as against Rs.41.26 billion in 2001-02 — an increase of 15 per cent. Total turnover for 2002-03 increased from Rs.44.03 billion to Rs.50.71 billion. EBITDA on operations increased from 16.8 per cent on net sales in 2001-02 to 19 per cent in 2002-03. And profit before tax and extraordinary items improved 34 per cent — from Rs.5,878 million in 2001-02 to Rs.7,886 million in 2002-03. Table 10 gives the summarised profit and loss account.



TABLE 10: Summarised profit and loss account, 2002-03 (Rs. million)

In Rs. million	2002-2003	2001-2002
<b>Operations</b>		
Sales	47,444	41,256
Less: excise duty	5,892	5,256
Net sales	41,552	36,000
Other operating income	1,510	958
<b>Total operating income</b>	<b>43,062</b>	<b>36,958</b>
Cost of materials consumed, net of expenditures capitalised	26,678	23,412
Share of material cost	62.0%	63.3%
Stores and tools	649	544
Share of stores and tools	1.5%	1.5%
Labour cost	2,838	2,379
Share of labour cost	6.6%	6.4%
Factory and administrative expenses	1,851	1,949
Share of factory and administrative expenses	4.3%	5.3%
Sales and after sales expenses	2,874	2,469
Share of sales and after sales expenses	6.7%	6.7%
<b>Total expenditure</b>	<b>34,890</b>	<b>30,753</b>
<b>Operating profit</b>	<b>8,172</b>	<b>6,205</b>
<b>Operating profit as a share of total operating income</b>	<b>19.0%</b>	<b>16.8%</b>
Interest	11	34
Depreciation	1,417	1,337
<b>Net operating profit</b>	<b>6,744</b>	<b>4,834</b>
<b>Non-operating income</b>		
Income	1,450	1,602
Expenses	274	202
Depreciation	-	234
<b>Non-operating income, net</b>	<b>1,176</b>	<b>1,166</b>
<b>Windfarm operations</b>		
Income	301	211
Expenses	41	107
Depreciation	294	226
<b>Windfarm operations, net</b>	<b>(34)</b>	<b>(122)</b>
<b>Extraordinary items</b>		
Income-Premium received on insurance venture	-	1,170
<b>Profit before taxation</b>	<b>7,886</b>	<b>7,048</b>
Provision for taxation	2,502	1,837
<b>Profit after taxation</b>	<b>5,384</b>	<b>5,211</b>
Prior years adjustments	(38)	(29)
<b>Disposable surplus</b>	<b>5,346</b>	<b>5,182</b>

**TABLE 11: Break-up of sales (in units and value in Rs. million)**

Product	2002-2003		2001-2002		% to total units		% to total value	
	Units	Value	Units	Value	2002-03	2001-02	2002-03	2001-02
Motorcycles	868,138	26,082	656,018	18,934	60.0%	48.3%	55.0%	45.9%
Scooters geared	268,656	5,261	407,670	7,506	18.6%	30.0%	11.1%	18.2%
Scooters ungeared	60,757	1,254	66,603	1,523	4.2%	4.9%	2.6%	3.7%
Step-thrus	54,363	981	68,005	1,342	3.8%	5.0%	2.1%	3.2%
<b>Total two-wheelers</b>	<b>1,251,914</b>	<b>33,578</b>	<b>1,198,296</b>	<b>29,305</b>	<b>86.6%</b>	<b>88.2%</b>	<b>70.8%</b>	<b>71.0%</b>
Three wheelers	193,859	11,542	160,684	9,758	13.4%	11.8%	24.3%	23.7%
<b>Total vehicles</b>	<b>1,445,773</b>	<b>45,120</b>	<b>1,358,980</b>	<b>39,063</b>	<b>100.0%</b>	<b>100.0%</b>	<b>95.1%</b>	<b>94.7%</b>
Spare parts	N A	2,324	N A	2,193	–	–	4.9%	5.3%
<b>Total sales</b>	<b>1,445,773</b>	<b>47,444</b>	<b>1,358,980</b>	<b>41,256</b>	<b>–</b>	<b>–</b>	<b>100.0%</b>	<b>100.0%</b>

## Analysis of Sales

The analysis of sales across product groups is given in Table 11. Motorcycles continued to dominate the product portfolio, with an increase of 32 per cent in volume terms and 38 per cent in value terms over the past year. This was largely aided by the buoyant sales of over 183,000 Pulsars. The top line was further boosted by a spurt in three-wheeler sales, which increased 21 per cent in volume and 18 per cent in value.

## Materials, Stores and Tools

During 2002-03, through its continuous efforts in value engineering and partnership with the vendors, Bajaj Auto was again able to reduce its material costs. The share of materials to net sales and other operating income reduced from 63.3 per cent in 2001-02 to 62 per cent in 2002-03, while the share of stores and tools was contained at 1.5 per cent of net sales and other operating income.

## Labour Cost

Labour costs for 2002-03 include a sum of Rs.461 million (previous year Rs.73 million) towards compensation paid to employees under the voluntary retirement scheme. A total of 1,106 employees opted for the scheme, which has a pay-back period of 2 years.

## Factory and Administration Costs

Despite a 16.5 per cent increase in net sales and other operating income — from Rs.36.96 billion in 2001-02 to Rs.43.06 billion in 2002-03, factory and administration costs has reduced from 5.3 per cent of net sales and operating income to 4.3 per cent. This was a result of a thorough review of fixed costs with each plant head.

## Sales and After Sales Expenses

Given the intense competition in the two wheeler market, the sales and after sales expenses continue to remain at 6.7 per cent of net sales and other operating income. The sales and after sales expenditure was channeled through a blend of

cost-effective advertising and focused promotional activities, which included offering a “genuine 0 per cent” finance scheme to customers through Bajaj Auto Finance Limited. It should be noted that these spends include expenses incurred on the “Hoodibabaa” campaign for the recently launched Caliber 115 model — the benefits of which are expected to flow in 2003-04.

Continuous efforts in improving the quality of its products, as well as Bajaj Auto's partnership program with vendors have also resulted in lowering the expenses on warranty, despite an increase in the warranty period on certain motorcycles.

### Operating Margins

Operating earnings before interest, taxation, depreciation and amortisation (EBITDA) percentage to net sales and other operating income has increased from 16.8 per cent in 2001-02 to 19 per cent in 2002-03. This increase was largely aided by growth in the top-line through greater sale of higher end motorcycles, increase in the number of three-wheelers sold, and greater exports. And it occurred despite spending Rs.461 million on account of the compensation paid under the voluntary retirement scheme.

### Operating Working Capital

In efforts to boost return on operating capital employed, Bajaj Auto continued to minimize its overall working capital. Debtors declined from Rs.1,982 million on 31 March 2002 to Rs.1,671 million on 31 March 2003 — a reduction of 16 per cent. With the increase in direct on-line delivery of materials from vendors, we succeeded

in reducing inventory levels. Inventory of raw materials and components declined from 7 days as of 31 March 2002 to 6 days on 31 March 2003; and spare parts for replacement market from 42 days to 31 days. However, due to unduly sluggish market conditions during the last month of the financial year, the inventory of finished goods increased from 6 days to 9 days. Table 12 gives the operating working capital in detail.

**TABLE 12: Operating working capital (Rs. million)**

	As at 31 March 2003	As at 31 March 2002
<b>Current assets</b>		
Inventories	2,080	1,791
Sundry debtors	1,671	1,982
Cash and bank balances	290	152
Other current assets	1,497	1,275
Sub-total	5,538	5,200
<b>Less: Current liabilities</b>		
Acceptances	3	30
Sundry creditors	4,130	3,909
Advance against orders	150	151
Other current liabilities	78	93
Cash credit	539	318
Sub-total	4,900	4,501
<b>Working capital</b>	<b>638</b>	<b>699</b>

### Return on Operating Capital Employed

The pre-tax return on operating capital employed has increased from 41 per cent in 2001-02 to 60 per cent in 2002-03. This growth is due to increase in operating profit for the year by Rs.1,910 million, as well as more efficient management of working capital and a prudent policy on expansion of capacity. Table 13 gives the data.

**TABLE 13: Return on operating capital (Rs. million)**

	As at 31 March 2003	As at 31 March 2002
Fixed assets	10,502	10,910
Technical know-how	107	128
Working capital	638	699
<b>Total</b>	<b>11,247</b>	<b>11,737</b>
Operating profit after interest and depreciation	6,744	4,834
<b>Pre-tax return on operating capital employed</b>	<b>60%</b>	<b>41%</b>

## Treasury Operations

Table 14 gives the non-operating income by category earned by Bajaj Auto.

**TABLE 14: Income from investment of surplus funds (Rs. million)**

	2002-2003	2001-2002
Dividends	127	592
Interest on debentures and bonds	408	291
Interest on government securities	405	18
Interest on inter-corporate deposits and other loans	239	364
Income from mutual fund units	44	79
Lease rent and equalisation	–	234
Profit on sale of investments	214	–
Interest on fixed deposits	2	6
Others	11	–
<b>Total</b>	<b>1,450</b>	<b>1,584</b>
Interest on tax refunds	–	18
<b>Total Non-operating Income</b>	<b>1,450</b>	<b>1,602</b>
Non-operating expenses	274	436
<b>Net non-operating income</b>	<b>1,176</b>	<b>1,166</b>

During 2002-03, Bajaj Auto provided a sum of Rs.267 million towards impairment in carrying costs of its investment portfolio. In addition to the above, continuing its efforts to liquidate non-performing assets, Bajaj Auto booked a total loss of Rs.853 million. This loss on sale of assets was set-

off against gains made of Rs.1,067 million — which resulted in a net gain of Rs.214 million.

The guiding principle of Bajaj Auto's investment strategy has been that of prudence. Accretions to surplus funds during the year were invested in secured and fixed investment securities like G-Sec, T-Bills, and the like. Notwithstanding Bajaj Auto's focus on prudence and safety, it ought to be noted that the returns earned by the company on its treasury portfolio is comparable with the return earned by the top mutual funds.

The composition of Bajaj Auto's investment profile is given in Table 15. Given the pruning of the equity portfolio and opportunities in the G-Sec and bond market, the market value of the portfolio has changed from a diminution in value to cost in the past year to an appreciation of Rs.343 million as of 31 March 2003.

**TABLE 15: Bajaj Auto's investment of surplus funds (Rs. million)**

	As at 31 March 2003	% to total	As at 31 March 2002	% to total
Government securities and bank deposits	8,653	29.7	5,797	25.6
Mutual funds including UTI	1,739	6.0	510	2.3
Debentures and bonds	8,698	29.9	4,040	17.9
Preference shares	854	2.9	917	4.1
Inter-corporate deposits	1,651	5.7	2,609	11.6
Loan to Bajaj Auto Holdings Ltd.	140	0.5	184	0.8
<b>Fixed income investments</b>	<b>21,735</b>	<b>74.7</b>	<b>14,057</b>	<b>62.3</b>
Equity shares and equity share based mutual funds	7,355	25.3	8,499	37.7
<b>Total cost</b>	<b>29,090</b>	<b>100.0</b>	<b>22,556</b>	<b>100.0</b>
Market Value	29,433		21,235	

## Summarised Cash-flow

The summarised cash flow for the current year is given in Table 16.

**TABLE 16: Summarised cash-flow (Rs. million)**

	Operations	Treasury	Windmill	Total
<b>Profit before tax</b>	<b>6,745</b>	<b>1,176</b>	<b>(34)</b>	<b>7,887</b>
Add: Non-cash charges	–	–	–	–
Depreciation and amortisation	1,456	–	294	1,750
Diminution in value of investments	–	224	–	224
Provision for doubtful advances	16	25	–	41
Less: Prior period expenses	(38)	–	–	(38)
<b>Sub-total</b>	<b>8,179</b>	<b>1,425</b>	<b>260</b>	<b>9,864</b>
<b>Changes in working capital</b>				
Inventories	(289)	–	–	(289)
Debtors	307	–	–	307
Other current assets	(122)	–	(17)	(139)
Loans and advances	(110)	21	1	(88)
Current liabilities	156	(27)	(139)	(10)
Change in cash credit	221	–	–	221
<b>Sub-total</b>	<b>163</b>	<b>(6)</b>	<b>(155)</b>	<b>2</b>
<b>Other inflows</b>				
SICOM benefits	1,411	–	518	1,929
Reduction in loans, ICD's, Income receivable	–	1,065	–	1,065
Repayment of Fixed Deposits	(9)	–	–	(9)
<b>Sub-total</b>	<b>1,402</b>	<b>1,065</b>	<b>518</b>	<b>2,985</b>
<b>Total cash generated</b>	<b>9,744</b>	<b>2,484</b>	<b>623</b>	<b>12,851</b>
<b>Utilised towards</b>				
Fresh investments	–	(7,863)	–	(7,863)
Capital expenditure, technical know-how	(1,024)	–	–	(1,024)
<b>Net cash flows</b>	<b>8,720</b>	<b>(5,379)</b>	<b>623</b>	<b>3,964</b>
Income tax paid	–	–	–	(2,505)
Dividend paid	–	–	–	(1,411)
<b>Change in cash</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>48</b>

## Wind Power Project

A total of 138 windmills were setup during the last three years by Bajaj Auto at Supa (Ahmednagar district of Maharashtra) and Vankusavade (Satara district of Maharashtra). These windmills have an installed capacity of 65.2 MW; and generated 106 million units of power during 2002-03 valued at Rs.301 million.

This project, with a total capital expenditure of Rs.2.94 billion, entitles Bajaj Auto to avail sales tax incentives to the tune of Rs.518 million per year. This benefit will be available for a further period of five years.

## Contingent Liability-Labour Matters

The Supreme Court has admitted, with an order to maintain status-quo, a special leave petition of Bajaj Auto against the orders of the Bombay High Court which granted the status of permanency in employment to temporary workmen of Akurdi and Waluj plants. An application has been filed by the workmen with the Chief Justice of India for an expeditious hearing in the matter, and hearing on the application is awaited. As the matter is sub-judice, no provision in the books has been made on this account. The contingent liability is estimated at Rs.807 million.

## Consolidation of accounts and segment reporting

The Company has consolidated the financial statements of Bajaj Auto Limited, its subsidiaries, associates and joint ventures in accordance with the relevant Accounting standards issued by The Institute of Chartered Accountants of India. The consolidated financials have been prepared for each business segment and they are tabulated in table 17.

**TABLE 17: Segment Revenue and Segment Results (Rs. million)**

Segment Revenue		Segment Results Profit / (loss) from each segment before interest and tax	
Automotive	49,107	Automotive	6,745
Insurance	1,929	Insurance	(70)
Investment and others	1,788	Investment and others	1,284
<b>Total</b>	<b>52,824</b>	<b>Total</b>	<b>7,959</b>
Less: Inter segment revenue	301	Less: Interest	11
<b>Total</b>	<b>52,523</b>	<b>Profit before tax</b>	<b>7,948</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, the company has always worked towards building trust with shareholders, employees, customers, suppliers, and diverse stake-holders 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 2002-03, 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

Recognising the need and importance of having a strong and broad-based board, the company is currently in the process of enhancing the limit on the number of directors on the board from 12 to 15 by amending its articles of association.

### Composition

The board of Bajaj Auto consists of twelve directors, eight of whom are non-executive. Seven out of the eight non-executive directors are independent (see Table 1).

The company now has four whole-time executive directors on the board, inclusive of the chairman & managing director, vice-chairman, joint managing director and one other whole-time director. 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 eight non-executive directors, of

whom seven 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. Nine out of the twelve directors in Bajaj Auto are retiring directors. The board has no institutional directors.

## Board procedures

During the year 2002-03, the board of directors met six times on the following dates: 11 May 2002, 27 July 2002, 14 September 2002, 23 October 2002, 15 January 2003 and 12 March 2003.

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 decided well in advance.

## Attendance record of directors

Table 1 gives the composition of the board and the attendance record of all the directors at the six board meetings held during 2002-03, as well as at the last annual general meeting.

**TABLE 1: Composition of the board and attendance record of directors for 2002-03**

Name of Director	Category	Meetings attended	Whether attended last AGM on 27 July 2002
Rahul Bajaj	Chairman and Managing Director, executive	6	Yes
Madhur Bajaj	Vice Chairman and whole-time director, executive	6	Yes
D S Mulla	Non-executive, independent	6	Yes
Kantikumar R Podar	Non-executive, independent	3	No
Atul C Kirloskar <sup>1</sup>	Non-executive, independent	2	Yes
Shekhar Bajaj	Non-executive	3	Yes
D J Balaji Rao	Non-executive, independent	6	Yes
D S Mehta	Whole-time director, executive	5	Yes
J N Godrej	Non-executive, independent	5	Yes
S H Khan	Non-executive, independent	6	Yes
Rajiv Bajaj <sup>2</sup>	Joint Managing Director, executive	6	Yes
Suman Kirloskar (Ms) <sup>3</sup>	Non-executive, independent	2	N A
Naresh Chandra <sup>4</sup>	Non-executive, independent	1	N A

1 Ceased effective from 23 October 2002

2 Re-designated as Joint Managing Director effective from 12 March 2003 prior to which he was President & Whole-time Director

3 Appointed effective from 23 October 2002

4 Appointed effective from 15 January 2003



## 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, investments 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 and significant

developments in subsidiary companies, (ix) labour matters and human resources issues, (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.

**TABLE 2: Outside directorships/committee positions as on 31 March 2003**

Name of Director	In listed companies	In unlisted public limited companies	As chairman/member of board committees
Rahul Bajaj	3	2	–
Madhur Bajaj	3	5	–
D S Mulla	7	1	7
Kantikumar R Podar	4	–	–
Shekhar Bajaj	3	6	2
D J Balaji Rao	4	–	6
D S Mehta	4	3	8
J N Godrej	3	8	7
S H Khan	2	3	2
Rajiv Bajaj	1	1	–
Suman Kirloskar (Ms)	–	2	–
Naresh Chandra	2	–	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.

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.

## 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 2003, amounted to Rs.19 million and Rs.4 million respectively.
2. Inter-corporate loans amounting to Rs.94 million were extended and/or renewed to Bajaj Electricals Limited during the year under review. The outstanding amount of loan as at 31 March 2003 was Rs.94 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.10 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 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 the following directors:

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

D S Mulla, who was the chairman of the audit committee, ceased to be so on his resigning from the board effective from 31 March 2003. Atul C Kirloskar, who was a member of the audit committee ceased to be so on his resigning from the board effective from 23 October 2002. S H Khan was inducted into the committee with effect from 23 October 2002 and was made the chairman with effect from 1 April 2003. Naresh Chandra was inducted into the committee with effect from 14 May 2003.

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

## Meetings, attendance and topics discussed

During 2002-03, the audit committee met five times - on 11 May 2002, 27 July 2002, 23 October 2002, 15 January 2003 and 12 March 2003. The meetings were scheduled well in advance. In addition to the members of the audit committee, these meetings were attended by the heads of finance and internal audit functions, the statutory auditors and cost auditors of the company and those executives 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, D S Mulla and D J Balaji Rao were present at each of the five meetings. J N Godrej was present at four meetings. S H Khan attended both the meetings held during his tenure as member of the committee, while Atul C Kirloskar attended one out of the two meetings held during his tenure as 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, implementation of the enterprise resource planning (ERP) package, review of investment guidelines, presentation of segment-wise reporting, review of internal control

systems, audit methodology and process, 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 the remuneration committee of the board on 16 January 2002 and the present remuneration committee consists of the following non-executive independent directors:

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

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 15 January 2003 and approved the remuneration payable to D S Mehta, whole-

time director, subject to the approval of the shareholders.

### Remuneration of directors

#### Remuneration of non-executive directors

Non-executive directors were paid a sitting fee of Rs.2,000 for every meeting of the board or committee thereof attended by them until 15 January 2003, after which the sitting fee payable has been enhanced to Rs.5,000 per meeting. Based on their attendance at the board and the committee meetings, the non-executive directors, as per approval of the central government obtained in this regard, which is valid until the financial year 2005-06, can be paid upto an aggregate amount of Rs.2.4 million per year by way of commission on net profits.

#### Remuneration of executive directors

The terms of remuneration of Rahul Bajaj, Madhur Bajaj and Rajiv Bajaj have already been fixed by the board of directors and approved by the shareholders. The terms of remuneration of

D S Mehta, who was re-appointed as a whole-time director with effect from 6 February 2003 for another term of 5 years, were fixed by the board of directors at its meeting held on 15 January 2003, after the approval given by the remuneration committee. D S Mehta's re-appointment and terms of his remuneration are to be approved at the forthcoming general meeting of the company.

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

Bajaj Auto has no stock option plans and hence, 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.

During the year 2002-03, 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 2002-03.

**TABLE 3: Remuneration paid/payable to directors during 2002-03**

Name of Director	Relationship with other Directors	Sitting Fees Rs.	Salary & perquisites Rs.	Commission Rs.	Total Rs.
Rahul Bajaj	5	–	3,455,544	2,400,000	5,855,544
Madhur Bajaj	5	–	2,430,594	2,400,000	4,830,594
D S Mulla	–	38,000	–	260,000	298,000
Kantikumar R Podar	–	9,000	–	60,000	69,000
Atul C Kirloskar <sup>1</sup>	–	6,000	–	60,000	66,000
Shekhar Bajaj	5	6,000	–	60,000	66,000
D J Balaji Rao	–	38,000	–	260,000	298,000
D S Mehta <sup>2</sup>	–	–	1,245,476	–	1,245,476
J N Godrej	–	32,000	–	200,000	232,000
S H Khan	–	27,000	–	180,000	207,000
Rajiv Bajaj	5	–	2,910,244	1,800,000	4,710,244
Suman Kirloskar (Ms) <sup>3</sup>	–	10,000	–	40,000	50,000
Naresh Chandra <sup>4</sup>	–	5,000	–	20,000	25,000

1 Ceased effective from 23 October 2002

2 Re-appointed effective from 6 February 2003

3 Appointed effective from 23 October 2002

4 Appointed effective from 15 January 2003

5 Rahul Bajaj is the father of Rajiv Bajaj and cousin of Madhur Bajaj & Shekhar Bajaj

**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.

Sanjiv Bajaj, son of Rahul Bajaj, was elevated from general manager (corporate finance) to vice president (finance) with effect from 1 April 2001. The revision in his remuneration, which had been approved by the remuneration committee, the board and the shareholders, received the approval of the central government vide their letter dated 24 January 2003.

Accordingly, during the year under review, Sanjiv Bajaj was paid Rs.1,720,928 as salary, including monetary / non-monetary perquisites.

Rajiv Bajaj, son of Rahul Bajaj, president and whole-time director was re-designated as joint managing director with effect from 12 March 2003 with terms of remuneration remaining unchanged from the terms earlier approved by the shareholders.

## 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 SEBI (Insider Trading) Amendment Regulations, 2002, a fresh set of guidelines was issued by the company on the subject to the directors, officers and designated employees of the company. 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

D S Mehta, the whole-time director, was re-appointed by the board of directors for a further term of 5 years effective from 6 February 2003 at the board meeting held on 15 January 2003. His re-appointment as a whole-time director is subject to the approval of the shareholders at the forthcoming annual general meeting.

S H Khan and D J Balaji Rao are retiring by rotation and are eligible for reappointment.

Naresh Chandra was appointed by the board of directors as an additional director with effect from 15 January 2003. He holds office till the date of the

ensuing annual general meeting and his appointment as a director is to be approved in the said meeting.

Nanoo Pamnani was appointed by the board of directors as a director with effect from 14 May 2003 in the casual vacancy arising from the resignation of D S Mulla after working hours of 31 March 2003. He holds office till the date of the ensuing annual general meeting and his appointment as a director is to be approved in the said meeting.

Brief profiles of D S Mehta, S H Khan, D J Balaji Rao, Naresh Chandra and Nanoo Pamnani, along with particulars of their directorships and committee memberships are given in the notice being issued to the shareholders of the ensuing annual general meeting of the company. Shareholders are advised to refer to the same.

The attendance record of the said directors in the board / general meetings during the year under review, is given to the extent applicable, in Table 1.

### Communication to shareholders

Quarterly and half-yearly financial results are published in numerous leading dailies, such as *Hindustan Times*, *Times of India*, *The Economic Times*, *Sakal*, *Kesari*, *Financial Express*, *Hindu-Businessline* and *Business Standard* along with the official press release. In addition, the half-yearly financial results are published in the *Financial Times*, U K. The company also sends the half-yearly financial results, along with a detailed write-up, to each household of shareholders. Bajaj Auto has its own web-site, [www.bajajauto.com](http://www.bajajauto.com) on which the important public domain information, including

presentations made to the media, analysts, 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 web-site. The web-site 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.

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

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

The company further files on the approved website of London Stock Exchange online information on financial statements and other matters as specified by them.

### Shareholders' and investors' grievance committee

The board of directors of Bajaj Auto constituted the shareholders' and investors' grievance committee of the directors in 2000.

The present committee consists of the following members :-

1. D J Balaji Rao, Chairman
2. J N Godrej
3. Naresh Chandra

D S Mulla, who was the chairman of the committee ceased to be so on his resigning from the board effective from 31 March 2003. Naresh Chandra was inducted into the committee with effect from 12 March 2003. D J Balaji Rao was made the chairman of the committee with effect from 1 April 2003.

All members of the committee are independent, non-executive 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 year under review, the committee met on 12 March 2003 to review the status of investors services rendered, with D S Mulla, J N Godrej and D J Balaji Rao being present. The secretarial auditor was also present at the meeting. J Sridhar, company secretary and the compliance officer to look into shareholders' grievances on a day-to-day basis also attended the meeting. 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, secretarial audit 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, chairman & managing director. 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 noted that the company 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:

55 <sup>th</sup> AGM	29 <sup>th</sup> July, 2000	at 12.15 p.m.
56 <sup>th</sup> AGM	28 <sup>th</sup> July, 2001	at 12.15 p.m.
57 <sup>th</sup> AGM	27 <sup>th</sup> July, 2002	at 11.30 a.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 the company.

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 2002-03.



## 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 2002-03. 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 : 26 July 2003  
Time : 11.30 a m  
Venue : Registered office at Mumbai-Pune road,  
Akurdi, Pune 411 035

### Financial calendar

Audited annual results for year ending  
31 March 2003  
- 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 the company has proposed a dividend of Rs.14 per equity share (140 per cent) for the financial year ended 31 March 2003, subject to approval by the shareholders of the company at the annual general meeting.

Dividend paid in the previous year was Rs.14 per equity share (140 per cent), inclusive of a special dividend of Rs.2 per share (20 per cent) on account of the one time premia received from Allianz AG, the company's partner in the two insurance joint ventures.

### Dates of book closure

The register of members and share transfer books of the company will remain closed from Saturday, 12 July, 2003 to Saturday, 26 July 2003, 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 2003:

- 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 11 July 2003 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 11 July 2003.

## Payment of dividend

Dividend will be paid by account payee / non negotiable instruments or through the electronic clearing service (ECS) as notified by the SEBI through the stock exchanges. In view of the major advantages as also the encouraging response received last year, the company proposes to continue to pay dividend upto an amount of Rs.500,000 through ECS, in select cities, this year also. Shareholders are advised to refer to the notice of the annual general meeting for details of action required to be taken by them in this regard. For additional details or clarifications, the shareholders may get in touch with the company.

## 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 Building, 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

The company has no external registrar or share transfer agent. All work relating to physical transfer, transmission, splitting of share certificates, dematerialisation and rematerialisation processing, payment of dividend, etc. is done in-house at the registered office of the company. The company 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 2002-03 was 12,745,203 - compared to 1,956,944 shares during 2001-02. Of these, 115,698 shares were directly dematerialised against receipt of option forms.

## Dematerialisation of shares

During 2002-03, 1,621,728 shares (including the shares dematerialised under the scheme of 'Transfer-cum-demat') were dematerialised - compared to 5,286,162 shares during 2001-02. The distribution of shares in physical and electronic mode as on 31 March 2003 and 31 March 2002 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 2003, 5,072,399 GDRs were outstanding, and represented an equal number of underlying equity shares. Of these, 4,319,511 shares were held in electronic form, and 752,888 were in physical form.

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

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

Categories	Position as on 31 March 2003		Position as on 31 March 2002		Dematerialisation done during 2002-03	
	No. of shares	% to total shareholding	No. of shares	% to total shareholding	No. of shares	% to total shareholding
Physical	54,295,028	53.66	55,916,756	55.26	1,621,728	1.60
Demat:						
NSDL	45,275,882	44.75	44,365,716	43.85	910,166	0.90
CDSL	1,612,600	1.59	901,038	0.89	711,562	0.70
Sub-Total	46,888,482	46.34	45,266,754	44.74	1,621,728	1.60
<b>Total</b>	<b>101,183,510</b>	<b>100.00</b>	<b>101,183,510</b>	<b>100.00</b>	-	-

companies. SEBI registered brokers can 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	500490
2. National Stock Exchange	BAJAJAUTO
3. Reuters	BJAT.BO
4. Bloomberg	BJA.IN
5. ISIN	INE118A01012

### Voluntary delisting on stock exchanges

Securities & Exchange Board of India (SEBI) has recently come out with the guidelines on delisting of securities. Pursuant to the guidelines, the board has decided, subject to necessary approvals to delist the company's equity shares from Pune Stock Exchange and Delhi Stock Exchange, since there is negligible or no trading of shares on these exchanges.

### 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	1st 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.

## Market price data

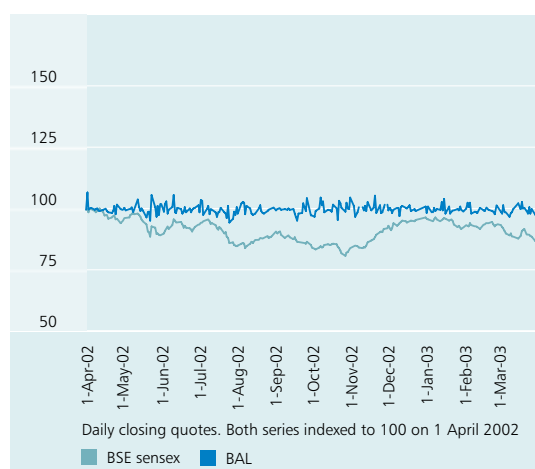
Table 2 gives the monthly highs and lows of Bajaj Auto's shares on the Bombay Stock Exchange (BSE), the National Stock Exchange (NSE) and for the GDRs, on the London Stock Exchange.

**TABLE 2: Monthly highs and lows of Bajaj Auto shares in 2002-03 (Rs.)**

Month	BSE		NSE		LONDON SE (GDRs)	
	High	Low	High	Low	High	Low
Apr-02	514.65	465.00	515.00	460.00	541.28	475.99
May-02	522.00	457.00	523.00	458.25	541.33	451.30
Jun-02	537.00	477.15	538.00	475.00	518.97	477.82
Jul-02	565.00	414.75	555.00	410.00	523.51	408.72
Aug-02	465.95	408.50	466.95	402.75	447.07	409.67
Sep-02	425.10	367.00	425.00	366.25	423.93	377.48
Oct-02	435.00	360.70	435.50	360.80	418.22	369.93
Nov-02	489.90	424.95	561.50	401.85	473.24	411.77
Dec-02	510.00	460.75	565.00	460.00	508.48	469.92
Jan-03	538.25	470.00	538.40	415.45	534.41	503.68
Feb-03	554.00	499.55	554.40	499.05	543.66	514.89
Mar-03	521.00	466.10	540.00	466.35	517.02	473.96

Chart A depicts the comparable movements of Bajaj auto's shares against the BSE sensx, during the year ended 31 March 2003.

**CHART A: Bajaj Auto versus BSE sensx, 2002-03**



## Distribution of shareholdings

Table 3 gives details about the pattern of shareholdings among various categories as on 31 March 2003, while Table 4 gives the data according to size classes.

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

Categories	31 March, 2003		31 March, 2002	
	No. of shares	% to total capital	No. of shares	% to total capital
Promoters and persons acting in concert	29,517,706	29.17	28,926,682	28.59
Friends and associates of promoters	17,495,992	17.29	17,680,314	17.47
GDRs*	5,072,399	5.01	4,702,378	4.65
Foreign Institutional Investors	12,569,211	12.42	13,840,873	13.68
Public Financial Institutions	4,069,074	4.02	5,146,583	5.09
Mutual funds	4,377,770	4.33	2,464,060	2.44
Nationalised and other banks	303,714	0.30	629,045	0.62
NRIs and OCBs	452,483	0.45	459,180	0.45
Other	27,325,161	27.01	27,334,395	27.01
<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.

**TABLE 4: Distribution of shareholding according to size class as on 31 March 2003**

No. of shares	Number of shareholders		Shares held in each class	
	Number	%	Number	%
Upto 100	15,029	49.91	754,757	0.75
101 to 200	4,860	16.14	748,034	0.74
201 to 500	4,329	14.38	1,429,748	1.41
501 to 1,000	2,054	6.82	1,464,788	1.45
1,001 to 5,000	2,581	8.57	5,718,457	5.65
5,001 to 10,000	504	1.67	3,509,105	3.47
10,001 to 100,000	602	2.00	17,872,043	17.66
100,001 and above	152	0.51	69,686,578	68.87
<b>Total</b>	<b>30,111</b>	<b>100.00</b>	<b>101,183,510</b>	<b>100.00</b>

## Shareholders' and investors' grievances

The board of directors of Bajaj Auto has 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 year under review, two letters were received from SEBI concerning eight complaints filed by the shareholders on various matters. In respect of each of these complaints, which were found to be repetitive, replies have already been filed with SEBI in the prescribed format and no action remains to be taken from the company's end. 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.

## Plant locations

Bajaj Auto has plants located at the following places:

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

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

**BAJAJ AUTO-HIGHLIGHTS**

Rs. million

	2002-03	2001-02	2000-01	1999-00	1998-99
<b>INCOME</b>					
Sales and Other Income	50,705	44,027	39,639	42,156	39,072
Gross Profit after Interest but before Depreciation and Tax	9,598	7,675	5,468	9,705	8,912
Profit for the year	5,384	5,211	2,626	6,137	5,405
Dividends & Corporate Dividend Tax	1,598	1,417	892	1,325	1,060
<b>ASSETS EMPLOYED</b>					
Net Fixed Assets	12,982	13,683	13,623	11,143	9,218
Technical Know-how	107	128	160	4	7
Investments	27,299	19,661	11,846	19,524	14,591
Net Working Capital	2,144	3,353	5,873	6,327	6,698
<b>Total</b>	<b>42,532</b>	<b>36,825</b>	<b>31,502</b>	<b>36,998</b>	<b>30,514</b>
<b>FINANCED BY</b>					
<b>A. Borrowed Funds</b>					
i Cash Credit & Commercial Paper	539	318	560	1,016	411
ii Sales Tax Deferral	7,819	5,890	4,516	3,864	2,996
iii Others	1,768	1,959	61	77	90
<b>Total</b>	<b>10,126</b>	<b>8,167</b>	<b>5,137</b>	<b>4,957</b>	<b>3,497</b>
<b>B. Shareholders' Funds</b>					
i Share Capital	1,012	1,012	1,012	1,194	1,194
ii Reserves	31,394	27,646	25,353	30,847	25,823
<b>Total</b>	<b>32,406</b>	<b>28,658</b>	<b>26,365</b>	<b>32,041</b>	<b>27,017</b>
<b>OTHERS</b>					
Gross Fixed Assets	26,262	25,401	24,902	21,216	18,023
Contribution to Country's Exchequer	8,220	6,185	7,191	7,403	7,538
Exports	3,529	1,596	1,351	1,378	1,584
Employee Cost	2,838	2,379	2,444	2,356	2,309



## BAJAJ AUTO-HIGHLIGHTS (contd.)

		2002-03	2001-02	2000-01	1999-00	1998-99
<b>SALES</b>						
Two-Wheelers	Nos.	1,251,914	1,198,296	1,053,901	1,240,621	1,242,049
Three-Wheelers	Nos.	193,859	160,684	155,177	171,977	181,452
<b>EMPLOYEES</b>	Nos.	12,338	13,482	13,819	17,213	18,585
<b>EQUITY SHARE DATA</b>						
Sales & Other Income per equity share	Rs.	501	435	356#	353	327
Earning per equity share	Rs.	53	51	22#	53	46
Cash earnings per equity share	Rs.	70	69	38#	65	57
Book value of equity share	Rs.	320	283	261	268	226
Market price: Mumbai Stock Exchange						
(a) High	Rs.	565	505	392	650	690
(b) Low	Rs.	361	208	221	257	483
Dividend	%	140	140	80	100	80
Dividend Cover (Including Corporate Dividend Tax)	Times	3.4	3.7	2.8	4.8	5.2
<b>RATIOS</b>						
$\frac{\text{Gross Profit}}{\text{Sales and Other Income}}$	%	18.93	17.43	13.79	23.02	22.81
$\frac{\text{Profit for the year}}{\text{Net Worth}}$	%	16.61	18.18	9.96	19.15	20.01
$\frac{\text{Net Worth}}{\text{Total Assets}}$	%	52	54	57	59	59
$\frac{\text{Long Term Debt}}{\text{Net Worth}}$	Times	0.24	0.21	0.17	0.12	0.11
Earning before Interest, Taxation, Depreciation and Amortisation	%	19.0	16.8	9.8	18.2	20.9
Pre-tax return on operating capital employed	%	60	41	14	34	44

# On weighted average equity capital

## Directors' Report

### Introduction

The directors present their 58<sup>th</sup> annual report and the audited statements of accounts for the year ended 31 March 2003.

The directors are pleased to inform that in spite of a very competitive market, the company has posted a good performance during the year under review. Total sale of two and three-wheelers, boosted by a major spurt in exports, went up from 1.359 million during the previous year to 1.446 million in the year under review, thereby showing an overall growth of 6.4 per cent. This

translates into a growth of 15 per cent in value.

There was a substantial improvement in the sale of motorcycles during the year under review to 868,138, a 32 per cent growth over the previous year. This compares well with the 31 per cent growth in the total market for motorcycles. Sale of geared and ungeared scooters as well as step-thru vehicles fell sharply. However, the sale of three-wheelers grew significantly to 193,859 i.e. by almost 21 per cent, compared to the previous year.

## Operations

Sales	2002-2003 (Nos.)	2001-2002 (Nos.)
Motorcycle	868,138	656,018
Geared scooter	268,656	407,670
Ungeared scooter	60,757	66,603
Step-thru	54,363	68,005
Two wheeler (sub-total)	1,251,914	1,198,296
Three wheeler	193,859	160,684
<b>Total</b>	<b>1,445,773</b>	<b>1,358,980</b>
Of the above, exports were		
Two wheelers	53,366	29,692
Three wheelers	40,875	14,619
<b>Total</b>	<b>94,241</b>	<b>44,311</b>

## Financial Results

	2002-2003 Rs. million	2001-2002 Rs. million
Sales & other income	50,705	44,027
Gross profit before interest & depreciation	9,609	7,709
Interest	11	34
Profit before depreciation	9,598	7,675
Depreciation	1,712	1,797
Extraordinary item of income- Premium on Insurance Ventures	-	1,170
Profit before taxation	7,886	7,048
Provision for taxation	2,502	1,837
Profit after tax provision	5,384	5,211
Disposable surplus after adjustments for earlier years	5,346	5,182
Proposed dividend (inclusive of dividend tax)	1,598	1,417
Balance carried to general reserve	3,748	3,765
Earnings per share (Rs.)	52.84	51.21

Operating margins went up to 19 per cent during the year under review, as compared to 16.8 per cent in the previous year. This was achieved mainly on account of a better product-mix, higher export volumes and a series of initiatives taken to reduce

cost and raise productivity by total productive maintenance (TPM), value engineering, vendor rationalisation 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) for the year ended 31 March 2003. The amount of dividend and the tax thereon aggregates to Rs.1,598 million.

Dividend paid for the year ended 31 March 2002 was Rs.14 per share (140 per cent), inclusive of a special dividend of Rs.2 per share (20 per cent) paid on account of the one-time premia received from Allianz AG, Germany, the company's partner in the two insurance joint ventures.

## Research & development and technology absorption

The company's 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 embarked on a major project to upgrade its R&D facilities including two totally new design and test centres. This facility is under completion and is slated to be in operation in the beginning of the current financial year. The company has also hired international consultants in the area of design, metallurgy and process improvements, to support its development efforts.

Major initiatives taken during the year under review were the following:

- The company has, through internal efforts, designed and launched a sub 100 cc motorcycle, the "BYK", for the entry level market. With its high fuel efficiency and smart looks, the product has attracted many customers.
- The company also launched Caliber 115 motorcycle (popularly called "Hoodibabaa"), which has received a good response in the market due to its superior performance in both power and fuel efficiency.
- The company has upgraded the Boxer series with various new vehicle features. The Boxer CT/AR series has a newly developed K Tech engine which is popular among the customers.
- The company has designed and developed a 125 cc motorcycle in collaboration with Kawasaki Heavy Industries Ltd. The product which has been designed keeping in view the needs of the global market is also expected to do well in the domestic market. The development activities are completed and the pre-mass production trials are in the final stages. The vehicle will be launched in the second quarter of the current financial year.
- The company has launched a diesel rear engine goods carrier GC1000 in March 2003. Also, after successful implementation of CNG autorickshaw, the company has developed RE 4S LPG vehicle and its production commenced in March 2003.

- The company has met each of the schedules stipulated for complying with different regulations of emission and Central Motor Vehicles Rules in all its products.

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

	2002-2003 Rs. million	2001-2002 Rs. million
i Capital (including technical knowhow)	99.9	36.3
ii Recurring	322.5	337.8
iii Total research and development expenditure as a percentage of total sales, net of excise duty	1.02	1.04

### Conservation of energy

One of the major steps taken by the company in the area of energy was through the commissioning of a wind power project with an installed capacity of 65.2 MW in the recent years between 2000 and 2002. 106 million units of power of the value of Rs.301 million generated during the year under review by 138 wind turbine generators (WTG) were captively consumed during the year.

The cumulative capital investment made by the company in wind power project is Rs.2.94 billion.

As a part of constant efforts to conserve energy and natural resources, following steps were taken during the year under review:

Conservation of electrical energy was achieved by

- Installation of precise temperature controllers for AC plants in different areas.
- Installation of variable frequency drives [VFD]

for large capacity pumps and air handling units at the paint shops.

- Installation of additional automatic power factor correction [APFC] units.
- Provision of stabilised & reduced voltage supply to identified areas such as street lights, assembly conveyors, paint booth lights etc.
- Installation of automatic cut off switches for compressed air supply of gauging systems of machines.
- Installation of electronic ballasts in various shops.
- Stopping of idle running of motors of hydraulic & coolant pumps, blowers, fans, presses etc. by installing programmable timers in various shops.
- Modification of electrically heated LPG vaporisers into heat-less vaporisers.

Saving in water consumption during the year under review was achieved by:

- Reuse of treated water from effluent plant.
- Implementing rain water harvesting for gardening purposes and working on zero discharge principle.
- Increasing awareness amongst employees for conserving water.

Saving in consumption of fuel was achieved by way of energy audit & close monitoring at different user locations as also by application of heat insulating paint inside the ovens in the heat treatment & paint shops.

In addition to investments made for wind power projects, investment to the tune of Rs.5.8 million was made to reduce energy and water consumption in items such as:

- Installation of VFDs to reduce consumption of blowers.
- Installation of precise temperature controllers for AC plants.
- Installation of APFC units, additional capacitor banks for better power factor and better quality power.
- Installation of Compact Fluorescent Lamps and electronic ballast's, timers etc.
- Heat insulating paint for paint shop ovens.
- Rain water harvesting and use of water from natural sources.
- Modification of electrically operated LPG vaporisers into heat-less vaporisers.

### Impact of measures taken

Due to measures taken to conserve electrical energy, there was an overall reduction of 3 per cent in electric units in average power consumption per vehicle.

Due to continuous efforts in reducing water consumption, there was an overall 11 per cent reduction in total water consumption, in spite of an overall increase of 6.16 per cent in vehicle production during the year.

By adopting appropriate control measures and more effective utilisation of the equipment, there

was an overall 14 per cent reduction in consumption of LPG and 17 per cent reduction in consumption of light diesel oil.

Saving effected in the three plants by way of various steps taken during the year under review is estimated at Rs.28.5 million.

### Foreign exchange earning & outgo

The company's exports during the year under review, which more than doubled as compared to the previous year, went up from Rs.1,596 million to Rs.3,529 million. Exports during this year consisted of 94,241 two and three-wheelers as against 44,311 two and three-wheelers during the previous year, representing a growth of 113 per cent.

The company has become India's leading exporter of motorcycles. The company achieved the highest ever annual export of 43,218 motorcycles, a growth of 173 per cent over the previous year's exports of 15,811 units. The growth in exports of two wheelers during the year was 80 per cent.

The export of three wheelers has also witnessed a steep rise, helping the company to maintain its numero uno position in the segment. The total of three-wheeler exports during the year was 40,875 units, a growth of 180 per cent over the previous year's total of 14,619 units.

The company opened an office in Dubai, UAE in January 2003 to create business opportunities which arise in the region from time to time. The Dubai operations are expected to help monitor market developments in the region more closely, and help in increasing sales, particularly in Iran and Egypt.

The total foreign exchange earned by the company during the year under review was Rs.3,580 million as against Rs.1,623 million during the last year.

The total foreign exchange outflow during the year under review was Rs.1,444 million towards import of raw materials, components, machinery spares, capital equipment and other expenditure as against Rs.1,796 million during the previous 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 submitted its charter of demands and the company has given its charter of expectations to the Union. After several rounds of discussions, settlement has not been reached so far, mainly on account of differences in perception regarding productivity. The union has preferred the matter before the Additional Commissioner of Labour, Pune on 21 March 2003 as an industrial dispute. The matter is being heard, but negotiations also continue.

The company announced and operated during the year under review, voluntary retirement schemes for staff and workmen. The schemes were availed of in all by 562 staff members and 544 workmen.

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 Supreme Court has admitted, with an order to maintain status quo, special leave petitions filed by the company against the orders of the Bombay High Court, which had granted the status of permanency in employment to the temporary workmen of Akurdi and Waluj plants. An application has been filed by the workmen with the Chief Justice of India requesting for an expeditious hearing in the matter and the hearing on the application is awaited.
- The company has filed a writ petition before the Bombay High Court against the notification of Government of Maharashtra issued on 23 August 2002, prohibiting the contract labour system in house keeping and canteen. The petition has been admitted and stay granted.

### Developments in information technology applications

The company's programme of upgrading its IT systems through 'my SAP' an Enterprise Resource Planning (ERP) package at an overall project cost of Rs.300 million, is progressing as per schedule.

Implementation has so far been done as follows :

- Sales & distribution and supporting finance function on 1 July 2002.
- Manufacturing, procurement, engineering change management and supporting finance functions in Chakan plant on 2 December 2002.
- Manufacturing, procurement, engineering change management, HRD and complete

finance in Akurdi and Waluj plants on 1 April 2003.

### Joint ventures & associate companies

**Bajaj Allianz General Insurance Company Ltd.**, a joint venture between Bajaj Auto (74 per cent) and Allianz AG (26 per cent) completed its first full year of operations in the year under review and continued to retain its position as the largest non-life insurance company in the private sector. The gross premium written for the financial year rose by over 100 per cent from Rs.1.42 billion in the previous year to Rs.3.0 billion in the year under review. The company at present has a product range of 40 products and also tailors products to suit specific customer needs. The company has also written some innovative insurance products in the year like insurance for film making, Amarnath Yatris etc.

The company has achieved a good geographical spread with 37 offices in 36 cities and has a staff strength of about 400 as on 31 March 2003 comprising a good mix of both skilled technical staff from the industry as well as fresh youngsters from outside the industry.

The company hopes to further consolidate its position in the current year through a few new branches and expansion in the business of the existing branches.

**Allianz Bajaj Life Insurance Company Ltd.**, a joint venture between Bajaj Auto (74 per cent) and Allianz AG (26 per cent) completed its first full year of operations during the year under review. During this period, the company issued more than 115,000 policies with a gross premium of

Rs.691.7 million. The network of the company was increased by opening new branch offices during the year under review. As of now, the company has presence in 33 cities. During the year under review, the company launched two new products i.e a Child Care Plan and an investment related product called "InvestGain". The responses to both these products have been positive. Due to the general decline in interest rates, the pricing of company's single premium products was revised twice during the year. Additional funds by way of capital and premium of Rs.493.7 million were infused to fund the growth plans of the company. The company has been adopting a multi distribution channel strategy for selling its various life insurance products. The field agency force has been the most dominating of all existing distribution channels contributing nearly 90 per cent of the total business. The company has been able to build up a large agency force across the country. The company currently has a sales force of above 9,500 productive insurance care consultants.

**Maharashtra Scooters Ltd. (MSL)**, a company, jointly promoted to manufacture and sell scooters, by Bajaj Auto together with Western Maharashtra Development Corporation Ltd. (WMDC) in the year 1975, had performed creditably for about 25 years with consistent growth in profits and sales. However, during the last couple of years, its profits have declined substantially due to the steep fall in the demand for geared scooters. WMDC is now considering to sell its 27 per cent holding in MSL and Bajaj Auto has confirmed its willingness to purchase the said shares. The price at which the shares are to be sold is, however, not yet determined. A high level committee under the chairmanship of the chief secretary to the government of Maharashtra has been constituted

vide notification of the government of Maharashtra dated 15 January 2003 to determine the offer price in respect of shares held by WMDC in MSL. The matter is in progress.

## Rural and community development activities and empowerment of women

The company, through Jankidevi Bajaj Gram Vikas Sanstha, (JBGVS) continued with the integrated development of 23 villages in Pune district and 3 in Aurangabad district with the primary objective of improving the quality of life of the rural poor.

The following are the highlights of the activities undertaken during the year under review:

- **Health Care:** 16 rural women were selected and trained as "barefoot doctors" to take care of health in their villages, especially mother and child care. Mobile clinics were organised in the remote villages.
- **Empowerment of women:** 1800 women formed 94 self help groups and saved Rs.1.5 million, most of which was utilised to give loans for income generation. An organisation named "DISHA" was sponsored by JBGVS along with VANRAI and Rotary Club of Poona North, to provide micro credit loans to poor women for income generation.
- **Sanitation:** An UNICEF project was undertaken for training 3,100 children in 71 primary schools in improving personal and environmental sanitation in their villages. The children are now acting as "messengers" for spreading the word in their villages.



- **Literacy:** Literacy classes are being run in 3 villages for achieving 100 per cent adult literacy.
- **Dairy project:** Under a dairy project, sponsored by CAPART, 50 farmers were each given a cross bred cow with a cowshed. Veterinary cover and training were also provided.
- **Watershed development:** Projects have been sanctioned by CAPART and Zilla Parishad, Pune for watershed development in 7 and 10 watersheds respectively. The two projects costing Rs.37.4 million approximately are to be completed in the next four years.

## Delisting of shares

Securities & Exchange Board of India (SEBI) has recently come out with the guidelines on delisting of securities. Pursuant to the guidelines, the board has decided, subject to necessary approvals, to delist the company's equity shares from Pune stock exchange and Delhi stock exchange, since there is negligible or no trading of shares on these exchanges for a considerable length of time. A resolution for this purpose is proposed for shareholders' approval in the ensuing annual general meeting.

## Directors

D S Mehta, whole-time director has been re-appointed by the board for another 5 year tenure commencing from 6 February 2003. A resolution for his appointment and remuneration is proposed for shareholders' approval in the ensuing annual general meeting.

Rajiv Bajaj, whole-time director was re-designated by the board as Joint Managing Director with effect from 12 March 2003 with all other terms of appointment and remuneration remaining unchanged.

Atul C Kirloskar, director for over 15 years, resigned from the board with effect from 23 October 2002. In the casual vacancy caused by his resignation, Smt Suman Kirloskar has been appointed a director with effect from 23 October 2002 and as such, she is liable to retire on the date on which Atul C Kirloskar would have been due to retire by rotation.

The board of directors appointed Naresh Chandra as an additional director with effect from 15 January 2003. He holds office till the date of ensuing annual general meeting and is to be appointed a director in that meeting.

D S Mulla, director for over 32 years, resigned from the board with effect from 31 March 2003. In the casual vacancy caused by his resignation, Nanoo Pamnani has been appointed a director with effect from 14 May 2003 and as such, holds office till the date of the ensuing annual general meeting at which D S Mulla would have been due to retire by rotation and is to be appointed a director in that meeting.

The board places on record its sincere appreciation of the valuable services rendered by D S Mulla and Atul C Kirloskar to the company during their long tenure as directors of the company.

S H Khan and D J Balaji Rao retire from the board by rotation and being eligible offer themselves for re-appointment.

As per the current provisions of the articles of association of the company, the number of directors on the board shall not be more than 12 and the company has at present 12 directors on the board. In order to enable the company to have a stronger and broad-based board, the board has decided to increase the present limit to 15, subject to the approvals of the shareholders and the central government as may be applicable. A resolution for this purpose is proposed for shareholders' approval in the ensuing annual general meeting.

### 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.

### Consolidated financial statement

The directors also present the consolidated financial statement, 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 provisions of the listing agreement.

### Statutory disclosures

The company has made an application to the central government for exemption from complying with the provisions of section 212 (1) of the Companies Act, 1956 with regard to attaching of the balance sheet, profit and loss account and other documents of the subsidiaries and approval from the central government is awaited. The accounts of the subsidiary companies will be made available to the members upon receipt of request from them.

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 2002-03 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 31 March 2003 and 2002 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

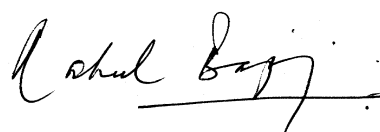
The observations made in the auditors' report, read together with the relevant notes thereon are self-explanatory and hence, do not call for any comments under section 217 of the Companies Act, 1956.

### 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 2004. 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



14 May 2003

Chairman

## Annexure 1

Information as per section 217(2A)(b)(ii) read with the Companies (particulars of employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31 March 2003

Sr. Name No.	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	4,767,260	B Com, MBA	50	23	21-06-1986	Bajaj International Pvt Ltd. Chief Executive
2	Bajaj Rahul	Chairman and Managing Director	5,742,210	B A (Hons), LLB, MBA (Harvard)	65	43	01-04-1970 Stationed as Director-Managing Agents at Pune From 01-01-1965	Bajaj Tempo Ltd. Dy. General Manager
3	Bajaj Rajiv	Joint Managing Director	4,365,934	B E (Mech), M Sc (M S E)	36	12	19-12-1990	– –
4	Govind R V	General Manager (Product Engg.- 2 Wheelers)	2,408,562	B Tech (Mech)	47	26	25-08-2000	Kinetic Engg. Ltd. General Manager
5	Gupta Ranjit	Vice President (Insurance)	4,078,376	Inter Sc, MIME, AMIPE, FIEE	60	37	19-03-1988	Maruti Udyog Ltd. General Manager
6	Hingorani N H	Vice President (Materials)	3,720,139	B E (Mech)	54	31	01-03-1997	LML Ltd. Executive Director (Commercial)
7	Laddha G B	General Manager (Finance)	3,133,048	B Com, AICWA	59	39	18-08-1969	Bajaj Tempo Ltd. Costing Officer
8	Menon P B	Vice President (Projects)	4,313,062	B Sc (Mech. Engg.), M E (Mech)	58	26	12-07-2000	Apollo Tyres Ltd. Head-Limda Plant
9	Ravichandran R L	Vice President (Business Dev. & Marketing)	4,279,145	B Com, PGDBM	53	33	27-01-1998	TVS-Suzuki Ltd. Vice President (Mktg. & Sales)
10	Sridhar S	General Manager (Sales-2 Wheelers)	2,455,856	B E (Agril. Engg.)	41	17	21-03-2001	TVS-Suzuki Ltd. General Manager(Sales)
11	Tripathi C P	Vice President (Operations)	4,195,840	B Sc, B Tech, DIIP	61	37	22-01-1996	Escorts Ltd. Chief General Manager (Mktg and Proj)
<b>(B) Employed for part of the financial year</b>								
*1	Bhargava R S	Dy. General Manager (Quality)	635,048	B E (Mech) PGDIEM	61	37	22-06-1986	Mahindra Owen Ltd. Manager Planning
*2	Gupta R S	General Manager (Plant 1)	953,852	B E (Mech)	61	39	02-11-1989	Telco, Jamshedpur Dy. Divn. Manager
*3	Sharma M L	Dy. General Manager (Corporate Personnel)	604,543	B Com, M A, LLB	67	46	12-04-1962	Indian Oxygen Ltd. Accounts Clerk

\*These employees have left the service

### 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. Appointment of Rajiv Bajaj is for a period of five years with effect from 5 March 2002.
- The services of all the above employees, who were on the rolls of the company as on 31 March 2003, 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 Rajiv Bajaj (Sr. No. 3 under 'A') who is son of Rahul Bajaj (Sr. No. 2 under 'A'), chairman and managing director of the company.

## Annexure 2

### Auditors' Certificate on Corporate Governance

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To the members of  
**Bajaj Auto Limited**

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, 2003.

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.

The compliance of conditions of corporate governance is the responsibility of the management. 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.

On the basis of the records maintained by the " Shareholders/Investors Grievance Committee " of the company and representation made to us by the management on our inquiries , we state that, there were no investor grievances pending against the company for a period exceeding one month.

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  
Membership No.40451  
Mumbai:  
14<sup>th</sup> May, 2003

## 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, 2003, the Profit and Loss Account annexed thereto and also the Cash Flow Statement of the Company for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our Audit.

- (1) We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any 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 2 above, we report that:
  - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the Books of the Company;
  - (c) The Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by the report are in agreement with the Books of Account of the Company;
  - (d) In our opinion, the Balance Sheet, the Profit and Loss Account and Cash Flow Statement dealt with

by this report comply with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956, to the extent applicable.

- (e) On the basis of the written representations received from the Directors as on 31<sup>st</sup>. March, 2003, and taken on record by the Board of Directors and the information and explanations given to us, we report that none of the Directors is disqualified as on 31<sup>st</sup>. March, 2003 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, subject to the manner of disclosure of Investments pending approval of the Department of Company Affairs, Ministry of Finance as detailed in Note No.11a, and 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, 2003,
  - (ii) In the case of the Profit and Loss Account, of the Profit for the year ended on that date, and
  - (iii) In the case of the Cash Flow statement, of the cash flows of the company for the year ended on that date.

For and on behalf of  
DALAL & SHAH  
Chartered Accountants

MUMBAI: 14<sup>th</sup> May, 2003.

ANISH AMIN  
Partner  
Membership No. 40451

## 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,2003.

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 Company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. 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. 184 Million was outstanding as on 1<sup>st</sup> April,2002 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. 82 Million has been given during the year, total loans of Rs.126 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

#### ANNEXURE TO THE AUDITORS' REPORT (Contd.) :

- 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;
- 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 checks and controls 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;



**ANNEXURE TO THE AUDITORS' REPORT (Contd.) :**

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- 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 cases 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

MUMBAI : 14<sup>th</sup> May, 2003.

ANISH AMIN  
Partner  
Membership No. 40451

## Balance Sheet as at 31 March

		2003		2002
	Schedule	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	31,394,221,364		27,645,939,801
			32,406,056,464	28,657,774,901
2. Deferred Tax Adjustments [See note 16 ]				
a) Deferred Tax Liabilities		2,404,729,407		2,360,542,635
b) Deferred Tax Assets		(680,621,488)		(454,808,999)
			1,724,107,919	1,905,733,636
3. Loan Funds				
a) Secured Loans	3	539,117,444		318,335,238
b) Unsecured Loans	4	7,863,146,692		5,942,654,402
			8,402,264,136	6,260,989,640
	<b>Total</b>		<b>42,532,428,519</b>	<b>36,824,498,177</b>
<b>II. Application of Funds</b>				
1. Fixed Assets				
a) Gross Block		26,221,886,556		25,361,345,023
b) Less: Depreciation		13,454,682,286		11,892,929,498
c) Net Block	5	12,767,204,270		13,468,415,525
d) Lease Adjustment Account- Plant and Machinery		175,000,000		175,000,000
		12,942,204,270		13,643,415,525
e) Capital Work in progress, expenditure to date (including Machinery in transit Rs. Nil [ Previous Year Rs.79,950] )		40,061,870		39,587,423
			12,982,266,140	13,683,002,948
2. Technical Know-how	6		106,818,641	128,017,678
3. Investments	7		27,298,942,317	19,660,660,351
4. Current Assets, Loans and Advances				
a) Inventories		2,079,812,310		1,790,979,026
b) Sundry Debtors		1,670,399,578		1,981,655,342
c) Cash and Bank Balances		300,255,201		252,009,887
d) Other Current Assets		594,449,458		553,152,557
e) Loans and Advances		16,906,387,049		15,320,342,046
		21,551,303,596		19,898,138,858
Less: Current Liabilities and Provisions				
a) Liabilities	9	4,549,035,114		4,549,352,518
b) Provisions		14,857,867,061		11,995,969,140
		19,406,902,175		16,545,321,658
Net Current Assets			2,144,401,421	3,352,817,200
	<b>Total</b>		<b>42,532,428,519</b>	<b>36,824,498,177</b>
Notes forming part of the Accounts	14			

As per our attached report of even date

For and on behalf of Dalal and Shah  
Chartered Accountants

Anish Amin  
Partner

J. Sridhar  
Company Secretary

Mumbai : 14 May 2003

Rahul Bajaj

Chairman & Managing Director

Madhur Bajaj  
D.S. Mehta

Kantikumar R. Podar  
Shekhar Bajaj

D. J. Balaji Rao  
S.H. Khan

J.N. Godrej  
Rajiv Bajaj

Suman Kirloskar (Ms)  
Naresh Chandra  
Nanoo Pamnani

Directors

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

		2003	2002
	Schedule	Rupees	Rupees
<b>Income</b>			
Sales including Excise Duty		47,443,447,856	41,256,009,231
Wind power generated, captively consumed		301,333,504	211,453,394
Other Income	10	2,959,921,640	2,559,521,820
		<u>50,704,703,000</u>	<u>44,026,984,445</u>
<b>Expenditure</b>			
Materials	11	26,883,082,398	23,643,750,139
Excise Duty		5,891,673,447	5,255,879,308
Other Expenses	12	8,526,108,267	7,651,024,857
Interest	13	11,177,987	33,817,261
Depreciation		1,711,565,431	1,796,957,082
		<u>43,023,607,530</u>	<u>38,381,428,647</u>
Less : Expenses, included in above items, capitalised		205,100,165	232,126,886
		<u>42,818,507,365</u>	<u>38,149,301,761</u>
Profit for the year before extra ordinary item of income and taxation		7,886,195,635	5,877,682,684
Extraordinary Item of Income			
Premium on Insurance venture		—	1,170,000,000
Profit before Provision for Taxation		<u>7,886,195,635</u>	<u>7,047,682,684</u>
Taxation			
Current Tax [ including Rs.3,600,000 for Wealth tax (previous year Rs. 3,600,000 )]		2,683,600,000	1,403,600,000
Deferred Tax [See note 16]		(181,625,717)	433,195,315
		<u>2,501,974,283</u>	<u>1,836,795,315</u>
Profit for the year		5,384,221,352	5,210,887,369
Prior Period adjustments			
Expenses		37,836,239	29,302,863
Taxation		36,489	—
		<u>5,346,348,624</u>	<u>5,181,584,506</u>
Transfer to General Reserve		3,748,281,563	3,765,015,366
Proposed Dividend		1,416,569,140	1,416,569,140
Corporate Dividend Tax thereon		181,497,921	—
Balance Carried to Balance Sheet		—	—
Notes forming part of the Accounts	14		
Net Profit		<u>5,346,348,624</u>	<u>5,181,584,506</u>
Weighted average number of Shares		101,183,510	101,183,510
Basic and diluted Earnings Per Share (Rs)		52.84	51.21

As per our attached report of even date

For and on behalf of Dalal and Shah  
Chartered Accountants

Anish Amin  
Partner

J. Sridhar  
Company Secretary

Mumbai : 14 May 2003

Rahul Bajaj

Chairman & Managing Director

Madhur Bajaj  
D.S. Mehta  
Kantikumar R. Podar  
Shekhar Bajaj  
D. J. Balaji Rao  
S.H. Khan  
J.N. Godrej  
Rajiv Bajaj  
Suman Kirloskar (Ms)  
Naresh Chandra  
Nanoo Pamnani

Directors

## Schedules No 1-14

annexed to and forming part of the Balance Sheet as at and the Profit and Loss Account for the year ended 31 March 2003

### Schedule 1 - Share Capital

	As at 31 March 2002	
	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>		
* 101,183,510 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 Equity 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 ] excluding 2,171,388 Equity Shares allotted as Bonus Shares thereon

### Schedule 2 - Reserves and Surplus

	As at 31 March 2002	
	Rupees	Rupees
<b>Capital redemption reserve</b>		
As per last account	182,073,040	182,073,040
<b>Contingency Reserve</b>		
As per last account	17,500,000	17,500,000
Less : Transferred to General Reserve, as no longer required	<u>17,500,000</u>	<u>—</u>
	—	17,500,000
<b>General Reserve</b>		
As per last account	27,446,366,761	25,153,889,716
Add : Transferred from Contingency Reserve	17,500,000	—
Less : Transitional adjustment on account of Deferred Tax, net	—	1,472,538,321
Set aside this year	<u>3,748,281,563</u>	<u>3,765,015,366</u>
	31,212,148,324	27,446,366,761
<b>Total</b>	<u>31,394,221,364</u>	<u>27,645,939,801</u>

### Schedule 3 - Secured Loans

		As at 31 March 2002	
		Rupees	Rupees
From Banks, against hypothecation of Stores, Raw Materials Finished Goods, Stock in Process and Book Debts			
Cash Credit		539,117,444	318,335,238
Total		<u>539,117,444</u>	<u>318,335,238</u>

### Schedule 4 - Unsecured Loans

		As at 31 March 2002	
		Rupees	Rupees
Sales tax deferral Liability/Loan under Package Scheme of Incentives 1983, 1988 and 1993		7,818,961,051	5,889,623,171
Fixed Deposits		44,185,641	53,031,231
Total		<u>7,863,146,692</u>	<u>5,942,654,402</u>

## Schedule 5 - Fixed Assets

Particulars	Gross Block (a)				Depreciation				Net Block	
	As at 31 March 2002	Additions	Deductions and Adjustments	As at 31 March 2003	Upto 31 March 2002	Deductions and Adjustments	For the Year (c)	Upto 31 March 2003	As at 31 March 2003	As at 31 March 2002
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Land Freehold	83,627,949	1,973,800	—	85,601,749	—	—	—	—	85,601,749	83,627,949
Land Leasehold	372,106,333	—	4,210,566	367,895,767	—	—	—	—	367,895,767	372,106,333
Buildings (b) & (d)	2,059,606,378	21,131,135	—	2,080,737,513	590,004,771	—	57,036,699	647,041,470	1,433,696,043	1,469,601,607
Waterpumps, Reservoirs and Mains	52,223,644	—	—	52,223,644	22,573,483	—	2,153,984	24,727,467	27,496,177	29,650,161
Plant & Machinery	14,321,884,598	583,979,563	110,777,129	14,795,087,032	7,604,429,693	97,343,004	997,858,450	8,504,945,139	6,290,141,893	6,717,454,905
Dies & Jigs	2,577,930,415	376,208,602	3,888,669	2,950,250,348	1,165,178,299	(65,997,348)	249,339,201	1,480,514,848	1,469,735,500	1,412,752,116
Electric Installations	377,612,646	2,380,321	—	379,992,967	193,269,604	—	13,009,891	206,279,495	173,713,472	184,343,042
Factory Equipments	753,591,831	81,749,589	12,237,211	823,104,209	424,517,832	11,400,624	54,883,686	468,000,894	355,103,315	329,073,999
Furniture & Fixtures	340,337,297	17,533,204	3,858,602	354,011,899	205,488,572	1,715,006	16,664,838	220,438,404	133,573,495	134,848,725
Electric Fittings	90,558,107	—	—	90,558,107	55,065,065	—	3,968,649	59,033,714	31,524,393	35,493,042
Vehicles & Aircraft	308,688,928	27,972,282	19,960,861	316,700,349	107,094,781	8,034,663	22,539,601	121,599,719	195,100,630	201,594,147
Wind Energy Generators	2,839,220,000	—	—	2,839,220,000	342,022,816	—	293,575,348	635,598,164	2,203,621,836	2,497,197,184
Leased Assets :-										
Plant & Machinery	944,222,335	—	—	944,222,335	944,222,335	—	—	944,222,335	—	—
Dies & Moulds	239,734,562	—	97,453,925	142,280,637	239,062,247	97,316,694	535,084	142,280,637	—	672,315
<b>As at 31 March 2003 Total</b>	<b>25,361,345,023</b>	<b>1,112,928,496</b>	<b>252,386,963</b>	<b>26,221,886,556</b>	<b>11,892,929,498</b>	<b>149,812,643</b>	<b>1,711,565,431</b>	<b>13,454,682,286</b>	<b>12,767,204,270</b>	<b>13,468,415,525</b>
<b>As at 31 March 2002 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>	

- 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.53,803,050 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.4,933,206 Depreciation for the year Rs.1,345,420

## Schedule 6 - Technical Know-How

		As at 31 March 2002
	Rupees	Rupees
As per last account	128,017,678	160,264,233
<b>Add: Cost of technical know-how acquired during the year</b>	<b>13,257,020</b>	<b>—</b>
	<u>141,274,698</u>	<u>160,264,233</u>
<b>Less : Written off during the year</b>	<b>34,456,057</b>	<b>32,246,555</b>
<b>Total</b>	<u><b>106,818,641</b></u>	<u><b>128,017,678</b></u>

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

			As at 31 March 2002
	Rupees	Rupees	Rupees
<b>In Government and Trust Securities</b>			
<b>Quoted</b>			
— (-) 6.96% Government of India Stock 2009 of face value of Rs.200,000,000	205,437,583		—
— (-) 7.46% Government of India Stock 2017 of face value of Rs.450,000,000	485,270,961		—
— (-) 7.95% Government of India Stock 2032 of face value of Rs.310,000,000	343,373,810		—
— 9.85% Government of India Stock 2015 of face value of Rs.650,000,000 (Previous Year Rs.200,000,000)	843,841,905		245,070,111
— (-) 10.03% Government of India Stock 2019 of face value of Rs.750,000,000	999,836,188		—
— 10.18% Government of India Stock 2026 of face value of Rs.550,000,000 (Previous Year Rs.100,000,000)	741,939,133		116,831,111
— 10.25% Government of India Stock 2021 of face value of Rs.350,000,000 (Previous Year Rs.150,000,000)	452,714,009		184,471,433
— 10.45% Government of India Stock 2018 of face value of Rs.500,000,000 (Previous Year Rs.450,000,000)	632,772,460		549,577,716
— 10.47% Government of India Stock 2015 of face value of Rs.800,000,000 (Previous Year Rs.700,000,000)	1,014,173,293		866,258,667
— 10.71% Government of India Stock 2016 of face value of Rs.550,000,000 (Previous Year Rs.550,000,000)	731,411,161		700,908,620
— 11.43% Government of India Stock 2015 of face value of Rs.600,000,000 (Previous Year Rs.750,000,000)	776,337,344		965,680,933
— 11.83% Government of India Stock 2014 of face value of Rs.153,500,000 (Previous Year Rs.103,500,000)	208,715,943		139,080,325
— 12.32% Government of India Stock 2011 of face value of Rs.200,000,000 (Previous Year Rs.50,000,000)	254,438,400		57,230,900
	<u>7,690,262,190</u>	<u>—</u>	<u>3,825,109,816</u>
Carried Over			
Carried Over		—	—

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

				As at 31 March 2002
		Rupees	Rupees	Rupees
Brought Over			—	—
<b>In Government and Trust Securities (Contd.)</b>				
Quoted (Contd.)				
Brought Over		7,690,262,190		3,825,109,816
40,000,000	Units of Rs.10 each of Unit Trust of India under Monthly Income Plan 1999	410,710,986		410,710,986
19,500,000	Units of Rs.10 each of Unit Trust of India Under Unit Scheme 1964	280,996,962		280,996,962
	Other	1,081,181,213		1,987,332,883
			9,463,151,351	6,504,150,647
<b>Unquoted</b>				
	6 Years National Saving Certificates of the face value of Rs.11,500	11,500		11,500
730	(2,240) Units of Rs.100 each of Unit Trust of India under Venture Capital Unit Scheme 1990 Vecaus II (1,510 units redeemed during the year)	73,000		224,000
10	(-) Pass Through Certificates involving Securitisation of Loan Receivables through Loan Securitisation Trust (Series 4) of UTI Bank Limited (Redeemable in parts in terms of schedule specified therein aggregating to Rs.139,783,698)	106,385,160		—
5	(-) Contribution held in Pass Through Certificates involving Securitisation of Loan Receivables through Loan Securitisation Trust (Series X) of ICICI Bank Limited (Redeemable in parts in terms of schedule specified therein aggregating to Rs.69,550,200)	51,572,912		—
20	(-) Contribution held in Mortgaged Backed Pass Through Certificates of the Indian Residential MBS Trust Series IV (Redeemable in parts in terms of schedule specified therein aggregating to Rs.326,392,572)	205,806,987		—
	Carried Over	363,849,559		235,500
	Carried Over		9,463,151,351	6,504,150,647



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

				As at 31 March 2002
		Rupees	Rupees	Rupees
<b>Brought Over</b>			9,463,151,351	6,504,150,647
<b>In Government and Trust Securities (Contd.)</b>				
<b>Unquoted (Contd.)</b>				
	Brought Over	363,849,559		235,500
25	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)	208,433,726		263,989,229
10	(-) Contribution held in Pass Through Certificates involving Securitisation of Loan Receivables through Loan Securitisation Trust (Series XII) of ICICI Bank Limited (Redeemable in parts in terms of schedule specified therein aggregating to Rs.134,811,142)	114,396,871		—
			686,680,156	264,224,729
<b>In Fully Paid Preference Shares</b>				
<b>Unquoted</b>				
—	(500,000) 13.5% Redeemable Cumulative Non-Convertible Preference Shares of Rs.100 each in The Arvind Mills Limited	—		50,000,000
500,000	(-) 6% Redeemable Cumulative Non-Convertible Preference Shares of Rs.100 each in The Arvind Mills Limited	50,000,000		—
3,000,000	11% Cumulative Non-participating Redeemable Preference Shares of Rs.10 each in Bajaj Electricals Limited	30,000,000		30,000,000
200,000	(300,000) 12% Redeemable Non Convertible Cumulative Preference Shares of Rs.100 each in Birla VXL Limited	20,000,000		30,000,000
1,000,000	(2,000,000) 9.75% Cumulative Redeemable Preference Shares of Rs.10 each in Dani Trading and Investments Limited	10,000,000		20,000,000
	Carried Over	110,000,000		130,000,000
	Carried Over		10,149,831,507	6,768,375,376

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

				As at 31 March 2002
		Rupees	Rupees	Rupees
Brought Over			10,149,831,507	6,768,375,376
<b>In Fully Paid Preference Shares (Contd.)</b>				
Unquoted (Contd.)				
Brought Over		110,000,000		130,000,000
200,000	12% Redeemable Cumulative Preference Shares of Rs.100 each in Duncans Industries Limited	20,000,000		20,000,000
8,000,000	9.75% Cumulative Redeemable Preference Shares of Rs.10 each in Geetanjali Trading and Investments Limited - Formerly Geetanjali Trading and Investments Private Limited	80,000,000		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
140,000	(-) 10% Cumulative Redeemable Preference Shares of Rs.100 each in Khandwala Securities Limited	14,000,000		—
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
	Carried Over	597,287,000		617,287,000
	Carried Over		10,149,831,507	6,768,375,376

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

				As at 31 March 2002
		Rupees	Rupees	Rupees
Brought Over			10,149,831,507	6,768,375,376
<b>In Fully Paid Preference Shares (Contd.)</b>				
Unquoted (Contd.)				
Brought Over			597,287,000	617,287,000
2,000,000	13.5% 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 Limited-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
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
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
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
		<u>981,742,000</u>		<u>1,001,742,000</u>
Carried Over			11,131,573,507	7,770,117,376

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

				As at 31 March 2002
		Rupees	Rupees	Rupees
	Brought Over		11,131,573,507	7,770,117,376
<b>In fully paid Equity Shares</b>				
<b>Trade Quoted</b>				
5,493,800	(4,693,800) Shares of Rs.10 each in Bajaj Auto Finance Limited	219,186,257		180,786,257
2,742,848	Shares of Rs.10 each in Maharashtra Scooters Limited	2,400,000		2,400,000
			221,586,257	183,186,257
<b>In Subsidiary Company</b>				
<b>Unquoted</b>				
111,024,420	(111,000,000) Shares of Rs.10 each in Allianz Bajaj Life Insurance Co Limited	1,110,244,200		1,110,000,000
81,400,000	Shares of Rs.10 each in Bajaj Allianz General Insurance Co Limited	814,000,000		814,000,000
24,500	Shares of Rs.100 each in Bajaj Auto Holdings Limited - a wholly owned subsidiary	2,450,000		2,450,000
			1,926,694,200	1,926,450,000
<b>Other Quoted</b>				
2,139,561	Shares of Rs.10 each in Bajaj Tempo Limited	460,592,511		460,592,511
—	(43,039,450) Shares of Rs.10 each in ICICI Limited (21,519,725 shares of ICICI Bank Limited received on scheme of arrangement in the ratio 1:2)	—		2,785,457,309
21,519,725	(-) Shares of Rs.10 each in ICICI Bank Limited (received on scheme of arrangement of ICICI Limited in the ratio 1:2)	2,785,457,309		—
	Other	1,442,135,183		2,219,221,607
			4,688,185,003	5,465,271,427
	Carried Over		17,968,038,967	15,345,025,060

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

				As at 31 March 2002
		Rupees	Rupees	Rupees
Brought Over			17,968,038,967	15,345,025,060
<b>In fully paid Equity Shares (Contd.)</b>				
<b>Other (Contd.)</b>				
<b>Unquoted</b>				
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
1	Share of Rs.100 each in The Poona District Motor Transport Co-operative Society Limited	100		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</b>				
<b>Fully Paid</b>				
<b>Quoted</b>				
<b>Other</b>				
2,500	(-) 14% Secured Redeemable Non Convertible Debentures of Rs.100,000 each of Hindustan Copper Limited	286,167,371		—
250	(-) 7.40% Redeemable Non Convertible Debentures of Rs.1,000,000 each of Housing Development Finance Corporation Limited - Series M001	256,176,992		—
	Carried Over	542,344,363		—
	Carried Over		18,076,414,643	15,453,400,736

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

				As at 31 March 2002
		Rupees	Rupees	Rupees
	Brought Over		18,076,414,643	15,453,400,736
<b>In Debentures (Contd.)</b>				
<b>Fully Paid (Contd.)</b>				
<b>Quoted (Contd.)</b>				
	Brought Over	542,344,363		—
250	(-) 6.20% Secured Redeemable Non Convertible Debentures of Rs.1,000,000 each of Reliance Industries Limited	248,278,266		—
250	11.49% Secured Redeemable Non Convertible Debentures (PPD-V) of Rs.1,000,000 each of Reliance Utilities & Power Limited	278,946,235		278,946,235
25	(-) 7.10% Secured Redeemable Non Convertible Debentures of Rs.10,000,000 each of Tata Sons Limited - Option II	259,556,928		—
	Other	<u>1,098,820,021</u>		<u>442,142,568</u>
			2,427,945,813	721,088,803
<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	14.5% Redeemable Non Convertible Debentures of Rs.100/- each of The Dhampur Sugar Mills Limited - balance after part redemption	12,313,050		30,782,610
100,000	18% Non Convertible Debentures of Rs.100 each of Goodearth Organic (India) Limited	<u>9,500,000</u>		<u>9,500,000</u>
	Carried Over	84,146,145		<u>102,615,705</u>
	Carried Over		<u>20,504,360,456</u>	<u>16,174,489,539</u>

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

				As at 31 March 2002
		Rupees	Rupees	Rupees
	Brought Over		20,504,360,456	16,174,489,539
<b>In Debentures (Contd.)</b>				
<b>Fully Paid (Contd.)</b>				
<b>Unquoted (Contd.)</b>				
<b>Other (Contd.)</b>				
	Brought Over	84,146,145		102,615,705
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		33,165,000
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.15 after second redemption	49,916,911		99,833,821
—	(20) 15.25% Secured Redeemable Non-Convertible Debentures of Rs.500,000 each (Series III) of Indo Gulf Corporation Limited	—		10,000,000
20,000	18% Secured Non Convertible Debentures of Rs.1,000 each of Mafatal 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 - balance Non Convertible Portion of Rs.325,000 each after first redemption	162,500,000		250,000,000
	Carried Over	482,204,306		648,090,776
	Carried Over	20,504,360,456		16,174,489,539

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

				As at 31 March 2002
		Rupees	Rupees	Rupees
Brought Over			20,504,360,456	16,174,489,539
<b>In Debentures (Contd.)</b>				
<b>Fully Paid (Contd.)</b>				
<b>Unquoted (Contd.)</b>				
Other (Contd.)		Brought Over		
100,000	20% Non Convertible Debentures of Rs.100 each - Series-1 of Shaan Interwell (India) Limited - balance after part redemption	482,204,306		648,090,776
		<u>6,138,972</u>		<u>6,138,972</u>
			488,343,278	<u>654,229,748</u>
<b>In Bonds</b>				
<b>Other</b>				
<b>Fully Paid</b>				
<b>Quoted</b>				
25	(-) 6.85% Unsecured Subordinated Redeemable Non Convertible Bonds in the nature of Promissory Notes of Rs.10,000,000 each of ICICI Securities & Finance Co Limited	250,046,918		—
500	(-) 6.40% Secured Taxable Non Convertible (Central Government Guaranteed) Bonds of Rs.500,000 each of ITI Limited - Series J - Option I	250,000,000		—
2,000	(-) 9.25% Tax Free Secured Redeemable Non Convertible Bonds of Rs.100,000 each of Konkan Railway Corporation Limited - Series 7B (2004)	211,766,099		—
2,079	10.5% 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
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
1,500	(-) Exchangeable Premium Bonds in the nature of Debentures of Rs.100,000 each of Tata Industries Limited	273,039,441		—
	Other	<u>3,675,512,099</u>		<u>2,029,631,625</u>
			5,168,264,557	<u>2,537,531,625</u>
Carried Over			<u>26,160,968,291</u>	<u>19,366,250,912</u>



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

				As at 31 March 2002
		Rupees	Rupees	Rupees
Brought Over			26,160,968,291	19,366,250,912
<b>In Mutual Fund Units</b>				
<b>Quoted</b>				
20,635,361.032	(-) Units of Rs.10 each of JM Mutual Fund under J54 JM G Sec Regular Plan Growth Bonus Option (including 20,635,361.032 Bonus Units received during the year)	210,000,000		—
24,096,515.279	(-) Units of Rs.10 each of Kotak Mahindra Mutual Fund under K Bond (Wholesale Plan) Bonus Option	250,000,000		—
30,634,397.312	(-) Units of Rs.10 each of Sundaram Bond Saver Fund - Bonus Option (including 30,634,397.312 Bonus Units received during the year)	315,000,000		—
	Other	<u>739,771,785</u>		<u>546,881,762</u>
			1,514,771,785	546,881,762
<b>Unquoted</b>				
212.500	Units of Rs.5,000 each of Auto Ancillary Fund		1,062,500	1,062,500
			<u>27,676,802,576</u>	<u>19,914,195,174</u>
Less :	Provision for diminution in value of Investments		<u>477,860,259</u>	<u>253,534,823</u>
			<u>27,198,942,317</u>	<u>19,660,660,351</u>
Application Money for Investment in Shares and Bonds			100,000,000	—
<b>Total</b>			<u>27,298,942,317</u>	<u>19,660,660,351</u>

		Book Value as at		Market Value as at	
		31 March 2003 Rupees	31 March 2002 Rupees	31 March 2003 Rupees	31 March 2002 Rupees
Quoted		23,291,194,901	15,747,733,039	* 23,567,810,170	*14,190,467,585
Unquoted		<u>3,907,747,416</u>	<u>3,912,927,312</u>		
Total		<u>27,198,942,317</u>	<u>19,660,660,351</u>		

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

### Notes to Investment Schedule

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

##### (a) Trust Securities

Name	No of Units
Unit Trust of India - Mastergain 1992	59,000
Unit Trust of India - Master Plus Unit Scheme 1991	3,100
Unit Trust of India - Mastershares	1,549
Unit Trust of India - UGS 5000	600

##### (b) Equity Shares

Name of the Company	No of Shares
Bajaj Tempo Limited	100
The Great Eastern Shipping Co Limited	385
Gesco Corporation Limited	43
Hindustan Construction Company Limited	50
Larsen & Toubro Limited	250
Reliance Capital Limited	100
Reliance Industries Limited	3
Sterlite Industries (India) Limited	800
Sterlite Optical Technologies Limited	600
Tata Chemicals Limited	249
Tisco Limited	50

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

##### (a) Mutual Funds

Name of the Company	Quantity Nos	Purchase Cost Rupees	Sale Proceeds Rupees
Franklin Templeton Liquid Growth	3,320,637	48,746,505	48,897,707
IL&FS Bond Fund - Bonus Plan	6,435,918	66,666,667	67,313,905
JM Mutual Fund - G Sec Regular Income Plan	29,479,087	300,000,000	299,725,671
Kotak Mahindra K-Liquid	48,193,031	500,000,000	509,207,045
Kotak Mahindra K-Liquid-Institutional Plan	8,313,174	100,000,000	100,054,867
Reliance Income Fund - Bonus	18,535,176	200,000,000	200,265,162
SBI Magnum Income Fund	31,357,246	360,000,000	356,274,759
Standard Chartered Grindlays GCBG	51,008,601	561,000,000	561,408,826
Standard Chartered Grindlays GCFG	93,490,443	1,023,700,000	1,024,605,363
Sundaram Bond-Saver Fund	34,038,219	350,000,000	349,855,029

##### (b) Equity Shares

Name of the Company	Quantity Nos	Purchase Cost Rupees	Sale Proceeds Rupees
Chennai Petrochemicals Limited	5,659	202,649	157,617
Kopran Limited	13,273	620,810	273,926

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

### Notes to Investment Schedule (Contd.)

#### (c) Debentures

Name of the Company	Quantity Nos	Purchase Cost Rupees	Sale Proceeds Rupees
9.25% LIC Housing Finance Limited	10	107,947,422	116,067,881
0% Panatone Finvest Limited	10	94,045,900	99,417,400

#### (d) Bonds

Name of the Company	Quantity Nos	Purchase Cost Rupees	Sale Proceeds Rupees
Bharati Tele-Venture Limited - PTC	20	195,268,100	199,943,500
0% ICICI Limited	3	147,795,965	148,727,235
11.25% National Housing Bank	200	246,156,282	253,349,937
10.25% Steel Authority of India Limited	546	281,984,922	300,010,533

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

Particulars	Purchase Cost Rupees	Sale Proceeds Rupees
5.87% Government of India Loan, 2010	100,244,583	100,622,528
6.65% Government of India Loan, 2009	531,972,500	556,854,583
6.72% Government of India Loan, 2012	408,973,000	417,724,333
6.85% Government of India Loan, 2012	98,795,764	100,273,472
6.96% Government of India Loan, 2009	203,348,417	213,467,667
7.37% Government of India Loan, 2014	155,226,708	156,400,792
7.40% Government of India Loan, 2012	1,922,150,833	1,932,245,833
7.46% Government of India Loan, 2017	842,881,815	825,056,506
7.49% Government of India Loan, 2017	451,302,792	454,011,806
7.55% Government of India Loan, 2010	458,340,903	465,695,000
7.95% Government of India Loan, 2032	196,722,440	226,177,629
8.07% Government of India Loan, 2017	1,726,678,038	1,749,211,875
8.35% Government of India Loan, 2022	484,380,278	517,812,708
9.39% Government of India Loan, 2011	881,823,007	902,940,958
9.40% Government of India Loan, 2012	518,608,125	541,091,944
9.81% Government of India Loan, 2013	3,109,944,425	3,200,025,500
9.85% Government of India Loan, 2015	2,259,321,239	2,418,044,653
10.03% Government of India Loan, 2019	404,471,118	416,810,556
10.18% Government of India Loan, 2026	1,677,422,218	1,742,061,694
10.25% Government of India Loan, 2021	321,771,415	347,544,861
10.71% Government of India Loan, 2016	1,824,675,929	1,934,142,625
10.95% Government of India Loan, 2011	434,535,278	455,930,000
11.03% Government of India Loan, 2012	321,878,113	324,326,083
11.30% Government of India Loan, 2010	261,910,833	267,419,583
11.40% Government of India Loan, 2008	61,905,833	62,261,667
11.50% Government of India Loan, 2011	62,851,111	63,135,000
11.83% Government of India Loan, 2014	135,971,298	144,729,833
11.99% Government of India Loan, 2009	383,056,833	395,671,431
364 Days Treasury Bills, 2003	662,600,200	669,553,250

4. National Savings Certificates of the face value of Rs.11,500 deposited with Government Department.
- 5.\* Quoted Investments for which quotations are not available have been included in market value at the face value/ paid up value, whichever is lower, except in case of Debentures, Bonds and Government Securities, where the Net Present Value at current Yield to Maturity have been considered.
6. See Note '11' in Schedule '14' to the Accounts.

## Schedule 8 - Current Assets, Loans and Advances

				As at 31 March 2002
	Rupees	Rupees	Rupees	Rupees
<b>(a) Inventories</b>				
Stores and spares, at cost		33,268,118		32,317,751
Tools, at cost		178,217,420		273,435,000
Stock-in-trade, at cost or market value whichever is lower				
Raw Materials		561,630,035		543,186,844
Work-in-progress (including factory made components				
Rs. 68,365,431 Previous Year				
Rs. 18,564,792 )		160,417,965		162,581,965
Finished Goods		862,179,319		540,328,043
Auto Spare parts, etc.		201,755,024		195,712,417
As valued and certified by Management		1,997,467,881		1,747,562,020
Goods in transit, at cost to date		82,344,429		43,417,006
			2,079,812,310	1,790,979,026
<b>(b) Sundry Debtors, Unsecured</b>				
Outstanding for a period exceeding six months				
Good	12,279,450			19,003,617
Doubtful	6,837,892			18,369,226
Less: Provision	6,837,892			18,369,226
	—			—
		12,279,450		19,003,617
Other, Good		1,658,120,128		1,962,651,725
			1,670,399,578	1,981,655,342
<b>(c) Cash and Bank Balances</b>				
Cash on hand (including cheques on hand Rs.9,575,313 Previous year Rs.7,865,920)		10,676,944		9,121,664
Cheques in hand with Banks as collecting agencies				
in terms of an arrangement		—		7,875,945
Remittances in Transit		3,020,500		—
Bank Balances				
With Scheduled Banks				
* In current account		273,681,752		131,461,143
In margin deposits		10,010,000		20,000
In fixed deposits		2,565,000		103,365,000
Interest accrued on fixed deposits		71,616		166,135
		286,328,368		235,012,278
With Other Banks				
Standard Chartered Bank, Dubai (maximum balance outstanding during the year Rs.1,537,698 )		229,389		—
			300,255,201	252,009,887
Carried over			4,050,467,089	4,024,644,255

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

				As at 31 March 2002
	Rupees	Rupees	Rupees	Rupees
Brought over			4,050,467,089	4,024,644,255
<b>(d) Other Current Assets</b>				
Dividend and Interest receivable on Investments	66,973,693			52,509,093
Doubtful	1,286,102			—
Less: Provision	1,286,102			—
	—			—
		66,973,693		52,509,093
Debentures & Bonds Redemption Money Receivable		—		19,238
Interest receivable on Loans etc		135,389,853		200,862,399
Lease Rent Receivable		40,989,196		77,789,196
Export Incentives Receivable		275,843,105		164,075,206
Credit receivable for Windpower generated		75,253,611		57,897,425
			594,449,458	553,152,557
<b>(e) Loans and Advances, unsecured, good</b> (Unless otherwise stated)				
Loan to Bajaj Auto Holdings Limited - wholly owned subsidiary		140,000,000		184,000,000
Loan to Bajaj Auto Finance Limited - an associate Company		920,000,000		1,743,500,000
Loan to Bajaj Electricals Limited - a company in which Directors are interested		94,000,000		40,000,000
Loan to Others		132,402,741		109,806,835
Deposits with Joint Stock Companies (Including Rs. 417,833,532 secured against pledge of Securities Previous Year Rs. 646,000,000 )	637,100,000			826,000,000
Doubtful	24,000,000			—
Less: Provision	24,000,000			—
	—			—
		637,100,000		826,000,000
Due from Subsidiaries		—		20,981
@ Advances Recoverable in Cash or in kind or for value to be received				
Good	948,501,832			732,315,427
Doubtful	33,380,118			38,722,511
Less: Provision	33,380,118			38,722,511
	—			—
		948,501,832		732,315,427
Balances with Customs and Central Excise Departments		38,745,996		217,282,120
Sundry Deposits		117,680,463		91,214,781
Tax paid in Advance		13,877,956,017		11,376,201,902
			16,906,387,049	15,320,342,046
<b>Total</b>			<u>21,551,303,596</u>	<u>19,898,138,858</u>

\* 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.142,500 (Previous Year Rs.157,500 ) Maximum balance outstanding during the year Rs.157,500 (Previous Year Rs.168,750 )

## Schedule 9 - Current Liabilities and Provisions

			As at 31 March 2002
	Rupees	Rupees	Rupees
<b>(a) Liabilities</b>			
Acceptances		2,531,415	29,795,144
Sundry Creditors			
Due to Small Scale Industrial Undertakings [See note 12 ]	207,827,170		243,884,658
Other	3,928,233,262		3,837,596,200
		4,136,060,432	4,081,480,858
Advances against Orders		150,138,950	151,271,845
Investor Education Protection Fund		47,291	—
Unclaimed Dividends		28,562,709	23,324,734
Deposit from Dealers and others		227,526,060	255,728,953
Unclaimed amount of Sale proceeds of Fractional coupons of Bonus Shares		5,595	5,595
Unclaimed amount on Debentures redeemed		3,353,735	6,746,639
Interest accrued but not due on loans		808,927	998,750
		4,549,035,114	4,549,352,518
<b>(b) Provisions</b>			
Provision for Taxation	13,259,800,000		10,579,400,000
Proposed Dividend	1,416,569,140		1,416,569,140
Provision for Corporate Dividend Tax on Proposed Dividend	181,497,921		—
		14,857,867,061	11,995,969,140
<b>Total</b>		19,406,902,175	16,545,321,658

## Schedule 10 - Other Income

	Rupees	Rupees	Previous year Rupees
Workshop Receipts		4,936,028	5,687,605
Technical Know-how		10,030,883	18,725,795
Dividends[Gross-Tax Deducted Rs.13,020,343 Previous Year Rs.Nil]			
From Subsidiary	4,900,000		4,900,000
From Trade Investments	23,864,948		16,824,248
Other	98,394,852		570,582,225
		127,159,800	592,306,473
Interest[Gross-Tax Deducted Rs.136,937,929 Previous Year Rs.146,358,173 ]			
On Government Securities	405,081,386		17,808,266
On Debentures and Bonds	407,715,378		291,509,916
Other	445,691,977		556,504,331
		1,258,488,741	865,822,513
Income From Units of Mutual Funds [ Gross- Tax Deducted Rs.4,330,125. Previous Year Rs.Nil]		43,928,580	78,492,422
Leasing Business			
Lease Rent	42,007		8,543,427
Add:Lease Equalisation*	—		230,203,122
		42,007	238,746,549
Rent		21,415,557	18,655,413
Insurance Claims		8,808,222	3,117,549
Export Incentives		533,952,123	220,592,100
Miscellaneous Receipts		347,470,746	350,827,543
Surplus on Sale of Assets		39,339,915	26,945,556
Profit on Sale of Investments,net		214,280,591	—
Bad Debts Recovered		1,500,000	108,074
Sundry Credit balances appropriated		25,064,023	6,942,424
Provisions for Doubtful Debts and Advances written back	24,284,219		276,362,776
Less : Write backs on account of amounts written off during the year,as per contra	22,587,834		276,257,950
		1,696,385	104,826
Provisions no longer required		321,808,039	132,446,978
<b>Total</b>		<b>2,959,921,640</b>	<b>2,559,521,820</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		543,186,844	875,284,600
Purchases		25,693,092,120	21,770,085,320
		<u>26,236,278,964</u>	<u>22,645,369,920</u>
Less : Stocks at close		561,630,035	543,186,844
		<u>25,674,648,929</u>	<u>22,102,183,076</u>
<b>(b) Finished Goods purchases</b>			
Two Wheelers	176,971		275,133
Auto Spare-Parts	<u>758,217,370</u>		<u>590,375,496</u>
		758,394,341	590,650,629
<b>(c) Conversion and Machining Charges</b>		664,730,806	580,313,456
<b>(d) Excise duty on year end inventory of Finished Goods</b>		111,038,205	66,592,284
<b>(e) (Increase)/Decrease in Stocks</b>			
Stocks at close			
Work in progress [including factory made components Rs. 68,365,431 (Previous Year Rs.18,564,792)]	160,417,965		162,581,965
Finished Goods	862,179,319		540,328,043
Auto Spare Parts	<u>201,755,024</u>		<u>195,712,417</u>
	<u>1,224,352,308</u>		<u>898,622,425</u>
Less : Stocks at commencement			
Work in progress [including factory made components Rs.18,564,792 (Previous Year Rs.15,590,261)]	162,581,965		167,730,230
Finished Goods	540,328,043		686,157,645
Auto Spare Parts	<u>195,712,417</u>		<u>348,745,244</u>
	<u>898,622,425</u>		<u>1,202,633,119</u>
		(325,729,883)	304,010,694
<b>Total</b>		<u>26,883,082,398</u>	<u>23,643,750,139</u>



## Schedule 12 - Other Expenses

			Previous year
	Rupees	Rupees	Rupees
Stores,spares and tools consumed		649,217,909	544,219,043
Power,fuel and water		611,155,343	636,438,618
Repairs			
Buildings and Roads	61,130,719		57,201,361
Machinery	240,951,042		237,615,301
Other	26,386,088		24,726,170
		328,467,849	319,542,832
Employees' Emoluments			
Salaries,wages,bonus etc.	1,899,080,585		1,783,358,197
Compensation Paid Under Voluntary Retirement Scheme	460,899,353		73,039,099
Contribution to Provident and other funds and schemes	246,542,709		245,077,829
Welfare expenses [ see note 9 ]	231,882,306		277,978,929
		2,838,404,953	2,379,454,054
Rent		21,529,155	19,878,977
Rates and taxes		9,505,574	12,289,935
Insurance		42,564,452	34,624,921
Auditors' Remuneration		5,119,599	3,683,605
Directors' fees and travelling expenses		355,133	229,067
Managing Directors' remuneration			
Salary	1,296,774		1,200,000
Commission	2,496,774		2,400,000
		3,793,548	3,600,000
Wholetime Directors' remuneration			
Salary	3,986,976		2,350,645
Commission	4,103,226		1,330,645
		8,090,202	3,681,290
Commission to Non Executive Directors		1,140,000	1,020,000
Miscellaneous expenses		606,316,733	678,982,953
Electricity service connection and other charges written off	2,260,000	88,600,000	
Packing,forwarding etc.		442,284,608	370,236,256
Advertisement		1,290,661,325	888,205,960
Vehicle service charges and other expenses		753,360,045	716,027,805
Commission and Discount		108,635,539	132,887,458
Incentives & Sales Promotion		180,242,430	266,953,843
Royalty		203,363,846	200,884,116
Donations		19,387,000	10,121,000
Bad debts and other irrecoverable debit balances written off	41,198,286		377,206,212
Less: Provisions made in earlier years in respect of amounts written off during the year,adjusted as per contra	22,587,834		276,257,950
		18,610,452	100,948,262
Sundry credit balances previously appropriated,now paid		720,668	740,804
Loss on assets sold,demolished,discarded and scrapped		68,440,500	72,066,200
Loss on sale of investments		—	8,821,678
Loss on redemption of securities		6,910,607	10,160,232
Provision for Doubtful Debts and Advances		42,578,738	27,537,726
Provision for Diminution in Value of Investments		224,325,436	82,731,101
Amount written off against Technical Know-how		34,456,057	32,246,555
Amount written off against leasehold land		4,210,566	4,210,566
<b>Total</b>		<b>8,526,108,267</b>	<b>7,651,024,857</b>

## Schedule 13 - Interest

			Previous year
		Rupees	Rupees
Interest			
Fixed Loans		4,757,664	6,026,311
Other		6,420,323	27,790,950
<b>Total</b>		<b>11,177,987</b>	<b>33,817,261</b>

## Schedule 14 - Notes forming part of Accounts

	As at 31 March 2003	As at 31 March 2002		
	Rupees	Rupees		
1. Contingent liabilities not provided for in respect of				
(i) Sales Bills Discounted	64,784,749	76,763,283		
(ii) Claims against the Company not acknowledged as debts	1,950,468,159	1,775,124,580		
(iii) Guarantees given by the Company to Housing Development Finance Corporation Ltd. - for loans to Employees	70,694,353	96,160,601		
(iv) Excise and Customs demand - matters under dispute and Claims for refund of Excise Duty, if any, against Excise Duty Refund received in the earlier year	567,074,965	682,568,222		
(v) Income-Tax matters under dispute - Appeal by Company Appeal by Department	524,559,318 968,723,872	382,481,995 968,723,872		
(vi) Sales Tax matters under dispute	1,493,283,190 129,221,735	1,351,205,867 114,334,205		
(vii) Claims [ Estimated amounts]				
(a) Claims arising from labour dispute regarding reinstatement with permanancy 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.	430,447,910	329,289,443		
(b) Consequential liability as a result of (vii) (a) above in respect of similar matters pending before appellate authorities	376,654,277	281,782,507		
	<u>807,102,187</u>	<u>611,071,950</u>		
2. Estimated amounts of contracts remaining to be executed on capital account and not provided for, net of advances.	351,429,489	240,262,076		
3. Payments to Auditors				
	Auditors	Cost Auditor		
	2002-2003 Rupees	2001-2002 Rupees	2002-2003 Rupees	2001-2002 Rupees
(i) As Auditors	3,564,000	2,520,000	216,000	210,000
(ii) In other capacity				
For tax audit	472,500	472,500	—	—
For provident fund				
Certificates & other matters	850,715	481,378	—	—
Sub-Total	<u>4,887,215</u>	<u>3,473,878</u>	<u>216,000</u>	<u>210,000</u>
(iii) For expenses	232,384	209,727	1,183	6,917
<b>Total</b>	<u>5,119,599</u>	<u>3,683,605</u>	<u>217,183</u>	<u>216,917</u>

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

	2002-2003	2001-2002
	Rupees	Rupees
4. C.I.F Value of Imports, Expenditure and Earnings in Foreign Currencies		
(a) C.I.F. Value of Imports *		
(i) Raw materials		
Steel and Non-Ferrous Material	445,613,462	541,836,849
Components	303,510,722	545,446,559
	<u>749,124,184</u>	<u>1,087,283,408</u>
(ii) Machinery Spares	26,862,294	32,556,780
(iii) Capital Goods	275,968,916	339,341,338
* Excluding C.I.F. Value of Stores, Tools, etc. <b>Rs. 166,487,288</b> (Previous Year Rs. 103,560,401)		
(b) Expenditure in foreign currencies		
(i) Travelling expenses	4,827,010	5,724,659
(ii) Royalty, net of tax	162,631,525	160,684,878
(iii) Technical Consultancy, net of tax	13,835,148	17,515,661
(iv) Technical know-how fees, net of tax	10,599,280	—
(v) Commission on Exports	2,018,964	2,202,718
(vi) Research and Development Expenses, under an arrangement	449,246	11,441,614
(vii) Advertisement & publicity	3,324,255	3,736,079
(viii) Other matters	26,122,673	31,606,414
(ix) Capital Expenditure at Dubai Office	1,264,832	—
(c) Earnings in foreign currencies		
(i) F.O.B. Value of exports	3,528,098,011	1,594,206,776
(ii) F.O.B. Value of exports - goods traded in	1,535,096	1,417,040
(iii) Interest	2,703,692	1,362,047
(iv) Others	47,538,285	25,853,148
	<u>2002-2003</u>	
5. Managerial Remuneration		
(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		5,346,348,624
<b>Add:</b> Managing Directors' Remuneration (including perquisites)	6,079,221	
Whole-time Directors' Remuneration (including perquisites)	10,562,637	
Commission to Non-Executive Directors	1,140,000	
Provision for Taxation	2,501,974,283	
	<u>2,501,974,283</u>	2,519,756,141
<b>Less:</b> Excess of Sales price over cost of assets sold	2,613,777	
Provision for doubtful debts and advances written back	1,696,385	
Provisions no longer required	321,808,039	
	<u>321,808,039</u>	326,118,201
Profit on which commission is payable		<u>7,539,986,564</u>
Carried Over		7,539,986,564

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

		2002-2003
		Rupees
Managerial Remuneration (Contd.)		
	Brought over	7,539,986,564
(ii)	Commission to Managing Director - Shri Rahul Bajaj Commission @ 1% on Rs.7,539,986,564 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>75,399,866</u> <u>2,400,000</u>
(iii)	Commission to Wholetime Director - Shri Madhur Bajaj Commission @ 1% on Rs.7,539,986,564 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>75,399,866</u> <u>2,400,000</u>
(iv)	Commission to Joint Managing Director - Shri Rajiv Bajaj * Commission @ 1% on Rs.7,539,986,564 Maximum Commission payable as determined by the Board of Directors to be limited to an amount equal to annual salary for the year	<u>75,399,866</u> <u>1,800,000</u>
(v)	Commission to Non-Executive Directors Commission @ 1% on Rs.7,539,986,564 Maximum Commission restricted to Rs.20,000/- per meeting attended, per person, subject to an overall ceiling of Rs.1,200,000	<u>75,399,866</u> <u>1,140,000</u>

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

	Managing Director		Joint Managing Director*		Wholetime Directors	
	2002-2003 Rupees	2001-2002 Rupees	2002-2003 Rupees	2001-2002 Rupees	2002-2003 Rupees	2001-2002 Rupees
(i) Salary	1,200,000	1,200,000	96,774	—	3,986,976	2,350,645
(ii) Commission	2,400,000	2,400,000	96,774	—	4,103,226	1,330,645
(iii) Privilege Leave Entitlement	113,333	100,000	—	—	407,643	21,667
(iv) Contribution to Provident Fund, Superannuation & Gratuity	424,000	424,000	26,129	—	1,163,921	581,674
(v) Other perquisites	423,909	366,480	2,581	—	253,343	150,851
(vi) Estimated monetary value of perquisite in form of						
Unfurnished Accommodation	364,800	364,800	—	—	244,800	201,800
Furniture at Residence	903,102	890,331	—	—	324,947	324,947
Personal use of Company's car	26,400	19,800	1,419	—	77,781	41,516
	<u>5,855,544</u>	<u>5,765,411</u>	<u>223,677</u>	<u>—</u>	<u>10,562,637</u>	<u>5,003,745</u>

- \* Wholetime Director designated as Joint managing Director w e f 12 March 2003. Amount represent proportionate remuneration as Joint managing Director and Wholetime Director respectively.

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

		2002-2003		2001-2002	
<b>6. 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.	26,709	773,986,055	29,838	815,926,149
	Sq.Ft	—			
	Mtrs.	5,156	81,071	21,849	757,286
	Nos.	50	158,163	393	
(b) Non-Ferrous Metal	M.T.	12,319	1,000,801,874	11,167	926,650,724
	Mtrs.	619			
	Nos.	—		—	
(c) Tyres & tubes	Nos.	6,866,205	1,071,658,469	6,269,442	922,919,907
(d) Other Components			22,220,313,796		18,880,982,545
(e) Others			607,649,501		554,946,465
	<b>Total</b>		<b>25,674,648,929</b>		<b>22,102,183,076</b>
<b>(ii) Imported and indigenous raw material consumption (including components)</b>					
		Rupees	Percentage	Rupees	Percentage
(a) Imported (including Customs Duty and other related charges)		1,186,822,148	4.62	1,652,888,403	7.48
(b) Indigenous		24,487,826,781	95.38	20,449,294,673	92.52
	<b>Total</b>	<b>25,674,648,929</b>	<b>100.00</b>	<b>22,102,183,076</b>	<b>100.00</b>
<b>(iii) Imported and indigenous Machinery Spares Consumed</b>					
		Rupees	Percentage	Rupees	Percentage
(a) Imported (including Customs Duty and other related charges)		33,102,826	32.30	37,255,818	35.10
(b) Indigenous		69,368,987	67.70	68,891,887	64.90
	<b>Total</b>	<b>102,471,813</b>	<b>100.00</b>	<b>106,147,705</b>	<b>100.00</b>
<b>(iv) Details of goods traded in-Purchases</b>					
		Nos.	Rupees	Nos.	Rupees
Two Wheelers		7	176,971	10	275,133
Auto Spare Parts			758,217,370		590,375,496
	<b>Total</b>		<b>758,394,341</b>		<b>590,650,629</b>

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

	2002-2003		2001-2002	
7. Details of Licensed & Installed Capacity, Production, Stocks and Turnover				
Class of Goods				
(I) Motorised Two Wheelers & Three Wheelers upto 350 cc Engine capacity				
	Nos.	Rupees	Nos.	Rupee
(i) Licensed Capacity ( including two Wheelers c.k.d packs- 200,000 Nos.) (a)	1,639,350		1,639,350	
(ii) Installed Capacity (b)	2,520,000		2,340,000	
(iii) Production	1,457,066		1,356,463	
(iv) Stocks				
At commencement				
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>
At Close				
Two & Three-Wheelers	36,488	862,156,273	25,199	540,272,252
Goods Traded in				
Two Wheelers	1	23,046	3	55,791
Auto Spare Parts (c)	—	201,755,024	—	195,712,417
<b>Total</b>		<b>1,063,934,343</b>		<b>736,040,460</b>
(v) Turnover (d)				
Two & Three-Wheelers	1,445,773	45,120,473,437	1,358,980	39,063,010,469
Goods Traded in				
Two Wheelers	9	215,127	9	268,889
Auto Spare Parts (including factory made parts)	—	2,322,759,292	—	2,192,729,873
<b>Total</b>		<b>47,443,447,856</b>		<b>41,256,009,231</b>
(vi) Other				
Dismantled, Scrapped	4		7	
Lost in Transit-recovered from transporter	1		1	
(vii) Details of c.k.d.packs included in above				
Stocks at commencement	631		328	
Production	53,847		75,537	
Turnover				
Maharastra Scooters Ltd.	33,735		61,830	
Export	20,253		13,604	
Stocks at Close	490		631	
(II) Special Purpose Machine Tools				
(i) Licensed Capacity (a)	80		80	
(ii) Installed Capacity (b)	40		40	
(iii) Production	45		50	
(iv) Capitalised	45		50	
(III) Windpower Generation				
Installed Capacity (b) - Mega Watts	65.20		65.20	
Generated, captively consumed.- Units	105,794,244	301,333,504	68,061,069	211,453,394

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

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### 7. 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 (Akurdi) 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.48,619,792** and **Rs.66,795,870** respectively (Previous Year Rs. 110,267,938 and Rs. 48,619,792 respectively)
  - (d) Includes **124 Nos.** Capitalised at cost **Rs. 4,441,412** (Previous Year 89 Nos. Rs. 3,120,475)
8. Significant Accounting Policies followed by the Company are as stated in the Statement annexed to this schedule.
9. Welfare Expenses include **Rs. Nil** (Previous Year Rs.100,000) being the contribution to a Fund created for welfare of the employees.
10. The Company has imported Capital Goods under the Export Promotion Capital Goods Scheme, of the Government of India, at concessional rates of duty on an undertaking to fulfill quantified exports against which remaining future obligations aggregates USD 360 million. Minimum Export obligation to be fulfilled by the Company under the said scheme, by 31 March 2003 has been fulfilled, considering the company has preferred an application, in respect of one such licence, for extension of term by two years beyond its interim review period, i.e. 19 March 2003, as is provided for under the scheme. However, should the application be set aside the liability that may devolve is estimated at Rs 46.6 million. Non fulfillment of the balance of such future obligations, if any, entails options/rights to the Government to confiscate capital goods imported under the said licences and other penalties under the above-referred scheme.
11. Investments
- (a) The company has applied to the Department of Company Affairs, Ministry of Finance, seeking permission to disclose in its financial statements for the year ended 31 March 2003, an abridged Investment Schedule instead of the complete Investment Schedule. Pending receipt of the permission, the company has disclosed the Investment Schedule in the Abridged Form, which is consistent with the permissions received for disclosure in the previous years.
  - (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. 224,325,436/-** (previous year Rs. 82,731,101/-) for such Diminution, as considered necessary by the management, has been made in the Accounts.
12. (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 Ancillary Industrial Undertakings Act, 1993.

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

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- (b) The list of dues to parties over Rs.1 lakh outstanding for more than thirty days is as under. (The payment terms for each of these parties is 45 days.)

**Name of Party**

Star Circlips and Engineering Ltd.  
Shri Ganesh Engineering Works  
Aurangabad Auto Engineering Pvt Ltd.  
Sakar Udyog  
United Industries  
Upasana Engineering Ltd.  
Vibrant Industries  
Yeshwant Udyog  
Acey Engineering Pvt Ltd.  
Auto Components Mfg Co.Pvt Ltd.  
Tandon Auto Udyog Pvt Ltd.  
G B Rubber products  
Chaphekar Suspensions Pvt Ltd.  
Advik Hi-Tech Pvt Ltd  
Innova Rubbers Pvt Ltd  
Jaggy Industrial Plastics  
Amit Engineers  
Kumar Industries  
Umasons Auto Compo Pvt Ltd  
Micro Turners  
Pune Metagraph  
Pune Polymers Pvt Ltd  
Amol Auto Parts  
Heramb Industries  
Hindustan Pressings Pvt.Ltd.  
Jayshree Rubber Products Pvt.Ltd.  
Multi Link  
Metaforge  
Springwell Engineering Co. Pvt.Ltd.

- (c) Unpaid interest as on 31 March 2003 **Rs. Nil.** (previous year Rs. Nil.)

13. Deposits include a sum of **Rs. 37,500,000** (Previous year Rs. 28,000,000) against use of premises on a Leave License basis, placed with Directors and their relatives, jointly and severally.
14. 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.
15. Segment Information based on the Consolidated Financial Statements attached to the Accounts, has been disclosed in the Statement annexed to this Schedule.



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

16. As required by Accounting Standard 22 "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India, which is mandatory in nature, the Company has recognised Deferred Taxes which result from the timing difference between the Book Profits and Tax Profits.

As a result the deferred tax credit for the year aggregating Rs. 181,625,717 has been recognised in the Profit and Loss account, the details of which are as under

Particulars	Balance carried As at 31 March 2002	Arising during the year	Balance carried As at 31 March 2003
	Rupees	Rupees	Rupees
<b>Deferred Tax Liabilities</b>			
On account of timing difference in Depreciation and Amortisation	2,360,542,635	44,186,772	2,404,729,407
<b>Total</b>	2,360,542,635	44,186,772	2,404,729,407
<b>Deferred Tax Assets</b>			
On account of timing difference in			
a) Voluntary Retirement Scheme costs	197,741,529	64,972,369	262,713,898
b) Inventory Valuation (Section 145 A of the Income Tax Act, 1956)	31,951,345	14,520,614	46,471,959
c) Diminution in the value of investments	26,621,156	22,359,520	48,980,676
d) Provision for bad and doubtful debts	20,981,214	6,063,605	27,044,819
e) Privilege leave provision	18,422,717	289,282	18,711,999
f) Taxes, duties etc.	159,091,038	(27,159,049)	131,931,989
g) Short term Capital loss	—	78,240,933	78,240,933
h) Long term Capital loss	—	66,525,215	66,525,215
<b>Total</b>	454,808,999	225,812,489	680,621,488
<b>Net</b>	<b>1,905,733,636</b>	<b>(181,625,717)</b>	<b>1,724,107,919</b>

17. 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, 2003

	Rupees
(a) Receivable within one year	11,501,820
(b) Receivable between one year and five years	13,373,790
(c) Receivable after five years	Nil

18. 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 & Managing Director
For and on behalf of Dalal and Shah Chartered Accountants	Madhur Bajaj D.S. Mehta Kantikumar R. Podar Shekhar Bajaj	
Anish Amin Partner	J. Sridhar Company Secretary	Directors
Mumbai : 14 May 2003	D. J. Balaji Rao S.H. Khan J.N. Godrej Rajiv Bajaj Suman Kirloskar (Ms) Naresh Chandra Nanoo Pamnani	

## Annexure referred to in Note 8 in Schedule 14 to the Accounts for the year ended 31 March 2003

### 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.

###### (i) 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		
High Efficiency Boiler	16.67	* 5.28
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

###### (ii) On Pressure Die Casting(PDC) Dies

Depreciation on certain PDC Dies is provided over the estimated economic life of the asset.(3 years) or at the rates specified in Schedule XIV to the Companies Act,1956, whichever is higher proportionate from the date they are put to use.

###### (iii) 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.

## Annexure referred to in Note 8 in Schedule 14 to the Accounts for the year ended 31 March 2003 (Contd.)

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### 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.

### 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, if any, for financing fixed assets and Current Assets and Liabilities in foreign currency outstanding at the close of financial year are revalored 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, if any, for financing fixed assets adjusted to the cost of assets acquired through these loans.
- iii) Fixed Assets purchased at Overseas Branches in foreign exchange are recorded at their historical cost computed with reference to the average rate of foreign exchange remitted to the Branch.

### 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 1st 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.

## Annexure referred to in Note 8 in Schedule 14 to the Accounts for the year ended 31 March 2003 (Contd.)

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### 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.

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

Name of related party and Nature of relationship	Nature of transaction	2002-2003		2001-2002	
		Transaction Value (Rs.)	Outstanding amounts carried in the Balance Sheet (Rs.)	Transaction Value (Rs.)	Outstanding amounts carried in the Balance Sheet (Rs.)
<b>[a] Subsidiaries</b>					
Bajaj Auto Holdings Ltd. (Fully owned subsidiary)	Contribution to Equity (24,500 shares of Rs. 100 each)	—	2,450,000	—	2,450,000
	Loan refunded	126,000,000	140,000,000	131,000,000	184,000,000
	Loan taken	82,000,000	—	200,000,000	—
	Interest received	26,596,632	—	9,528,082	—
	Interest paid	—	—	8,305,479	—
	Other credits	6,000	—	6,000	—
<b>[b] Associates and Joint Ventures</b>					
Maharashtra Scooters Ltd. (24 % shares held by Bajaj Auto Ltd.)	Contribution to Equity (2,742,848 shares of Rs. 10 each)	—	2,400,000	—	2,400,000
	Sale of CKD	228,013,433	—	465,998,747	—
	Technical knowhow fees received	10,615,911	—	19,736,988	—
	Purchase of dies	13,946,072	—	21,631,570	—
	Services received	58,836	—	60,832	—
	Services rendered	3,298,189	—	2,675,932	—
	Warranty paid	3,238,190	—	11,181,912	—
	Other debits	(760,983)	10,289,695	1,190,147	11,469,046
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	814,000,000
	Rent received	4,903,740	—	4,126,450	—
	Deposit received	—	5,199,905	5,199,905	5,199,905
	Insurance premia paid	18,538,822	611,129	11,345,902	—
	Other credits	3,244,092	—	3,443,371	15,981
Allianz Bajaj Life Insurance Co. Ltd. (74 % shares held by Bajaj Auto Ltd.)	Contribution to Equity [111,024,420 shares (Previous year 111,000,000 shares) of Rs. 10 each]	244,200	1,110,244,200	1,110,000,000	1,110,000,000
	Rent received	6,688,080	—	5,593,400	—
	Deposit received	—	7,309,715	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	31,152	—	649,195	5,000
Bajaj Auto Finance Ltd. (31.3 % shares held by Bajaj Auto Ltd.)	Contribution to Equity [5,493,800 shares (Previous year 4,693,800 shares) of Rs. 10 each]	38,400,000	219,186,257	—	180,786,257
	Loan refunded	823,500,000	920,000,000	646,500,000	1,743,500,000
	Interest received	90,669,810	14,853,425	187,175,672	—
	Subvention charges paid for finance scheme	66,628,821	—	65,503,686	—
	Services rendered	9,601,323	—	5,510,862	1,367,020
	Service incentive received	1,101,881	—	—	—
	Other debits	1,728,782	10,269,120	—	—
Allianz AG	Premium received on Insurance Venture	—	—	1,170,000,000	—
Western Maharashtra Development Corporation	Nil	—	—	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	2002-2003		2001-2002	
		Transaction Value (Rs.)	Outstanding amounts carried in the Balance Sheet (Rs.)	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	3,455,544	—	3,365,411	—
	Commission	2,400,000	—	2,400,000	—
	Rent paid for premises	131,000	—	120,000	—
	Deposit paid against premises taken on lease	—	4,250,000	—	3,250,000
Mr. Madhur Bajaj - Wholetime Director (Also key management personnel)	Remuneration	2,430,594	—	2,336,357	—
	Commission	2,400,000	—	1,200,000	—
	Rent paid for premises	126,280	—	116,160	—
	Deposit paid against premises taken on lease	—	4,100,000	—	3,000,000
Mr. Rajiv Bajaj - Wholetime Director (Also key management personnel)	Remuneration	2,910,244	—	2,208,308	—
	Commission	1,800,000	—	130,645	—
	Rent paid for premises	131,000	—	120,000	—
	Deposit paid against premises taken on lease	—	4,250,000	—	3,250,000
Mr. Sanjiv Bajaj - VP, Finance	Remuneration	1,720,928	—	845,402	—
Rahul Kumar Bajaj (HUF)	Rent paid for premises	131,000	—	120,000	—
	Deposit paid against premises taken on lease	—	4,250,000	—	3,250,000
Kamalnayan Bajaj (HUF)	Rent paid for premises	131,000	—	120,000	—
	Deposit paid against premises taken on lease	—	4,250,000	—	3,250,000
Shekhar Bajaj - Non Executive Director	Commission	60,000	60,000	100,000	100,000
	Sitting fees	6,000	—	10,000	—
	Rent paid for premises	126,280	—	116,160	—
	Deposit paid against premises taken on lease	—	4,100,000	—	3,000,000
Shekhar Bajaj (HUF)	Rent paid for premises	126,280	—	116,160	—
	Deposit paid against premises taken on lease	—	4,100,000	—	3,000,000
Ramkrishna Bajaj (HUF)	Rent paid for premises	126,280	—	116,160	—
	Deposit paid against premises taken on lease	—	4,100,000	—	3,000,000
Niraj Bajaj (HUF)	Rent paid for premises	126,280	—	116,160	—
	Deposit paid against premises taken on lease	—	4,100,000	—	3,000,000
<b>[d] Key Management Personnel</b>					
Mr. D. S. Mehta - Whole time Director (Key management personnel)	Remuneration	1,245,476	—	1,164,581	—

## 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	2002-2003		2001-2002	
		Transaction Value (Rs.)	Outstanding amounts carried in the Balance Sheet (Rs.)	Transaction Value (Rs.)	Outstanding amounts carried in the Balance Sheet (Rs.)
<b>[e] Enterprise over which any person described in (c) or (d) above is able to exercise significant influence</b>					
Mukand Ltd.	Contribution to Equity	—	82,881,667	—	82,881,667
	Recovery of advances	12,208,281	66,595,435	7,454,684	78,803,716
	Loans & Inter Corporate Deposits (ICDs) - Refunds	—	—	140,000,000	—
	Interest on Debentures	1,515,827	—	1,204,718	1,204,718
	Interest received on ICDs	—	—	24,206,601	—
	Interest received - others	11,409,939	—	10,244,470	—
	Services rendered	660,400	—	660,400	—
	Services received	—	—	2,293,743	—
	Debentures	—	14,794,225	—	14,794,225
	Other credits	427,320	835,930	3,742,888	2,826,233
Bajaj Electricals Ltd.	11 % Cumulative Non-participating Redeemable Preference Shares (3,000,000 shares of Rs. 10 each)	—	30,000,000	—	30,000,000
	Contribution to Equity (859,838 shares of Rs. 10 each)	—	110,855,220	—	110,855,220
	Inter Corporate Deposits (ICDs) given	54,000,000	94,000,000	40,000,000	40,000,000
	Interest received on ICD	6,355,067	—	7,735,845	1,660,274
	Interest received - others	—	—	706,849	—
	Purchase of Sales Tax Entitlement	850,208	—	20,870,500	—
	Purchase/ Processing of material	18,540,949	—	119,997,799	—
	Services rendered	—	—	151,921	—
	Services received	—	—	389,044	—
	Other credits	1,543,000	(854,966)	170,895	(3,658,066)
	Other debits	647,782	—	—	—
Hind Musafir Agency Pvt. Ltd.	Services rendered	—	—	12,986	—
	Services received	10,147,344	—	14,806,133	—
	Other Credits	47,823	(78,213)	—	(222,054)
Kamalnayan Investments & Trading Pvt. Ltd.	Nil	Nil	—	Nil	—
Rahul Securities Pvt. Ltd.	Nil	Nil	—	Nil	—
Bajaj Sevashram Pvt. Ltd.	Nil	Nil	—	Nil	—
Bachhraj Trading Co.	Nil	Nil	—	Nil	—
Bajaj Trading Co.	Nil	Nil	—	Nil	—
Anant Trading Co.	Nil	Nil	—	Nil	—
Kushagra Trading Co.	Nil	Nil	—	Nil	—
Madhur Securities Pvt. Ltd.	Nil	Nil	—	Nil	—
Bajaj International Pvt. Ltd.	Nil	Nil	—	Nil	—
Bachhraj & Co. Pvt. Ltd.	Nil	Nil	—	Nil	—
Jamnial Sons Pvt. Ltd.	Nil	Nil	—	Nil	—
Sikkim Janseva Pratisthan Pvt. Ltd.	Nil	Nil	—	Nil	—
Niche Financial Services Pvt. Ltd.	Nil	Nil	—	Nil	—
Benchmark Asset Management Co. Pvt. Ltd.	Nil	Nil	—	Nil	—
Baroda Industries Pvt. Ltd.	Nil	Nil	—	Nil	—
Bachhraj Factories Pvt. Ltd.	Nil	Nil	—	Nil	—

Segment wise Revenue, Results and Capital employed for the Year ended 31 March 2003 (Based on Consolidated Financial Statements)

(a) Primary Segment : Business Segment

	Automotive	Investments and Others	Insurance *	Consolidated
	Rupees	Rupees	Rupees	Rupees
<b>Revenue *</b>				
External Sales and Other Income	49,107,228,621	1,486,822,883	1,928,460,195	52,522,511,699
Inter segment Sales and Other Income	—	301,333,504	—	301,333,504
<b>Total Revenue</b>	<b>49,107,228,621</b>	<b>1,788,156,387</b>	<b>1,928,460,195</b>	<b>52,823,845,203</b>
<b>Segment Result</b>	<b>6,745,432,504</b>	<b>1,284,034,218</b>	<b>(69,703,949)</b>	<b>7,959,762,773</b>
Interest Expense	11,219,434	1,701	—	11,221,135
Income Taxes				2,562,746,629
<b>Net Profit</b>	<b>6,734,213,070</b>	<b>1,284,032,517</b>	<b>(69,703,949)</b>	<b>5,385,795,009</b>
Segment Assets	16,211,957,471	31,215,526,732	3,819,135,037	51,246,619,240
Unallocated Corporate Assets				13,934,882,498
<b>Total Assets</b>	<b>16,211,957,471</b>	<b>31,215,526,732</b>	<b>3,819,135,037</b>	<b>65,181,501,738</b>
Segment Liabilities	4,949,036,534	202,645,201	1,899,272,318	7,050,954,053
Unallocated Corporate Liabilities				14,908,592,261
<b>Total Liabilities</b>	<b>4,949,036,534</b>	<b>202,645,201</b>	<b>1,899,272,318</b>	<b>21,959,546,314</b>
<b>Capital Employed</b>	<b>11,262,920,937</b>	<b>31,012,881,531</b>	<b>1,919,862,719</b>	<b>43,221,955,423</b>
Capital Expenditure	1,113,316,314	6,868,693,423	953,073,686	8,935,083,423
Depreciation	1,420,076,628	295,105,697	66,633,314	1,781,815,639
Non Cash Expenses other than Depreciation	59,023,742	249,611,538	3,676,467	312,311,747

\* Segment revenues for insurance business represents the premiums earned and other income. However, for the purpose of consolidated financials the net result of the insurance business revenue accounts together with shareholders income in accordance with the reporting framework of IRDA amounting to a net loss of Rs. 64,754,784 for the year ended March 31, 2003 has been included in a manner consistent with the parent's reporting format as was done for the previous year.

- (a) Business segments of the consolidated group have been identified as distinguishable components that are engaged in a group of related product or services and that are subject to risks and returns different from other business segments. Accordingly Automotive, Insurance and Investment and others have been identified as the business segments.
- (b) Secondary Segment: Geographic Segment  
The geographic segments identified as secondary segments are "Domestic Market" and "Export Market". Since the Export market Revenue, is less than 10 % of the total, the same has not been disclosed. Capital employed overseas amounts to Rs 1,469,254.



Segment wise Revenue, Results and Capital employed for the Year ended 31 March 2002 (Based on Consolidated Financial Statements)

(a) Primary Segment : Business Segment

	Automotive	Investments and Others	Insurance *	Consolidated
	Rupees	Rupees	Rupees	Rupees
<b>Revenue *</b>				
External Sales and Other Income	42,201,367,298	1,605,720,473	421,619,812	44,228,707,583
Inter segment Sales and Other Income	12,491,825	211,453,394	(5,244,426)	218,700,793
<b>Total Revenue</b>	<b>42,213,859,123</b>	<b>1,817,173,867</b>	<b>416,375,386</b>	<b>44,447,408,376</b>
<b>Segment Result</b>	<b>4,862,637,630</b>	<b>1,055,454,468</b>	<b>(284,492,578)</b>	<b>5,633,599,520</b>
Interest Expense	25,511,782	18,965,750	—	44,477,532
Income Taxes				1,800,363,499
<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>(284,492,578)</b>	<b>4,958,758,489</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>	<b>16,237,564,984</b>	<b>23,938,452,961</b>	<b>3,773,731,673</b>	<b>55,325,951,520</b>
Segment Liabilities	4,500,909,483	370,966,248	1,517,458,877	6,389,334,608
Unallocated Corporate Liabilities				11,995,969,140
<b>Total Liabilities</b>	<b>4,500,909,483</b>	<b>370,966,248</b>	<b>1,517,458,877</b>	<b>18,385,303,748</b>
<b>Capital Employed</b>	<b>11,736,655,501</b>	<b>23,567,486,713</b>	<b>2,256,272,796</b>	<b>36,940,647,772</b>
Capital Expenditure	1,412,609,036	7,185,981,435	3,115,770,215	11,714,360,686
Depreciation	1,336,921,426	460,065,728	37,171,608	1,834,158,762
<b>Non Cash Expenses other than Depreciation</b>	<b>63,994,847</b>	<b>83,473,803</b>	<b>—</b>	<b>147,468,650</b>

\* From Revenue Accounts

- (a) Business segments of the consolidated group have been identified as distinguishable components that are engaged in a group of related product or services and that are subject to risks and returns different from other business segments. Accordingly Automotive, Insurance and Investment and others have been identified as the business segments.
- (b) Secondary Segment: Geographic Segment  
The geographic segments identified as secondary segments are "Domestic Market" and "Export Market". Since the Export market Revenue, is less than 10 % of the total, the same has not been disclosed. The entire capital employed is within India.

**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</b>	<b>REGISTRATION DETAILS</b>	
	Registration No.	4656
	State Code	11
	Balance Sheet date	31 March 2003
		Rupees in Thousands
<b>II</b>	<b>CAPITAL RAISED DURING THE YEAR ENDED 31 March 2003</b>	
	Public Issue	—
	Rights Issue	—
	Bonus Issue	—
	Private Placement	—
	Others	—
	<b>Total</b>	<u>—</u>
<b>III</b>	<b>POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS AS AT 31 March 2003</b>	
	Total liabilities	42,532,428
	Total assets	42,532,428
	<b>SOURCES OF FUNDS</b>	
	Paid-up capital	1,011,835
	Reserves and surplus	31,394,221
	Deferred Tax Adjustments	1,724,108
	Secured loans	539,117
	Unsecured loans	7,863,147
	<b>Total</b>	<u>42,532,428</u>
	<b>APPLICATION OF FUNDS</b>	
	Net Fixed Assets	12,982,266
	Investments	27,298,942
	Net Current Assets	2,144,401
	Misc.Expenditure-Technical Know-how	106,819
	<b>Total</b>	<u>42,532,428</u>
<b>IV</b>	<b>PERFORMANCE OF THE COMPANY FOR THE YEAR ENDED 31 March 2003</b>	Rupees in Thousands
	i) Turnover (sale of products and other income)	50,704,703
	ii) Total Expenditure	42,818,507
	iii) Profit before tax and extraordinary items	7,886,196
	iv) Profit after tax	5,384,221
	v) Expenses for earlier years	37,872
	vi) Net Profit	5,346,349
	vii) Earning per share Rs.(See Note 2)(Face Value Rs.10/-)	52.84
	viii) Dividend Rate (%)	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 (PART IV) (Contd.)

#### V PRODUCTS OF THE COMPANY

Item Code No.  
(ITC Code) : 8711

Product Description : Scooters,Autorikshas, Motorcycles and Mopeds

#### Notes

1. The above particulars should be read along with the balance sheet as at 31 March 2003, the profit and loss account for the year ended on that date and the schedules forming part thereof.
2. Earning per share is arrived at by dividing the Net Profit [Item IV(vi)] by total number of shares issued and subscribed as at the end of the year.

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	Rahul Bajaj	Chairman & Managing Director
	Madhur Bajaj	
	D.S. Mehta	
	Kantikumar R. Podar	
	Shekhar Bajaj	
	D. J. Balaji Rao	
	S.H. Khan	Directors
	J.N. Godrej	
	Rajiv Bajaj	
	Suman Kirloskar (Ms)	
	Naresh Chandra	
	Nanoo Pamnani	

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Mumbai : 14 May 2003

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J. Sridhar  
Company Secretary

## Cash Flow Statement

	2002-2003		2001-2002
	Rupees	Rupees	Rupees
<b>I. CASH FROM OPERATIONS</b>			
A) Profit before Taxation		7,886,195,635	7,047,682,684
B) Adjustments			
<b>Add</b>			
i) Depreciation	1,711,565,431		1,796,957,082
ii) Amount written off against Technical know-how	34,456,057		32,246,555
iii) Amount written off against Leasehold land	4,210,566		4,210,566
iv) Loss on Assets Sold, Demolished, Discarded and Scrapped	68,440,500		72,066,200
v) Provision for Diminution in Value of Investments	224,325,436		82,731,101
vi) Provision for Doubtful Debts, Advances & Investments	42,578,738		27,537,726
vii) Interest on cash credit	1,293,706		16,483,301
		<u>2,086,870,434</u>	<u>2,032,232,531</u>
		9,973,066,069	9,079,915,215
<b>Less</b>			
i) Investment and Other Non-operating Income included in above			
Dividends	127,159,800		592,306,473
Interest on Debenture and Bonds	407,715,378		291,509,916
Interest on Government Securities	405,081,386		17,808,266
Interest on Inter-Corporate Deposits and Others	248,275,989		364,428,885
Income from units of Mutual funds	43,928,580		78,492,422
Lease Rent	—		3,959,343
Lease Equalisation	—		230,203,122
Profit/(Loss) on Sale of Investments, net Surplus/(Loss) on Redemption of Treasury Bills, etc on maturity	214,280,591		(8,821,677)
Interest received on Fixed Deposits	(6,910,607)		(10,160,232)
Bad debts written off	1,944,109		4,636,987
Bad debts recovered	(17,394,733)		(100,213,439)
Premium on Insurance Venture	1,500,000		—
	—		1,170,000,000
	<u>1,425,580,493</u>		<u>2,634,150,066</u>
ii) Surplus on Sale of Assets	39,339,915		26,945,556
iii) Expenses relating to earlier years	37,872,728		29,302,863
iv) Income Tax, Wealth Tax and Dividend Tax paid	2,504,954,115		1,381,285,473
v) Provision for Doubtful debts and Advances written back	1,696,385		104,826
		<u>(4,009,443,636)</u>	<u>(4,071,788,784)</u>
CASH FROM OPERATIONS		5,963,622,433	5,008,126,431
Carried forward		5,963,622,433	5,008,126,431

## Cash Flow Statement (Contd.)

	2002-2003		2001-2002
	Rupees	Rupees	Rupees
brought forward		5,963,622,433	5,008,126,431
C) (Increase)/Decrease in Current Assets			
i) Inventories	(288,833,284)		743,405,010
ii) Sundry Debtors	306,733,653		(783,582,167)
iii) Other Current Assets and Loans and Advances	(226,889,112)		1,100,229,682
	(208,988,743)		1,060,052,525
Increase/(Decrease) in Current Liabilities			
i) Liabilities	(10,090,679)		538,550,426
		(219,079,422)	1,598,602,951
NET CASH FROM OPERATIONS		5,744,543,011	6,606,729,382
<b>II) INVESTMENT ACTIVITIES</b>			
i) (Increase)/Decrease in Investment, net	(7,862,607,402)		(7,897,638,792)
ii) Capital Expenditure	(1,113,402,943)		(2,413,358,797)
iii) Sales Proceeds of Assets/ Adjustment to Gross block	69,263,168		70,943,910
iv) Technical know-how	(8,721,720)		—
v) (Increase)/Decrease in Deposits with Joint Stock Companies, Loan to Bajaj Auto Holdings Ltd and Bills purchased	978,400,000		872,309,626
	(7,937,068,897)		(9,367,744,053)
vi) Investment and other Non-operating Income included in above			
Dividends	127,159,800		592,306,473
Interest on Debenture and Bonds	407,715,378		291,509,916
Interest on Government Securities	405,081,386		17,808,266
Interest on Inter-Corporate Deposits and Others	248,275,989		364,428,885
Income from Units of Mutual Funds	43,928,580		78,492,422
Lease Rent	—		3,959,343
Profit/(Loss) on Sale of Investments, net	214,280,591		(8,821,677)
Surplus/(Loss) on Redemption of Treasury Bills, etc on maturity	(6,910,607)		(10,160,232)
Interest received on Fixed Deposits	1,944,109		4,636,987
Bad debts written off	(17,394,733)		(100,213,439)
Bad debts recovered	1,500,000		—
(Increase)/decrease in non-operating income receivable	86,541,082		95,657,093
Premium on Insurance Venture	—		1,170,000,000
	1,512,121,575		2,499,604,037
NET CASH FROM INVESTMENT ACTIVITIES		(6,424,947,322)	(6,868,140,016)
Carried forward		(680,404,311)	(261,410,634)

## Cash Flow Statement (Contd.)

	2002-2003	2001-2002
	Rupees	Rupees
brought forward	(680,404,311)	(261,410,634)
<b>III) FINANCING ACTIVITIES</b>		
i) Cash Credit from Banks	220,782,206	(241,407,213)
ii) Interest on cash credit	(1,293,706)	(16,483,301)
iii) Repayment of Fixed Deposits	(8,845,590)	(7,949,095)
iv) Increase in Unsecured Loans		
-Sales tax deferral liability	1,929,337,880	1,373,203,616
v) Dividend Paid	(1,411,331,165)	(807,398,811)
NET CASH FROM FINANCING ACTIVITIES	728,649,625	299,965,196
NET CHANGE IN CASH & CASH EQUIVALENTS	48,245,314	38,554,562
Cash and Cash Equivalents as at 01.04.2002 [Opening Balance]	252,009,887	213,455,325
Cash and Cash Equivalents as at 31.03.2003 [Closing Balance]	300,255,201	252,009,887

As per our attached report of even date

For and on behalf of Dalal and Shah  
Chartered Accountants

Anish Amin  
Partner

J. Sridhar  
Company Secretary

Mumbai : 14 May 2003

Rahul Bajaj

Chairman & Managing Director

Madhur Bajaj  
D.S. Mehta  
Kantikumar R. Podar  
Shekhar Bajaj  
D. J. Balaji Rao  
S.H. Khan  
J.N. Godrej  
Rajiv Bajaj  
Suman Kirloskar (Ms)  
Naresh Chandra  
Nanoo Pamnani

Directors

## 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 2003	31 March 2003	31 March 2003
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.3,186,278	Profit Rs.71,251,302	Loss Rs.196,492,219
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.269,323,828	Loss Rs.71,162,065	Loss Rs.115,762,328
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.88,962,500	Nil	Nil
			Rahul Bajaj	Chairman & Managing Director
			Madhur Bajaj D.S. Mehta Kantikumar R. Podar Shekhar Bajaj D. J. Balaji Rao S.H. Khan J.N. Godrej Rajiv Bajaj Suman Kirloskar (Ms) Naresh Chandra Nanoo Pamnani	Directors
	J. Sridhar Company Secretary			
	Mumbai : 14 May 2003			

# BAJAJ AUTO LTD AND ITS SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

CONSOLIDATED BALANCE SHEET AND  
PROFIT AND LOSS ACCOUNT



## REPORT OF THE AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors  
Bajaj Auto Limited.

We have examined the attached Consolidated Balance Sheet of Bajaj Auto Limited and its subsidiaries, Associates and Joint Ventures as at 31<sup>st</sup> March, 2003, 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. 414,960,106/- (Previous Year Rs. 455,773,828/-) and total Revenues of Rs. 58,059,140/- (Previous Year Rs. 35,610,286/-). We have also, jointly with another firm of Chartered Accountants, audited the financial statements of two subsidiaries, which have been consolidated as Joint Ventures for the year as explained in Note No. 1a, viz. Bajaj Allianz General Insurance Company Limited and Allianz Bajaj Life Insurance Company Limited, whose financial statements reflect total assets of Rs. 1,091,482,923/- (Previous Year Rs. 1,092,849,125/-) and Rs. 2,334,250,270/- (Previous Year Rs. 1,522,994,011/-) as at 31<sup>st</sup> March, 2003 respectively and total a revenue for the year of Rs. 173,974,265/- (Previous year Rs. 127,944,538/-) and Rs. 138,519,270/- (Previous year Rs. 104,033,762/-) then ended respectively. Our opinion, in so far as it relates to the amounts included in respect of these subsidiaries, is based on our joint report.

We have also audited the Financial Statements of an Associate company viz. Bajaj Auto Finance Limited, which have been accounted in the Consolidated Financial Statements dealt with by this report for the first time as explained in Note No.1a, whose financial statement reflect

total assets of Rs.4,694,093,029/- and revenues of Rs.1,180,739,390/- .

However, the financial statements of a Joint Venture company viz. Maharashtra Scooters Limited, consolidated for the first time as explained in Note 1a, whose financial statements reflect a total assets of Rs.1,762,899,075/- and revenues of Rs. 718,462,039/-, have been audited by an independent firm of Chartered Accountants. Our opinion, in so far as it relates to the amounts included in respect of this Joint venture is based on their report.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements Accounting Standards issued by the Institute Of Chartered Accountants of India viz. Accounting Standard (AS) 21, Consolidated Financial Statements, AS 23 Accounting for investments in associates in consolidated financial statements and AS-27-financial reporting of interest in Joint Ventures, and on the basis of the separate audited financial statements of Bajaj Auto Limited, its subsidiaries, associates and Joint ventures 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, associates and Joint ventures, we are of the opinion that:

- a) The Consolidated Balance sheet read with notes thereon, gives a true and fair view of the consolidated state of affairs of Bajaj Auto Limited and its subsidiaries, associates and Joint ventures as at 31<sup>st</sup> March, 2003; and
- b) the Consolidated Profit and Loss account read with notes thereon, gives a true and fair view of the consolidated results of operations of Bajaj Auto Limited and its subsidiaries, associates and Joint ventures for the year then ended.

For and on behalf of  
DALAL & SHAH  
Chartered Accountants

MUMBAI : 14<sup>th</sup> May, 2003

ANISH AMIN  
Partner  
Membership No. 40451

## Consolidated Balance Sheet as at 31 March

		2003		2002
	Schedule	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	32,671,878,208		27,552,184,841
Share of fair value change account of joint venture		(2,423,138)		—
			33,681,290,170	28,564,019,941
2. Share of Policy Liabilities of Joint Ventures			228,660,000	34,113,427
3. Funds for future appropriation in Policyholders' Account	3		30,422,665	1,602,504
4. Minority Interest			—	610,323,862
5. Deferred Tax liability - net		1,724,107,919		1,787,933,636
Share of deferred tax liability - net, of joint ventures		(46,295,840)		—
			1,677,812,079	1,787,933,636
6. Loan Funds				
a) Secured Loans	4	543,774,224		318,335,238
b) Unsecured Loans	5	7,881,458,093		5,942,654,402
			8,425,232,317	6,260,989,640
<b>Total</b>			<b>44,043,417,231</b>	<b>37,258,983,010</b>
<b>II. Application of Funds</b>				
1. Fixed Assets				
a) Gross Block		26,688,364,508		25,710,417,887
b) Less : Depreciation		13,582,695,659		11,930,436,314
c) Net Block	6	13,105,668,849		13,779,981,573
d) Lease Adjustment Account- Plant and Machinery		175,000,000		175,000,000
		13,280,668,849		13,954,981,573
e) Capital Work in progress, expenditure to date [including Machinery in transit Rs. Nil (Previous Year Rs. 79,950)] (includes share of Capital Work in progress of Joint Ventures Rs 10,120,097)		50,181,967		41,594,390
			13,330,850,816	13,996,575,963
2. Technical Know-how	7		106,818,641	128,017,678
3. Investments	8		29,221,533,789	20,682,798,713
4. Share of Policyholders' Investments of Joint Ventures			259,082,666	35,715,931
5. Current Assets, Loans and Advances	9			
a) Inventories		2,088,231,836		1,790,979,026
b) Sundry Debtors		1,676,488,901		1,981,655,342
c) Cash and Bank Balances		649,355,358		559,771,669
d) Other Current Assets		787,018,949		694,220,646
e) Loans and Advances		17,062,120,781		15,436,343,757
		22,263,215,825		20,462,970,440
Less : Current Liabilities and Provisions	10			
a) Liabilities		5,427,467,981		5,243,455,921
b) Provisions		15,729,221,444		12,823,512,589
		21,156,689,425		18,066,968,510
Net Current Assets			1,106,526,400	2,396,001,930
6. Miscellaneous expenditure to the extent not written off	11		18,604,919	19,872,795
<b>Total</b>			<b>44,043,417,231</b>	<b>37,258,983,010</b>
Notes forming part of the Accounts	17			

As per our attached report of even date

Rahul Bajaj

Chairman & Managing Director

For and on behalf of Dalal and Shah  
Chartered Accountants

Madhur Bajaj  
D.S. Mehta  
Kantikumar R. Podar  
Shekhar Bajaj  
D. J. Balaji Rao  
S.H. Khan  
J.N. Godrej  
Rajiv Bajaj  
Suman Kirloskar (Ms)  
Naresh Chandra  
Nanoo Pamnani

Directors

Anish Amin  
Partner

J. Sridhar  
Company Secretary

Mumbai : 14 May 2003

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

		2003	2002
	Schedule	Rupees	Rupees
<b>Income</b>			
Sales including Excise Duty		47,443,447,856	41,255,993,256
Share of Sales including excise duty of joint venture		149,935,672	—
Wind power generated, captively consumed		301,333,504	211,453,394
Other Income	12	3,172,330,985	2,780,478,681
Share of operating result from insurance business	13	59,582,207	(254,328,573)
Share of transfer of Funds to Policyholders account		(296,000,000)	(234,406,600)
		<u>50,830,630,224</u>	<u>43,759,190,158</u>
<b>Expenditure</b>			
Materials	14	26,983,550,338	23,643,750,139
Excise Duty		5,891,673,447	5,255,879,308
Share of Excise Duty of Joint Venture		21,245,188	—
Other Expenses	15	8,594,909,728	7,661,100,923
Interest	16	11,221,135	44,477,532
Depreciation		1,711,593,999	1,796,987,154
Share of depreciation of joint ventures		3,588,326	—
		<u>43,217,782,161</u>	<u>38,402,195,056</u>
Less : Expenses, included in above items, capitalised		205,100,165	232,126,886
Share of expenses, included in above items, capitalised of joint venture		56,607	—
		<u>43,012,625,389</u>	<u>38,170,068,170</u>
Profit for the year before extra ordinary item of income and taxation		7,818,004,835	5,589,121,988
Income from associates		130,536,803	—
Extraordinary Item of Income			
Premium on Insurance Venture		—	1,170,000,000
Profit before Provision for Taxation		<u>7,948,541,638</u>	<u>6,759,121,988</u>
Provision for Taxation [ including Rs. 3,735,683 for Wealth tax (Previous year Rs. 3,718,164)]			
Current tax		2,685,260,000	1,484,968,184
Share of current tax of joint ventures		12,010,967	—
Deferred tax		(181,625,717)	315,395,315
Share of deferred tax of joint ventures		47,101,379	—
		<u>2,562,746,629</u>	<u>1,800,363,499</u>
Profit for the year		<u>5,385,795,009</u>	<u>4,958,758,489</u>
<b>Prior Period adjustments</b>			
Income		62,631	—
Share of prior period income of joint venture		3,806,459	—
		<u>3,869,090</u>	<u>—</u>
Expenses		37,872,728	29,302,863
Share of prior period expenses of joint venture		2,544,000	—
		<u>40,416,728</u>	<u>29,302,863</u>
		<u>5,349,247,371</u>	<u>4,929,455,626</u>
<b>Minority Interest</b>			
Profits attributable to consolidated group		5,349,247,371	4,995,131,764
Transfer to Reserve fund in terms of Section 45-1C of the Reserve Bank of India Act, 1934		1,127,300	1,214,500
Transfer to General Reserve		3,750,053,010	3,577,348,124
Proposed Dividend		1,416,569,140	1,416,569,140
Corporate Divident Tax there on		181,497,921	—
Balance Carried to Balance Sheet		—	—
Notes forming part of the Accounts	17		
Basic and diluted Earning per share (Rs.)		52.87	49.37

As per our attached report of even date

Rahul Bajaj

Chairman & Managing Director

For and on behalf of Dalal and Shah  
Chartered Accountants

Madhur Bajaj  
D.S. Mehta  
Kantikumar R. Podar  
Shekhar Bajaj  
D. J. Balaji Rao  
S.H. Khan  
J.N. Godrej  
Rajiv Bajaj  
Suman Kirloskar (Ms)  
Naresh Chandra  
Nanoo Pamnani

Directors

Anish Amin  
Partner

J. Sridhar  
Company Secretary

Mumbai : 14 May 2003

## 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 2003

### Schedule 1 - Share Capital

	As at 31 March 2002	
	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>		
* 101,183,510 Equity Shares of Rs.10 each	1,011,835,100	1,011,835,100
<b>Total</b>	<b>1,011,835,100</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) excluding 2,171,388 Equity Shares allotted as Bonus Shares thereon

### Schedule 2 - Reserves and Surplus

	As at 31 March 2002			
	Rupees	Rupees	Rupees	Rupees
<b>Capital redemption reserve</b>				
As per last account			182,073,040	182,073,040
<b>Contingency Reserve</b>				
As per last account		17,500,000		17,500,000
Less: Transferred to General Reserve, as no longer required		17,500,000		—
				17,500,000
<b>Share of share premium of joint venture Reserve Fund</b> in terms of Section 45-1C of Reserve Bank of India Act, 1934			365,079,000	—
As per last account		17,482,800		16,268,300
Set Aside this Year		1,127,300		1,214,500
			18,610,100	17,482,800
<b>General Reserve</b>				
As per last account	27,522,754,026			25,230,319,198
Share of general reserve of subsidiaries classified as joint ventures in the current year as per last account	(187,625,025)			—
		27,335,129,001		25,230,319,198
Transitional Adjustment for Share of general reserve of joint venture	372,482,419			—
Transitional Adjustment for Share of accumulated Profits of Associate	605,923,075			—
		978,405,494		—
<b>Add:</b> Transferred from Contingency Reserve		17,500,000		—
<b>Less:</b> Transitional Adjustment on account of Deferred Tax, net				1,472,538,321
Set aside this year	3,873,220,742			3,577,348,124
Share of profit/(loss) of joint ventures for the year	(123,167,732)			—
		3,750,053,010		3,577,348,124
Capital Reserve arising on consolidation			32,081,087,505	27,335,129,001
			25,028,563	—
<b>Total</b>		<b>32,671,878,208</b>		<b>27,552,184,841</b>

### Schedule 3 - Policyholders Account (Share of Policy holders account of joint Venture)

	As at 31 March 2002	
	Rupees	Rupees
PREMIUMS EARNED -Net		
(a) Premium	511,894,425	71,389,499
Less: Reinsurance ceded	4,108,607	1,134,355
SUB-TOTAL	<u>507,785,818</u>	<u>70,255,144</u>
INCOME FROM INVESTMENT		
(a) Interest, Dividend & Rent - Gross	8,645,058	—
(b) Profit on sale / redemption of investments	2,392,859	—
Other Income	922,798	56,758
Excess provision written back	5,252,197	—
SUB-TOTAL	<u>17,212,912</u>	<u>56,758</u>
TOTAL(A)	<u>524,998,730</u>	<u>70,311,902</u>
Commission	91,928,148	23,516,899
Operating Expenses related to Insurance Business	493,710,893	251,079,072
TOTAL(B)	<u>585,639,041</u>	<u>274,595,971</u>
BENEFITS PAID (Net)	2,697,646	—
Interim Bonuses Paid	9,167	—
Change in valuation of liability against life policies in force		
(a) Gross	<u>203,416,064</u>	<u>34,113,427</u>
TOTAL(C)	<u>206,122,877</u>	<u>34,113,427</u>
SURPLUS / (DEFICIT) (D) = (A) - (B) - (C)	(266,763,188)	(238,397,496)
Surplus as per Last Balance Sheet	1,185,853	—
Transfer from Shareholders Account	296,000,000	240,000,000
APPROPRIATIONS	—	—
Balance being funds for future appropriation	<u>30,422,665</u>	<u>1,602,504</u>
<b>Total</b>		

### Schedule 4 - Secured Loans

	As at 31 March 2002	
	Rupees	Rupees
From Banks, against hypothecation of Stores, Raw Materials Finished Goods, Stock in Process and Book Debts		
Cash Credit	539,117,444	318,335,238
Share of cash credit of joint ventures	4,656,780	—
<b>Total</b>	<u>543,774,224</u>	<u>318,335,238</u>

## Schedule 5 - Unsecured Loans

		As at 31 March 2002
	Rupees	Rupees
Sales tax deferral Liability/ Loan under Package Scheme of Incentives 1983, 1988 and 1993	7,818,961,051	5,889,623,171
Share of sales tax deferral liability/ loan of joint venture	18,311,401	—
Fixed Deposits	44,185,641	53,031,231
<b>Total</b>	<b>7,881,458,093</b>	<b>5,942,654,402</b>

## Schedule 6 - Fixed Assets

Particulars	Gross Block (a)				Depreciation				Net Block	
	As at 31 March 2002	Additions	Deductions and Adjustments	As at 31 March 2003	Upto 31 March 2002	Deductions and Adjustments	For the Year (c)	Upto 31 March 2003	As at 31 March 2003	As at 31 March 2002
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Land Freehold	84,050,779	1,973,800	—	86,024,579	—	—	—	—	86,024,579	84,050,384
Land Leasehold	372,209,769	—	4,212,081	367,997,688	—	—	—	—	367,997,688	372,106,333
Buildings (b) & (c)	2,195,730,311	21,131,135	—	2,216,861,446	597,355,484	—	59,933,524	657,289,008	1,559,572,438	1,630,228,115
Lease hold Improvements	20,999,827	37,144,705	2,725,860	55,418,672	3,019,033	1,443,101	12,734,647	14,310,579	41,108,093	24,298,370
Waterpumps, Reservoirs and Mains	52,223,644	—	—	52,223,644	22,573,483	—	2,153,984	24,727,467	27,496,177	29,650,161
Plant & Machinery	14,445,540,405	647,698,018	114,005,577	14,979,232,846	7,644,269,347	103,778,075	1,035,192,761	8,575,684,033	6,403,548,813	6,793,114,020
Dies & Jigs	2,577,930,415	376,208,602	3,888,669	2,950,250,348	1,165,178,299	(65,997,348)	249,339,201	1,480,514,848	1,469,735,500	1,412,752,116
Electric Installations	377,612,646	2,380,321	—	379,992,967	193,269,604	—	13,009,891	206,279,495	173,713,472	184,343,042
Factory Equipments	753,591,831	81,749,589	12,237,211	823,104,209	424,517,832	11,400,624	54,883,686	468,000,894	355,103,315	329,073,999
Furniture, Fixtures, Office equipment etc	376,119,057	49,416,642	4,542,124	420,993,575	215,743,094	2,137,305	30,584,210	244,189,999	176,803,576	168,700,251
Electric Fittings	93,611,579	—	—	93,611,579	55,161,491	—	4,161,500	59,322,991	34,288,588	39,489,050
Vehicles & Aircraft	320,142,560	31,325,068	19,984,267	331,483,361	108,832,855	7,988,047	25,065,019	125,909,827	205,573,534	214,306,233
Wind Energy Generators	2,839,220,000	—	—	2,839,220,000	342,022,816	—	293,575,348	635,598,164	2,203,621,836	2,497,197,184
Leased Assets :-										
Plant & Machinery	949,668,957	—	—	949,668,957	947,940,931	—	646,786	948,587,717	1,081,240	—
Dies & Moulds	239,734,562	—	97,453,925	142,280,637	239,062,247	97,316,694	535,084	142,280,637	—	672,315
<b>As at 31 March 2003</b>	<b>Total</b>	<b>25,698,386,342</b>	<b>1,249,027,880</b>	<b>259,049,714</b>	<b>26,688,364,508</b>	<b>11,958,946,516</b>	<b>158,066,498</b>	<b>1,781,815,641</b>	<b>13,582,695,659</b>	<b>13,105,668,849</b>
Share of fixed assets of joint ventures as at 31 March 2003		335,712,316	136,099,384	6,662,751	465,148,949	65,681,810	8,253,855	70,221,642	127,649,597	337,499,352
<b>As at 31 March 2002</b>	<b>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) Includes office premises given on lease Rs. 82,541,077 accumulated depreciation Rs. 4,933,206 depreciation for the year Rs. 1,345,420

## Schedule 7 - Technical knowhow

		As at 31 March 2002
	Rupees	Rupees
As per last account	128,017,678	160,264,233
<b>Add:</b> Cost of technical know-how acquired during the year	13,257,020	—
	<u>141,274,698</u>	<u>160,264,233</u>
<b>Less:</b> Written off	34,456,057	32,246,555
<b>Total</b>	<u>106,818,641</u>	<u>128,017,678</u>

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

		As at 31 March 2002
	Rupees	Rupees
<b>In Government and Trust Securities</b>	10,149,831,507	
Share of joint venture	<u>1,573,432,936</u>	8,500,828,151
	11,723,264,443	
<b>In fully Paid Preference Shares</b>		1,001,742,000
<b>In Equity Shares</b>		
Long Term: Associate Company	991,707,379	
Others	4,879,329,914	
Share of joint ventures	<u>203,164,363</u>	5,910,596,248
	6,074,201,656	
<b>In Debentures and Secured Premium Notes</b>	2,916,289,091	
Share of joint venture	<u>1,005,409,880</u>	1,958,321,095
	3,921,698,971	
<b>In Bonds</b>	5,168,264,557	
Share of joint venture	<u>271,338,665</u>	2,993,811,625
	5,439,603,222	
<b>In Mutual Fund Units</b>	1,550,595,571	
Share of mutual fund units of joint ventures	<u>199,711,237</u>	612,705,548
	1,750,306,808	
	29,890,817,100	20,978,004,667
<b>Less:</b> Provision for diminution in value of Investments	507,777,508	259,490,023
Share of provision for diminution in value of Investments of joint Venture	<u>2,423,138</u>	—
	29,380,616,454	20,718,514,644
<b>Add:</b> Application Money for investment in Shares and Bonds	100,000,000	—
<b>Less:</b> Proportionate share of investments to the extent of Policy Liabilities of joint venture	<u>259,082,665</u>	35,715,931
<b>Total</b>	<u>29,221,533,789</u>	<u>20,682,798,713</u>

## Schedule 9 - Current Assets, Loans and Advances

				As at 31 March 2002
	Rupees	Rupees	Rupees	Rupees
<b>(a) Inventories</b>				
Stores and spares, at cost		33,268,118		32,317,751
Share of stores of joint ventures		264,537		—
Tools		178,217,420		273,435,000
Share of tools of joint ventures		275,714		—
Stock-in-trade, at cost or market value whichever is lower				
Raw Materials		561,630,035		543,186,844
Share of raw materials of joint ventures		1,878,720		—
Work-in-progress [including factory made components <b>Rs.68,365,341</b> (Previous year Rs. 18,564,792)]		160,417,965		162,581,965
Share of work-in-progress of joint ventures		3,631,383		—
Finished Goods		862,179,319		540,328,043
Share of finished goods of joint ventures		2,369,172		—
Auto Spare parts, etc.		201,755,024		195,712,417
As valued and certified by Management		2,005,887,407		1,747,562,020
Goods in transit, at cost to date		82,344,429		43,417,006
			2,088,231,836	1,790,979,026
<b>(b) Sundry Debtors, Unsecured</b>				
Outstanding for a period exceeding six months				
Good	12,279,450			19,003,617
Share of good debtors of joint ventures	126,150			—
Doubtful	6,837,892			18,369,226
Less : Provision	6,837,892			18,369,226
	—			—
		12,405,600		19,003,617
Other, Good	1,658,120,128			1,962,651,725
Share of other debts of joint ventures	5,963,173			—
			1,676,488,901	1,981,655,342
<b>(c) Cash and Bank Balances</b>				
Cash on hand [including cheques on hand <b>Rs. 9,575,313</b> (Previous year Rs.7,865,920)]		10,677,052		161,442,105
Share of cash on hand of joint ventures [including cheques on hand <b>Rs. 83,053,601</b> (Previous year Rs. 141,588,921)]		97,930,893		—
Cheques in hand with Banks as collecting agencies in terms of an arrangement		—		7,875,945
Remittances in Transit		3,020,500		—
Balances with scheduled banks				
* In current account		274,612,871		165,088,457
Share of current bank account of joint ventures		121,230,754		—
In margin deposits		10,010,000		20,000
Share of margin deposits of joint ventures		592,000		—
In fixed deposits		2,565,000		225,179,027
Share of fixed deposits of joint ventures		128,415,283		—
Interest accrued on fixed deposits		71,616		166,135
		537,497,524		390,453,619
Carried over		649,125,969		559,771,669
Carried over			3,764,720,737	3,772,634,368



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

				As at 31 March 2002
	Rupees	Rupees	Rupees	Rupees
			3,764,720,737	3,772,634,368
Brought over				559,771,669
Brought over	649,125,969			—
With Other Banks (maximum balance outstanding during the year Rs.1,537,698 )		229,389		—
			649,355,358	559,771,669
<b>(d) Other Current Assets</b>				
Dividend and Interest receivable on Investments				
Good	66,973,693			148,650,568
Share of income accrued on investments of joint ventures	81,160,415			—
	148,134,108			148,650,568
Doubtful	1,286,102			—
Less: Provision	1,286,102			—
	—			—
		148,134,108		148,650,568
Outstanding Premiums		33,820,463		729,332
Debentures & Bonds Redemption Money Receivable		—		19,238
Interest receivable on Loans etc.		169,804,897		220,877,443
Lease Rent Receivable		40,989,196		77,789,196
Export Incentives Receivable		275,843,105		164,075,206
Credit receivable for Windpower generated		75,253,611		57,897,425
Agent's Balances		3,476,140		—
Dues from other entities carrying on insurance business		39,697,429		—
Claims receivable from Re-insurers		—		18,170,668
Commission receivable from Re-insurers		—		6,011,570
			787,018,949	694,220,646
<b>(e) Loans and Advances,unsecured,good</b> (Unless otherwise stated)				
Loan to Bajaj Auto Finance Limited - an associate company		920,000,000		1,743,500,000
Loan to Bajaj Electricals Limited - a company in which Directors are interested		94,000,000		40,000,000
Loan to Others:(including Rs. Nil against Loan to others		132,402,741		141,806,835
Deposits with Joint Stock Companies [Including Rs. 417,833,532 against pledge of Securities (Previous Year Rs.646,000,000)]				
Good	709,100,000			866,000,000
Doubtful	240,000,000			—
Less : Provision	240,000,000			—
	—			—
		709,100,000		866,000,000
Carried over	1,855,502,741			2,791,306,835
Carried over			5,201,095,044	5,026,626,683

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

				As at 31 March 2002
	Rupees	Rupees	Rupees	Rupees
Brought over			5,201,095,044	5,026,626,683
Brought over		1,855,502,741		2,791,306,835
Advances Recoverable in Cash or in kind or for value to be received				
Good	953,387,169			818,283,971
Share of advances recoverable of joint ventures	43,020,228			—
Doubtful	33,380,118			38,722,511
Less : Provision	33,380,118			38,722,511
	—			—
		996,407,397		818,283,971
Balances with Customs and Central Excise Departments		38,745,996		217,282,120
Share of balances with excise departments of joint venture		436,068		—
Sundry Deposits		117,680,463		107,169,531
Share of sundry deposits of joint ventures		33,365,352		—
Share of deposits with ceding companies		1,205,650		—
Share of deposit pursuant to Section 7 of Insurance Act, 1938 of joint venture		7,273,407		4,000,000
Tax paid in Advance		13,886,235,148		11,397,202,300
Share of taxes paid in advance of joint ventures		124,150,309		—
Others (Deposit with IDBI)		1,118,250		1,134,000
Application money for investments		—		99,965,000
			17,062,120,781	15,436,343,757
<b>Total</b>			<b>22,263,215,825</b>	<b>20,462,970,440</b>

\* 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

			As at 31 March 2002
	Rupees	Rupees	Rupees
<b>(a) Liabilities</b>			
Acceptances		2,531,415	29,795,144
Sundry Creditors			
Due to Small Scale Industrial Undertakings	207,827,170		243,884,658
Share of SSI dues of joint ventures	—		—
Other	3,940,352,253		4,355,211,020
Share of other creditors of joint ventures	274,625,486		—
		4,422,804,909	4,599,095,678
Advances against Orders		150,138,950	151,271,845
Investor Education Protection Fund		47,291	—
Share of advance against orders of joint ventures		27,688,440	—
Unclaimed Dividends		28,562,709	23,324,734
Share of unclaimed dividends of joint ventures		684,594	—
Deposit from Dealers and others		227,526,060	243,219,333
Share of deposits from dealers and others of joint ventures		1,129,618	—
Unclaimed amount of Sale proceeds of Fractional coupons of Bonus Shares		5,595	5,595
Unclaimed amount on Debentures redeemed		3,353,735	6,746,639
Interest accrued but not due on loans		808,927	998,750
		4,865,282,243	5,054,457,718
Share of Agent's Balances of joint ventures	24,148,398		—
Balances due to other insurance companies	113,024,945		—
Premiums received in advance	18,542,771		—
Unearned Premiums pertaining to subsequent periods of risk	—		—
Premiums in respect of risk commencing in subsequent periods	—		11,622,306
Unallocated Premiums	61,631,586		37,214,884
Claims outstanding (Net)	148,040,890		100,280,986
Claims incurred but not reported and not enough reported (Net)	131,407,461		—
Solatium Fund	19,906,000		—
Premium Deficiency	3,996,000		—
Temporary overdraft as per books of accounts only	107,760		29,172,999
Premium and other deposits	41,379,927		10,707,028
		562,185,738	188,998,203
		5,427,467,981	5,243,455,921
<b>(b) Provisions</b>			
Provision for Taxation	13,262,100,000		10,668,623,184
Share of provision for taxation of joint ventures	122,389,896		—
Proposed Dividend	1,416,569,140		1,416,569,140
Corporate Dividend Tax thereon	181,497,921		—
Share of Reserve for unexpired risk	746,664,487		738,320,265
		15,729,221,444	12,823,512,589
<b>Total</b>		<b>21,156,689,425</b>	<b>18,066,968,510</b>

**Schedule 11 - Miscellaneous expenses to the extent not written off  
(Share of Miscellaneous expenses of joint ventures)**

		As at 31 March 2002
	Rupees	Rupees
Preliminary expenses	11,029,401	19,872,795
Unamortised VRS amount	7,575,518	—
<b>Total</b>	<u>18,604,919</u>	<u>19,872,795</u>

**Schedule 12 - Other Income**

			Previous Year
	Rupees	Rupees	Rupees
Workshop Receipts		4,936,028	5,687,605
Technical Know-how		10,030,883	18,725,795
Dividends			
From Subsidiary	—		—
From Trade Investments	23,864,948		16,824,248
Other	117,085,426		582,767,915
Share of dividend on investments of joint ventures	<u>13,521,576</u>		—
		154,471,950	599,592,163
Interest			
On Government Securities	405,081,386		17,808,266
On Debentures and Bonds	407,715,378		292,059,916
Other	433,815,444		733,199,167
Share of interest of joint ventures	<u>137,168,664</u>		—
		1,383,780,872	1,043,067,349
Income From Units of Mutual Funds		43,928,580	78,542,632
Leasing Business			
Lease Rent	42,007		8,543,427
Share of lease rent of joint venture	988,517		—
Add:Lease Equalisation	<u>—</u>		230,203,122
		1,030,524	238,746,549
Rent		21,415,557	8,935,563
Insurance Claims		8,808,222	3,117,549
Export Incentives		533,952,123	220,592,100
Miscellaneous Receipts		347,701,895	348,139,178
Share of Miscellaneous receipts of joint venture		584,086	—
Surplus on Sale of Assets		39,339,915	26,945,556
Share of surplus on sale of assets of joint ventures		13,467	—
Profit on Sale of Investments, net		233,485,307	48,749,433
Share of profit on sale / redemption of investments of joint ventures		36,850,466	—
Bad Debts Recovered		1,500,000	108,074
Sundry Credit balances appropriated		25,064,023	6,977,331
Provisions for Doubtful Debts and Advances written back	24,284,219		276,362,776
Less : Written back on account of amounts written off during the year,as per contra	<u>22,587,834</u>		<u>276,257,950</u>
		1,696,385	104,826
Provisions no longer required		321,808,039	132,446,978
Share of provisions no longer required of joint ventures		<u>1,932,663</u>	—
<b>Total</b>		<u>3,172,330,985</u>	<u>2,780,478,681</u>

**Schedule 13 - Revenue Account for the period ended March 31, 2003**  
**(Share of Revenue Account of Joint Ventures)**

		Rupees	Previous Year Rupees
Premiums earned - (net)	1	1,140,418,107	91,012,408
Profit /Loss on sale/redemption of Investments		11,322,562	5,230,747
Other Income		2,007,956	5,068
Exchange rate difference gain		4,917,845	1,465,397
Interest, Dividend & Rent-Gross		73,131,986	11,740,273
	2	<u>91,380,349</u>	<u>18,441,485</u>
	(1)+(2)	<u>1,231,798,456</u>	<u>109,453,893</u>
Claims incurred (net)		769,465,706	127,361,257
Contribution to Solatium Fund		19,906,000	—
Commission		(114,659,142)	(128,066,023)
Premium Deficiency		3,996,000	—
Operating Expenses related to Insurance Business		<u>493,507,685</u>	<u>364,487,232</u>
	(3)	<u>1,172,216,249</u>	<u>363,782,466</u>
Operating profit/(Loss) From Insurance Business	(1)+(2)-(3)	<u>59,582,207</u>	<u>(254,328,573)</u>
<b>Balance carried to Profit and Loss Account</b>		<u>59,582,207</u>	<u>(254,328,573)</u>

## Schedule 14 - Materials

	Rupees	Rupees	Previous Year Rupees
<b>(a) Raw materials and components consumed</b>			
Stocks at commencement	543,186,844		875,284,600
Share of stock at commencement of joint venture	3,094,749		—
		546,281,593	875,284,600
Purchases	25,693,092,120		21,770,085,320
Share of Purchases of joint venture	102,250,095		—
		25,795,342,215	21,770,085,320
		26,341,623,808	22,645,369,920
<b>Less: Stocks at close</b>	561,630,035		543,186,844
Share of stock at close of joint venture	1,878,720		—
		563,508,755	543,186,844
		25,778,115,053	22,102,183,076
<b>(b) Finished Goods purchases</b>			
Two Wheelers	176,971		275,133
Auto Spare-Parts	758,217,370		590,375,496
		758,394,341	590,650,629
<b>(c) Conversion and Machining Charges</b>	664,730,806		580,313,456
Share of processing charges of joint venture	471,662		—
		665,202,468	580,313,456
<b>(d) Excise duty on year end inventory of Finished Goods</b>		111,038,205	66,592,284
<b>(e) (Increase)/Decrease in Stocks</b>			
Stocks at close			
Work in progress [including factory made components Rs. 68,365,431 - (Previous Year Rs. 18,564,792)]	160,417,965		162,581,965
Share of work in progress of joint venture	3,631,383		—
Finished Goods	862,179,319		540,328,043
Share of finished goods of joint venture	2,369,172		—
Auto Spare Parts	201,755,024		195,712,417
	1,230,352,863		898,622,425
<b>Less: Stocks at commencement</b>			
Work in progress [including factory made components Rs. 18,564,792 - (Previous Year Rs. 15,590,261)]	162,581,965		167,730,230
Share of work in progress of joint venture	2,282,550		—
Finished Goods	540,328,043		686,157,645
Share of finished goods of joint venture	248,159		—
Auto Spare Parts	195,712,417		348,745,244
	901,153,134		1,202,633,119
		(329,199,729)	304,010,694
<b>Total</b>		<b>26,983,550,338</b>	<b>23,643,750,139</b>

## Schedule 15 - Other Expenses

			Previous Year
	Rupees	Rupees	Rupees
Stores,spares and tools consumed		649,217,909	544,219,043
Share of stores & tools consumed of joint venture		680,545	—
Power,fuel and water		611,155,343	636,438,618
Share of power, fuel and water of joint venture		3,784,116	—
Repairs			
Buildings and Roads	61,148,112		57,216,611
Share of building repairs of joint venture	55,356		—
Machinery	240,951,042		237,615,301
Share of machinery repairs of joint venture	406,450		—
Other	26,386,088		24,726,170
Share of other repairs of joint venture	240,834		—
		329,187,882	319,558,082
Employees' Emoluments			
Salaries,wages,bonus etc.	1,899,080,585		1,856,397,296
Share of salaries, wages, bonus etc. of joint venture	18,043,263		—
Contribution to Provident and other funds and schemes	246,542,709		245,077,829
Share of contribution to funds and schemes of joint ventures	2,047,013		—
Voluntary retirement scheme	460,899,353		—
Share of VRS amortised of joint venture	3,062,967		—
Welfare expenses	231,882,306		277,978,929
Share of welfare expenses of joint ventures	1,257,593		—
		2,862,815,789	2,379,454,054
Rent		21,529,155	19,878,977
Share of rent of joint ventures		276,480	—
Rates and taxes		9,525,219	12,312,080
Share of rates and taxes of joint ventures		120,771	—
Insurance		42,565,282	27,400,051
Share of insurance of joint ventures		229,610	—
Auditors' Remuneration		5,137,224	3,699,355
Share of auditors' remuneration of joint venture		107,100	—
Directors' fees and travelling expenses		355,133	229,067
Share of directors' fees and travelling expenses of joint venture		31,255	—
Managing Directors' remuneration			
Salary	1,296,774		1,200,000
Commission	2,496,774		2,400,000
		3,793,548	3,600,000
Wholetime Directors' remuneration			
Salary	3,986,976		2,350,645
Commission	4,103,226		1,330,645
		8,090,202	3,681,290
Commission to Non Executive Directors		1,140,000	1,020,000
Miscellaneous expenses		606,491,784	679,319,646
Share of miscellaneous expenses of joint venture		2,272,990	—
Carried over		5,158,507,337	4,630,810,263

## Schedule 15 - Other Expenses (contd.)

		Previous Year
	Rupees	Rupees
Brought over	5,158,507,337	4,630,810,263
Electricity service connection charges written off	2,260,000	88,600,000
Packing, forwarding etc.	442,284,608	370,236,256
Share of packing, forwarding etc. of joint venture	2,489,649	—
Advertisement	1,290,661,325	888,205,960
Share of advertisement of joint venture	179,564	—
Vehicle service charges and other expenses	753,360,045	716,027,805
Share of vehicle service charges and other expenses of joint venture	2,731,942	—
Commission and Discount	108,635,539	132,887,458
Incentives & Sales Promotion	180,242,430	266,953,843
Royalty	203,363,846	200,884,116
Donations	19,387,000	10,121,000
Bad debts and other irrecoverable debit balances written off	41,198,286	377,206,212
Share of bad debts etc. of joint ventures	—	—
Less : Provisions made in earlier years in respect of amounts written off during the year, adjusted as per contra	<u>22,587,834</u>	<u>276,257,950</u>
	18,610,452	100,948,262
Sundry credit balances previously appropriated, now paid	720,668	740,804
Loss on assets sold, demolished, discarded and scrapped	68,440,500	72,066,200
Share of loss on assets sold etc. of joint ventures	365,569	—
Loss on redemption of securities	6,910,607	10,254,934
Provision for Doubtful Debts and Advances	42,578,738	27,537,726
Provision for Diminution in Value of Investments	248,287,484	83,473,803
Amount written off against Technical Know-how	34,456,057	32,246,555
Share of technical know-how fees of joint venture	2,547,819	—
Amount written off against leasehold land	4,210,566	4,210,566
Share of lease write off of joint venture	1,515	—
Preliminary expenses written off	3,676,467	24,895,372
<b>Total</b>	<u><b>8,594,909,728</b></u>	<u><b>7,661,100,923</b></u>

## Schedule 16 - Interest

		Previous Year
	Rupees	Rupees
Interest		
Fixed Loans	4,759,365	24,992,061
Other	6,420,323	19,485,471
Share of other interest of joint ventures	41,447	—
<b>Total</b>	<u><b>11,221,135</b></u>	<u><b>44,477,532</b></u>



## Schedule 17 - Notes forming part of the Accounts

1. a) The consolidated financial results of the year ended March 31, 2003 include interest in joint ventures and associate companies in accordance with Accounting Standard 27 on Financial Reporting of interest in Joint Ventures and Accounting Standard 23 on Accounting for Investments in Associates in Consolidated financial statements which have been made mandatory with effect from April 1, 2002. Accordingly, the interest in Maharashtra Scooters Limited, a joint venture and Bajaj Auto Finance Limited, an associate company has been consolidated in accordance with the said standards. Also, the two subsidiary insurance companies which were consolidated in accordance with Accounting Standard 21 on Consolidated Financial Statements in previous year have during the current year ended March 31, 2003 been consolidated in accordance with Accounting Standard 27 on financial reporting of interest in Joint Ventures. Hence the figures for the current year ended March 31, 2003 and previous year are not comparable.

- b) Accordingly, the Consolidated Financial Statements include results of all the subsidiaries, associates and Joint Ventures 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.	Consolidated as
Bajaj Auto Holdings Limited	India	100	Subsidiary
Maharashtra Scooters Limited	India	24	Joint Venture
Bajaj Allianz General Insurance Company Limited	India	74	Joint Venture
Allianz Bajaj Life Insurance Company Limited	India	74	Joint Venture
Bajaj Auto Finance Limited	India	46.15	Associate

- c) Considering that the accounts of the two Insurance Joint Ventures have been prepared in accordance with the manner prescribed by the regulations of the Insurance Regulatory & Development Authority and the lack of homogeneity of the business, the Consolidated financial statements have been prepared substantially, to the extent possible in the format as adopted by the parent, as required by Accounting Standard AS-21 "Consolidated Financial Statements" issued by the ICAI.
2. Notes to these Consolidated Financial Statements are intended to serve as a means of informative disclosure and a guide to better understanding of the consolidated position of the companies. Recognising this purpose, the Company has disclosed only such Notes from the individual financial statements, which fairly present the needed disclosures.
3. No adjustments have been made to the financial statements of the two Joint Ventures on account of diverse accounting policies as the same, being insurance companies, have been prepared under a regulated environment in contrast to those of Bajaj Auto Ltd. and hence not practicable to do so. Also differences in accounting policies followed by the other entities consolidated have been reviewed and no adjustments have been made, since the impact of these differences is not significant.
4. **Significant Accounting Policies followed by Subsidiaries and Joint Ventures, to the extent, different from the parent.** (The accounting policies of the parent are best viewed in its independent financial statements, Note no 8 of schedule 14).

### Allianz Bajaj Life Insurance Company Limited

#### Investments

##### 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.

##### Actuarial Valuation

The company provides for liabilities in respect of all "in force" policies based on actuarial valuation done by Appointed Actuary.

#### 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).

## Schedule 17 - Notes forming part of the Accounts (Contd.)

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### Note No. 4 (Contd.)

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

##### Revenue Recognition

Premium is recognised as income when due.

Re-insurance commission is recognised on accrual basis.

Profit / loss on trading in securities is recognised 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.

##### 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.

##### Claims

All claims are accounted on intimation. Maturity claims are accounted for when due for payment.

Claims receivable from reinsurers are accounted on intimation.

##### Allocation of investments and investment income

Investments are managed on a total portfolio basis and have been apportioned to the policyholders on a basis of the policyholders' liability which is determined regularly on the basis provided by the Appointed Actuary. Consequently the income earned on investments has been regularly allocated to the policyholders and shareholders in their relative share of investments.

##### Interim Bonus

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

#### Bajaj Allianz General Insurance Company Limited

##### Revenue Recognition

##### Premium

Premium is recognised as income over the contract period or the period of risk whichever is appropriate on gross basis. Any subsequent revisions to or cancellations of premiums are accounted for in the year in which they occur.

##### Premium / discount on Purchase of Investments

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

##### Reinsurance ceded and commission

Reinsurance is ceded in the year in which the risk commences and recognised over the contract period or period of risk whichever is appropriate. Any subsequent revision to or cancellations of premiums are recognised in the year in which they occur.

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

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

##### 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.

##### Premium received in Advance

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

## Schedule 17 - Notes forming part of the Accounts (Contd.)

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### Note No. 4 (Contd.)

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

##### Reserve for unexpired risk

Represents that part of the net premium written in respect of each line of business which is attributable to, and set aside for subsequent risks to be borne by the Company under contractual obligations based on contract period basis or risk period basis or as required by Section 64 (1)(ii)(b) of the Insurance Act, 1938 whichever is higher (Also refer Premium Deficiency).

##### 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 as the reserve for unexpired risk. Premium deficiency is calculated by line of business. Management considers maintenance costs as relevant costs incurred to ensure claim handling operations continue to operate at optimum efficiency levels.

##### IBNR (Claims Incurred but not reported)

IBNR represents that amount of claims that may have been 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 a separate note (This has been disclosed in Note 5 f)

##### Claims

Claims are recognised for as and when reported.

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

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

##### Income from investments

Other income derived from investments and deposits are allocated to the revenue account and the profit and loss account on the basis of funds available from insurance operations and shareholders funds are further allocated to lines of business in the proportion of their respective Gross Written Premiums.

##### Investments

###### 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.

###### Equities/ 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.

##### Mutual funds

In accordance with a circular dated 26 February 2003 issued by the IRDA, the unrealised change in value is taken to an account designated as "Fair Value Change Account". This is a change in accounting policy as in the previous year, investments in mutual funds were valued at cost. This change in policy does not have an impact on the profit and loss account in the current year as the change in fair value is reflected in the equity statement and taken to the profit and loss account only on sale of the instrument.

## Schedule 17 - Notes forming part of the Accounts (Contd.)

### Note No. 4 (Contd.)

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

##### 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 previous year.

##### Contributions to Terrorism Pool

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

In accordance with the terms of the agreement, GIC retrocedes, to the Company, terrorism premium to the extent of the Company's share in the risk, which is recorded as reinsurance accepted. Such reinsurance accepted is recorded based on quarterly intimation/confirmation received from GIC. Accordingly, reinsurance accepted on account of the Terrorism Pool has been recorded only upto 31 December 2002 as per the last confirmation received, which has been carried forward to the subsequent accounting period as Unexpired Risk Reserve for subsequent risks, if any, to be borne by the Company.

##### Contributions to Solatium Fund

The Company in accordance with the requirements of an IRDA circular dated 18 March 2003 has provided, for Solatium Fund established by the Central Government. This has been provided at 1% of gross written premium for all motor policies from the inception of the business.

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

#### Allianz Bajaj Life Insurance Company Limited

- a) Percentage of risk retained and risks reinsured

Particulars	Current Year		Previous Period	
	Sum Assured / Rs.	%	Sum Assured / Rs.	%
Risk retained	20,018,464,811	50.34	5,111,051,473	82.64
Risk reinsured	19,746,990,400	49.66	1,073,839,600	17.36

- b) At the year end the Shareholders transferred funds to Policyholder's Account, which made good the deficit, which existed in the Policyholders Account.

- c) Investments are managed on a portfolio basis and have been apportioned to the policyholders fund on the basis of policyholders liability. The policyholders liability has been determined regularly on the basis provided by the Appointed Actuary.

Consequently the income earned on investments has been allocated to policyholders and shareholders in their relative share of investments. The approach taken for the segregation of investments between shareholders and policyholders shall be kept under review by the management.

- d) 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 realise deferred tax assets cannot be estimated with virtual certainty the same has not been accounted for.

## Schedule 17 - Notes forming part of the Accounts (Contd.)

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### Note No. 5 (Contd.)

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

##### e) Actuarial Valuation

Liabilities for life policies in force are determined by the Appointed Actuary using a prospective gross premium method of valuation in accordance with IRDA regulations and relevant guidance notes of the Actuarial Society of India.

At the previous valuation as at 31 March 2002, a retrospective method was used to produce a reserve of Rs 34.1 millions. If a prospective method had been used at 31 March 2002 with assumptions then appropriate, the reserve might have been about Rs 5 million less. If the retrospective method had been used at 31 March 2003 the reserve would have been increased by about Rs 90 million above that shown in the Accounts.

The business is predominantly participating and the bonus rate will be set to reflect experience, particularly with regard to the interest that will be earned on premiums not yet received, reinvestment risk on single premiums and default risk on corporate bonds. Regular premium participating business is reserved using an interest rate of 8% per annum.

Single premium participating business is reserved using an interest rate of 6.5% per annum, which reflects the redemption yield available on relevant matching assets at the valuation date.

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

Mortality assumptions are based on the published LIC (1994-96) Ultimate Mortality Table with adjustment to reflect expected experience and with an allowance for adverse deviation.

Assumptions for morbidity and for the incidence of accidental death are based on terms available from reinsurers.

The reserve is sufficient to allow for any adverse lapse experience. No profits have been anticipated on lapses. The reserve is always more than sufficient to meet minimum statutory surrender values.

Commission has been allowed for at the company's table rates with an allowance for service tax. Maintenance expenses have been allowed for in accordance with business plan assumptions and premium rate filings with the IRDA, with provision for inflation at 5% per annum. An additional reserve of Rs 50 million has been included to allow for adverse deviation in maintenance expenses and to allow for the contingency of closure to new business as required by guidance notes (GN1) issued by the Actuarial Society of India.

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

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

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

#### Bajaj Allianz General Insurance Company Limited

##### f) Assumptions made by the Actuary for determining provision required for IBNR/IBNER

The Company has obtained an actuarial valuation for determining provision required for Incurred But Not Reported ('IBNR') and Incurred But Not Enough Reported ('IBNER') claims.

The Actuary has used the recommendations of the Mukherjee Committee for non motor lines of business and the Chain Ladder Method for motor line of business to arrive at a reasonable picture of the reserves. The IBNR reserves for non motor lines were calculated by the applying the percentages specified by the Mukherjee Committee to the Net Written Premiums ('NWP') for the various classes of business. For the motor line, IBNR has been calculated under the Chain Ladder Method on gross basis as per usual practice.

Considering that only 18 months have elapsed since commencement of operations and there are insufficient numbers of claims or payments, it is a little too early to apply statistical/actuarial methods to other lines of business.

## Schedule 17 - Notes forming part of the Accounts (Contd.)

### Note No. 5 (Contd.)

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

However, for the motor line, which did have a large number of transactions, the Chain Ladder Method was conducted on data from October 2002 which is when the new comprehensive systems went online. Further, the Company had undertaken the task of converting all previous records into the new system by manually feeding in data of claims outstanding in the old system. Such manual data entry has resulted in anomalies which have been adjusted to the extent possible.

Calculations were made to find out the proportion of ultimate claims being made in each development month based on the data available. From the pattern that emerged, it was possible to estimate the IBNR/IBNER for the motor portfolio. Calculations were also made using the Mukherjee Committee to ascertain the impact of the change in method. The following figures have emerged

Product code	Chain Ladder Method Rs millions	Proportionate Payment Method Rs millions	Mukherjee Committee Rs millions
Motor Car	126.3	111.5	31.5
Two Wheelers	36.6	30.1	6.1
<b>Total</b>	<b>162.9</b>	<b>141.6</b>	<b>37.6</b>

The Actuary has recommended the higher (Rs 162.9 million) of the three numbers to be considered as IBNR. This change in method as against the use of Mukherjee Committee in the previous year has resulted in higher IBNR for motor line of Rs 125.39 million. However, as the IBNR calculated for motor is on gross basis, an amount of Rs 31 million has been recognised as recovery from reinsurers.

The IBNR for non-motor lines amounts to Rs 16.92 million.

He has further recommended the following, which has been considered

For the liability class of business – considering the low volume and long tail nature of this class of business compounded with the possibility of delays in reporting losses and assessment thereof it is recommended that the Company set aside 100% of the NWP. This amounts to Rs 19.81 million.

Orphan motor claims – these are third party claims for which complete details are not available. Claims have been listed based on preliminary information received and investigations are ongoing. A provision of Rs 18 million has been made on this account.

Further, the Actuary has recommended that as claims amounting to Rs 8.67 million pertaining to the period prior to 31 March 2003 have already been reported to the Company and hence recognised by the Company as outstanding claims, this amount should be reduced from the IBNR number. The net IBNR amounts to Rs 209 million.

- g) In accordance with a circular dated 26 February 2003, the IRDA has directed insurance companies to restrict their investments in mutual funds to liquid funds, gilt or debt funds. The Company had made investments in equity mutual funds prior to the issue of the circular which it continues to hold as at 31 March 2003. Consequently, the Company has intimated to the IRDA by a letter dated 28 April 2003 that these investments will be liquidated in the year 2003-2004.
- h) Extent of risk written and reinsured (excluding Excess of Loss and Catastrophe reinsurance).

	As at 31 March 2003		As at 31 March 2002	
	Amount of business written Rs.	% of business written	Amount of business written Rs.	% of business written
Risk retained	1,807,644,681	60.3	840,704,765	59.2
Risk Reinsured	1,189,873,284	39.7	578,932,661	40.8
<b>Total</b>	<b>2,997,517,965</b>	<b>100.0</b>	<b>1,419,637,426</b>	<b>100.0</b>

## Schedule 17 - Notes forming part of the Accounts (Contd.)

### Note No. 5 (Contd.)

#### Maharashtra Scooters Ltd.

- i) A review of the Depreciation computation on Fixed Assets held by the company was done during the year. On such review, differential depreciation amounting to Rs 15,860,246 charged in earlier years is shown as income below the line in the current year

#### Bajaj Auto Holdings Ltd

- j) 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 29,917,249 ( Previous year Rs 59,55,200) for such diminution as considered necessary by the management has been made in the accounts.

### 6. Consolidated Contingent Liability

Particulars	As at 31 March 2003 (Rupees)	As at 31 March 2002 (Rupees)
(i) Sales Bills Discounted	64,784,749	76,763,283
(ii) Claims against the Company not acknowledged as debts (Including Rs 45,964,478 for current year being share of Joint Ventures and Associates)	1,996,432,637	1,778,137,053
(iii) Guarantees given by the Company to HDFC - for loans to Employees (Including Rs 41,852 for current year being share of Joint Ventures)	70,736,205	96,160,601
(iv) Taxes, duties and other sums due (Including Rs 14,190,239 for current year being share of Joint Ventures)	2,241,832,692	2,160,366,275
(v) Claims: [ Estimated amounts] arising from labour dispute.	807,102,187	611,071,950
(vi) Unpaid Calls- Forfeited during the year	—	14,250,000
(vii) Uncalled liability on Partly Paid Investments	17,500,000	17,500,000

### 7.

Particulars	As at 31 March 2003 (Rupees)	As at 31 March 2002 (Rupees)
Capital Commitments to the extent not provided for , net of advances (including Rs 18,035,889 for current year being share of Joint ventures and Associates)	369,465,378	263,548,845

### 8. Deferred Taxes

Particulars	As at 31 March 2003 (Rupees)	As at 31 March 2002 (Rupees)
Liabilities (including Rs 8,048,961 for current year being share of Joint ventures)	2,412,778,368	2,360,542,635
Assets (including Rs 54,344,801 for current year being share of Joint ventures)	734,966,289	572,608,999
Net	1,677,812,079	1,787,933,636

## Schedule 17 - Notes forming part of the Accounts (Contd.)

9. Due to the different methods of computing cash flows adopted by two of the joint venture subsidiaries carrying on the business of Insurance, which is mandated by the Insurance Regulatory & Development 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. However the summary of the consolidated cash flows is as under

Particulars	For 2002-03 (Rs.)	For 2001-02 (Rs.)
From Operating Activities	6,127,326,018	7,354,570,031
From Investment Activities	(6,978,156,187)	(9,978,277,826)
From Financing Activities	1,040,156,687	2,933,408,196
Net Change	189,326,518	309,700,401
Cash & Cash Flow Equivalents at the beginning of the year	459,921,080*	220,898,270
Cash & Cash Flow Equivalents at the end of the year	649,247,598	530,598,671*

\* Refer Note 1 a)

10. The company has applied to the Department of Company Affairs, Ministry of Finance for approval under Section 212(8) of the Companies Act, 1956 for not attaching the accounts of all its subsidiaries under Section 212(1) of the Companies Act, 1956.
11. Disclosure of transactions with Related Parties, as required by Accounting Standard 18 'Related Party Disclosures' has been set out in a separate statement annexed to this Schedule. Related parties as defined under clause 3 of the Accounting Standard have been identified on the basis of representations made by key managerial personnel and information available with the Company.
12. The financial statements of Bajaj Allianz General Insurance Company Ltd. for the year ended on March 31, 2002 were subjected to a revision upon a directive from IRDA dated November 22, 2002 to give effect to the desired interpretations of the regulations as regards recognition of Premiums. Consequently, previous year figures have been revised in the consolidated financial results and segment wise results.

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

As per our attached report of even date	Rahul Bajaj	Chairman & Managing Director
For and on behalf of Dalal and Shah Chartered Accountants	Madhur Bajaj D.S. Mehta Kantikumar R. Podar Shekhar Bajaj	Directors
Anish Amin Partner	D. J. Balaji Rao S.H. Khan J.N. Godrej Rajiv Bajaj	
J. Sridhar Company Secretary	Suman Kirloskar (Ms) Naresh Chandra Nanoo Pamnani	
Mumbai : 14 May 2003		



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

Name of related party and Nature of relationship	Nature of transaction	2002-2003		2001-2002	
		Transaction Value (Rs.)	Outstanding amounts carried in the Balance Sheet (Rs.)	Transaction Value (Rs.)	Outstanding amounts carried in the Balance Sheet (Rs.)
<b>[a] Subsidiaries</b>					
Since consolidated financial statements present information about the holding and its subsidiaries as a single reporting enterprise, it is unnecessary to disclose intra-group transactions.					
<b>[b] Associates and Joint Ventures</b>					
Maharashtra Scooters Ltd. (24 % shares held by Bajaj Auto Ltd.)	Contribution to Equity (2,742,848 shares of Rs. 10 each)	—	2,400,000	—	2,400,000
	Sale of CKD	228,013,433	—	465,998,747	—
	Technical knowhow fees received	10,615,911	—	19,736,988	—
	Purchase of dies	13,946,072	—	21,631,570	—
	Services received	58,836	—	60,832	—
	Services rendered	3,298,189	—	2,675,932	—
	Warranty paid	3,238,190	—	11,181,912	—
	Other debits	(760,983)	10,289,695	1,190,147	11,469,046
Bajaj Allianz General Insurance Co. Ltd. (74 % shares held by Bajaj Auto Ltd.) [Includes transactions with companies other than Bajaj Auto Ltd., the holding company]	Insurance premia paid	465,424	—	157,081	—
	Insurance premium received from BAGICL	532,392	—	—	—
	Insurance service charges received by BAFL	42,891,651	7,615,825	11,531,915	2,911,589
	Revenue & capital expenditure incurred on behalf of BAGICL by ABLICL	32,328,355	(371,582)	14,918,809	—
	Revenue & capital expenditure incurred by BAGICL on behalf of ABLICL	13,435,021	—	53,133,056	(21,782,414)
	Purchase of Investments by ABLICL	—	—	50,684,657	—
Allianz Bajaj Life Insurance Co. Ltd. (74 % shares held by Bajaj Auto Ltd.) [Includes transactions with companies other than Bajaj Auto Ltd., the holding company]	Revenue & Capital expenditure incurred by ABLICL on behalf of BAGICL	32,328,355	—	14,918,809	—
	Revenue & Capital expenditure incurred on behalf of ABLICL by BAGICL	13,435,021	371,582	53,133,056	—
	Insurance Premium paid to ABLICL by BAGICL	465,424	—	—	—
	Insurance Premium received from ABLICL by BAGICL	314,825	(56,217)	157,081	—
	Sale of Investment	—	—	50,684,657	—
	Other credits	142,443	—	—	—
Bajaj Auto Finance Ltd. (46.15 % shares held by Bajaj Auto Ltd. and its subsidiaries)	Loan refunded	823,500,000	920,000,000	646,500,000	1,743,500,000
	Interest received	90,669,810	14,853,425	187,175,672	—
	Subvention charges paid for finance scheme	66,628,821	—	65,503,686	—
	Services rendered	9,601,323	—	5,753,328	1,367,020
	Service incentive received	1,101,881	—	—	—
	Service charges paid by BAGICL	43,034,602	5,314,283	11,591,393	—
	Insurance premium received by BAGICL	160,367	—	—	—
	Other debits	1,876,225	10,269,120	—	—

## 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	2002-2003		2001-2002	
		Transaction Value (Rs.)	Outstanding amounts carried in the Balance Sheet (Rs.)	Transaction Value (Rs.)	Outstanding amounts carried in the Balance Sheet (Rs.)
Allianz AG	Premium received on Insurance Venture	—	—	1,170,000,000	—
	Contribution to Equity of ABLICL	493,435,800	—	—	—
	Capital expenditure for OPUS	12,908,747	(1,879,290)	—	—
	Revenue expenditure for OPUS	1,231,606	—	—	—
	Reinsurance premium paid / payable	25,573,178	(495,897)	—	—
	Commission on reinsurance received/receivable	1,278,659	—	—	—
	Claims recovery on reinsurance	18,830	—	—	—
	Development & training fees for OPUS	4,036,706	7,866,383	—	—
	Licence fees for OPUS	5,983,344	7,917,782	—	—
	Allianz AG India Liasion Office	Amounts received from AL ILO for expenses	—	—	3,673,102
Value of assets taken over		—	—	2,881,397	—
Expenses incurred by AL ILO		—	—	2,578,300	—
Total Credit amount		—	—	9,132,799	—
Less: Payments made on behalf of AL ILO out of the above		—	—	—	—
For employees of Allianz AG deputed		—	—	7,591,915	—
For other purposes		—	—	1,234,642	—
Net amount payable to AL ILO		—	—	—	306,242
Reimbursement of expenses on behalf of ABLICL		—	—	3,902,249	(3,060,692)
Amounts received from Allianz AG for payments		100,000	—	—	—
Payment by BAGICL on behalf of AL ILO	406,242	—	—	—	
Allianz AG Reinsurance Branch Asia Pacific	Reinsurance Premium payable	319,311,412	(34,978,265)	107,107,972	(567,178)
	Reinsurance claims receivable	28,917,867	844,036	37,902,714	253,248
	Reinsurance commission receivable	91,642,068	559,676	—	—
	Expenditure incurred on behalf of ABLICL	16,972	—	—	—
Allianz Insurance Management Asia Pacific Pte. Ltd.	Revenue expenditure incurred on behalf of Allianz Insurance Management Asia Pacific Pte. Ltd.	10,574,176	(7,427,770)	8,816,667	(8,816,667)
	Reimbursement of CEO, COO and Chief Actuary's salary	12,259,333	—	3,074,054	3,074,054
Allianz France	Reinsurance premium paid / payable	3,754,797	(76,335)	—	—
	Commission on reinsurance	938,699	—	—	—
Euler Trade Indemnity	Reinsurance premium paid/payable	16,444,483	(238,662)	—	—
	Commission on reinsurance received/receivable	1,012,044	—	—	—
	Claims recovery on reinsurance	3,946,634	—	—	—
Western Maharashtra Development Corporation	Nil	—	—	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	2002-2003		2001-2002	
		Transaction Value (Rs.)	Outstanding amounts carried in the Balance Sheet (Rs.)	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	3,455,544	—	3,365,411	—
	Commission	2,400,000	—	2,400,000	—
	Rent paid for premises	131,000	—	120,000	—
	Deposit paid against premises taken on lease	—	4,250,000	—	3,250,000
Mr. Madhur Bajaj - Wholetime Director (Also key management personnel)	Remuneration	2,430,594	—	2,336,357	—
	Commission	2,400,000	—	1,200,000	—
	Rent paid for premises	126,280	—	116,160	—
	Deposit paid against premises taken on lease	—	4,100,000	—	3,000,000
Mr. Rajiv Bajaj - Wholetime Director (Also key management personnel)	Remuneration	2,910,244	—	2,208,308	—
	Commission	1,800,000	—	130,645	—
	Rent paid for premises	131,000	—	120,000	—
	Deposit paid against premises taken on lease	—	4,250,000	—	3,250,000
Mr. Sanjiv Bajaj - VP, Finance	Remuneration	1,720,928	—	845,402	—
Rahul Kumar Bajaj (HUF)	Rent paid for premises	131,000	—	120,000	—
	Deposit paid against premises taken on lease	—	4,250,000	—	3,250,000
Kamalnayan Bajaj (HUF)	Rent paid for premises	131,000	—	120,000	—
	Deposit paid against premises taken on lease	—	4,250,000	—	3,250,000
Shekhar Bajaj - Non Executive Director	Commission	60,000	60,000	100,000	100,000
	Sitting fees	6,000	—	10,000	—
	Rent paid for premises	126,280	—	116,160	—
	Deposit paid against premises taken on lease	—	4,100,000	—	3,000,000
Shekhar Bajaj (HUF)	Rent paid for premises	126,280	—	116,160	—
	Deposit paid against premises taken on lease	—	4,100,000	—	3,000,000
Ramkrishna Bajaj (HUF)	Rent paid for premises	126,280	—	116,160	—
	Deposit paid against premises taken on lease	—	4,100,000	—	3,000,000
Niraj Bajaj (HUF)	Rent paid for premises	126,280	—	116,160	—
	Deposit paid against premises taken on lease	—	4,100,000	—	3,000,000

## 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	2002-2003		2001-2002	
		Transaction Value (Rs.)	Outstanding amounts carried in the Balance Sheet (Rs.)	Transaction Value (Rs.)	Outstanding amounts carried in the Balance Sheet (Rs.)
<b>[d] Key Management Personnel</b>					
Mr. D. S. Mehta - Whole time Director (Key management personnel)	Remuneration	1,245,476	—	1,164,581	—
Mr. Dipak Poddar (Managing Director - BAFL)	Remuneration	1,656,429	300,000	—	—
	Fixed Deposit received	250,000	250,000	—	—
	Fixed Deposit repaid	600,000	—	—	—
	Interest paid on fixed deposit	64,649	—	—	—
Mr. C. S. Ravindran (President - BAFL)	Remuneration	3,301,640	—	—	—
	Staff loan recovery - principal	1,533,324	1,456,683	—	—
	Interest recovered on staff loan	99,720	—	—	—
Mr. Sam Ghosh (CEO)	Remuneration	4,796,514	3,369,463	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.	Contribution to Equity	—	82,881,667	—	82,881,667
	Recovery of advances	12,208,281	66,595,435	7,454,684	78,803,716
	Loans & Inter Corporate Deposits (ICDs) - Refunds	—	—	140,000,000	—
	Interest on Debentures	1,515,827	—	1,204,718	1,204,718
	Interest received on ICDs	—	—	24,206,601	—
	Interest received - others	11,409,939	—	10,244,470	—
	Services rendered	660,400	—	660,400	—
	Services received	—	—	2,293,743	—
	Debentures	—	14,794,225	—	14,794,225
	Insurance Premium received by BAGICL	8,339,788	—	—	—
	Other credits	427,320	835,930	3,742,888	2,826,233
Bajaj Electricals Ltd.	11 % Cumulative Non-participating Redeemable Preference Shares (3,000,000 shares of Rs. 10 each)	—	30,000,000	—	30,000,000
	Contribution to Equity (859,838 shares of Rs. 10 each)	—	110,855,220	—	110,855,220
	Inter Corporate Deposits (ICDs) given	54,000,000	94,000,000	40,000,000	40,000,000
	Interest received on ICD	6,355,067	—	7,735,845	1,660,274
	Interest received - others	—	—	706,849	—
	Purchase of Sales Tax Entitlement	850,208	—	20,870,500	—
	Purchase/ Processing of material	18,540,949	—	119,997,799	—
	Services rendered	—	—	151,921	—
	Services received	—	—	389,044	—
	Other credits	1,543,000	(854,966)	170,895	(3,658,066)
	Insurance Premium received by BAGICL	3,723,856	—	—	—
	Other debits	647,782	—	—	—

## 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	2002-2003		2001-2002	
		Transaction Value (Rs.)	Outstanding amounts carried in the Balance Sheet (Rs.)	Transaction Value (Rs.)	Outstanding amounts carried in the Balance Sheet (Rs.)
Hind Musafir Agency Pvt. Ltd.	Services rendered	—	—	12,986	—
	Services received	10,147,344	—	14,806,133	—
	Other Credits	47,823	(78,213)	—	(222,054)
Kamalnayan Investments & Trading Pvt. Ltd.	Nil	Nil	—	Nil	—
Rahul Securities Pvt. Ltd.	Nil	Nil	—	Nil	—
Bajaj Sevashram Pvt. Ltd.	Nil	Nil	—	Nil	—
Bachhraj Trading Co.	Nil	Nil	—	Nil	—
Bajaj Trading Co.	Nil	Nil	—	Nil	—
Anant Trading Co.	Nil	Nil	—	Nil	—
Kushagra Trading Co.	Nil	Nil	—	Nil	—
Madhur Securities Pvt. Ltd.	Nil	Nil	—	Nil	—
Bajaj International Pvt. Ltd.	Nil	Nil	—	Nil	—
Bachhraj & Co. Pvt. Ltd.	Nil	Nil	—	Nil	—
Jamnalal Sons Pvt. Ltd.	Nil	Nil	—	Nil	—
Sikkim Janseva Pratisthan Pvt. Ltd.	Nil	Nil	—	Nil	—
Niche Financial Services Pvt. Ltd.	Nil	Nil	—	Nil	—
Benchmark Asset Management Co. Pvt. Ltd.	Nil	Nil	—	Nil	—
Baroda Industries Pvt. Ltd.	Nil	Nil	—	Nil	—
Bachhraj Factories Pvt. Ltd.	Nil	Nil	—	Nil	—

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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 Principles ("Indian GAAP"), US Generally Accepted Accounting Principles ("US GAAP") and International Accounting Standards ("IAS") of Bajaj Auto Limited ("the Company") as of March 31, 2003 and 2002 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.

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

KPMG

Mumbai: 14 May 2003

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

		(Rs in millions)	(US \$ in thousands)*	
		Year ended March 31		
		2002	2003	* 2003
1.	Reconciliation of shareholders' equity			
	Shareholders' equity in conformity with Indian GAAP	28,564	35,279	738,982
	US GAAP adjustments increasing/(decreasing) to shareholders' equity in conformity with Indian GAAP			
	Equity method of accounting	1,156	357	7,478
	Amortisation of investment in debt securities	19	10	209
	Unrealised investment gains/(losses), net of tax effect	(110)	756	15,836
	Impairment of investments	(1,458)	(1,214)	(25,429)
	Fixed assets and depreciation	(414)	(516)	(10,809)
	Non-monetary exchange of asset	(82)	(81)	(1,697)
	Deferral of premium on insurance venture	(1,092)	(1,014)	(21,240)
	Deferred income taxes	790	382	8,002
	Proposed dividend (including dividend tax thereon)	1,417	1,598	33,473
	Shareholders' equity in conformity with US GAAP	28,790	35,557	744,805
	IAS adjustments increasing/(decreasing) to shareholders' equity in conformity with US GAAP	—	—	—
	Shareholders' equity in conformity with IAS	28,790	35,557	744,805

\* Solely for the convenience of the reader and without any representation on rates used, the reconciliation as of March 31, 2003 have been translated into United States dollars at \$ 1 = Rs 47.74 which is the TT selling rate of commercial banks in India.

See accompanying notes to the above Reconciliation.

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

	Notes	(Rs in millions)		(US \$ in thousands)*
		Year ended March 31		
		2002	2003	* 2003
<b>2. Reconciliation of net income</b>				
Net income in conformity with Indian GAAP	1	4,995	5,349	112,044
US GAAP adjustments increasing/(decreasing) net income in conformity with Indian GAAP				
Equity method of accounting	2	161	215	4,504
Amortisation of investment in debt securities	3	2	(9)	(189)
Impairment of investments	3	(1,030)	244	5,111
Fixed assets and depreciation	4 & 5	(163)	(101)	(2,116)
Deferral of premium on insurance venture	6	(1,092)	78	1,634
Deferred income taxes	8	781	(408)	(8,546)
Net income in conformity with US GAAP		3,654	5,368	112,442
IAS adjustments increasing/(decreasing) net income in conformity with US GAAP				
Net income in conformity with IAS		3,654	5,368	112,442
<b>3. Earnings per share</b>				
		Rs.	Rs.	US \$
Based on net income in conformity with US GAAP	10	36.10	53.04	1.11
Based on net income in conformity with IAS	10	36.10	53.04	1.11
Weighted equity shares used in computing earnings per share		101,183,510	101,183,510	101,183,510

\* Solely for the convenience of the reader and without any representation on rates used, the Reconciliation for the year ended March 31, 2003 have been translated into United States dollars \$ 1 = Rs 47.74 which is the TT selling rate of commercial banks in India.

See accompanying notes to the above Reconciliation.

See Independent Accountants' review report attached



**Notes to the Reconciliations of Significant Differences between Indian Generally Accepted Accounting Principles ("Indian GAAP"), US Generally Accepted Accounting Principles ("US GAAP") and International Accounting Standards ("IAS") for the year ended 31 March 2003 and 31 March 2002**

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

Bajaj Auto Limited ('the Company') prepares its consolidated financial statements in rupees in accordance with Indian GAAP, which differ in certain respects from US GAAP and IAS. The significant differences between Indian GAAP, US GAAP and IAS, which impact shareholders' equity as at 31 March 2003 and 2002 and net income for the years ended on those dates are shown as reconciling amounts in the Reconciliation. Such significant differences between Indian GAAP, US GAAP and IAS are discussed below.

**2. Equity method of accounting**

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

**BAFL**

Under Indian GAAP for fiscal 2003, the Company's 46% equity stake (fiscal 2002: 46%) in BAFL has been accounted as per the equity method of accounting as against the cost method in fiscal 2002. The cumulative effect of applying this change to all prior years is reflected in the opening shareholders' equity under Indian GAAP. Under US GAAP and IAS these investments have been accounted as per equity method of accounting.

Since the equity method of accounting for investment in BAFL is the same under Indian GAAP, US GAAP and IAS, no reconciliation adjustment is required for fiscal 2003. However, for fiscal 2002, the difference between the method followed i.e. cost method under Indian GAAP and equity method under US GAAP and IAS has been considered in the Reconciliation for fiscal 2002.

**MSL**

Under Indian GAAP for fiscal 2003, the Company's 26% equity stake (fiscal 2002: 26%) in MSL has been accounted as per the joint venture method of accounting, which requires the investor to report its interest using proportionate consolidation method as against cost method for the fiscal 2002. The cumulative effect of applying this change to all prior years is

reflected in the opening shareholders' equity under Indian GAAP. Under US GAAP these investments have been accounted as per equity method of accounting. Under IAS, the Company has a choice for a joint venture to adopt proportionate consolidation or equity method accounting, the Company has elected to account for these investments under equity method.

The difference in method of accounting for the fiscal 2003, under Indian GAAP, US GAAP and IAS does not require any further reconciliation adjustment in the net income or the shareholders' equity of the Company. However, for fiscal 2002, the difference between the method followed i.e. cost method under Indian GAAP and equity method under US GAAP and IAS has been considered in the Reconciliation for fiscal 2002.

**BAGICL and ABLICL**

Under Indian GAAP for fiscal 2003, the Company's 74% equity stake (fiscal 2002: 74%) in BAGICL and ABLICL each has been accounted as per the joint venture method of accounting, which requires the investor to report its interest using proportionate consolidation method as against in fiscal 2002 where line by line consolidation was done with 26% equity not owned by the Company shown as minority interest. Under US GAAP these investments have been accounted as per equity method of accounting. Under IAS, the Company has a choice for joint ventures to adopt proportionate consolidation or equity method accounting; the Company has elected to account for these investments under equity method.

The difference in method of accounting under Indian GAAP, US GAAP and IAS for fiscal 2003 and 2002 does not require any further reconciliation adjustment in the net income or the shareholders'. However, the significant differences between Indian GAAP, US GAAP and IAS for the accounting for insurance activities, which are included in the Reconciliation and are described in Note 7.

As more fully explained in Schedule 17, Note 7 to the consolidated financial statements of the Company, the consolidated financial statements under Indian GAAP for fiscal 2002 have been subjected to a restatement on account of the interpretation of the recognition of premium income of BAGICL by the Insurance and Regulatory Authority of India. Consequently, the consolidated net income and shareholders' equity

**Notes to the Reconciliations of Significant Differences between Indian Generally Accepted Accounting Principles ("Indian GAAP"), US Generally Accepted Accounting Principles ("US GAAP") and International Accounting Standards ("IAS") for the year ended 31 March 2003 and 31 March 2002 (Contd.)**

under Indian GAAP has increased by Rs 63 million. A similar reconciliation adjustment for recognition of premium income to the extent of Rs 24 million was already considered as an adjustment in the reconciliation under US GAAP/IAS for fiscal 2002. Accordingly, to the extent of differential of Rs 39 million not considered under US GAAP and IAS for fiscal 2002, the net income and shareholders' equity under US GAAP and IAS has been restated.

**3. Investment in debt and equity securities**

Under Indian GAAP, the Company classifies all its debt and equity securities other than those covered in note 2 above, as long term investments. These investments are accounted at cost less provision, if any, for other than temporary decline or impairments in carrying value, which are charged against earnings.

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

Held-to-maturity securities are recorded at cost, adjusted for amortisations or accretions of premiums or discount. Available-for-sale securities are recorded at fair value with 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.

Non-readily marketable equity securities for which there is no determinable fair value are recorded at cost subject to an impairment charge for any other than temporary decline in value. A decline in market value of available-for-sale or held-to-maturity security below cost that is deemed to be other than temporary results in reduction in carrying amount to fair value. The impairment is charged to revenue and a new cost basis is established. Premiums and discounts are amortised or accreted over the related held-to-maturity or available-for-sale security as an adjustment to yield using the effective interest method.

**4. 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 GAAP, depreciation is provided based on the asset lives specified in the Indian Companies Act, 1956 that may not necessarily be reflective of the useful lives of the assets. 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.

**5. 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 1999, 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 GAAP, 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.

**6. Premium on insurance venture**

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

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 an estimated period of 15 years.

**7. Accounting for insurance activities**

Under IAS there are no specific accounting standards on insurance activities. Accordingly for the purpose of accounting for insurance activities under IAS, the Company has elected to follow US GAAP. The significant differences between Indian GAAP and US GAAP for the accounting for insurance activities are described below

Notes to the Reconciliations of Significant Differences between Indian Generally Accepted Accounting Principles ("Indian GAAP"), US Generally Accepted Accounting Principles ("US GAAP") and International Accounting Standards ("IAS") for the year ended 31 March 2003 and 31 March 2002 (Contd.)

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#### Insurance premium and claims

Under Indian GAAP, premium income with respect to life insurance contracts is recognized when the income is due. Premium income with respect to non-life insurance contracts is recognized over the contract period or the period of risk whichever is appropriate on gross basis. Any significant revisions to or cancellations of premiums are accounted for in the year in which they occur.

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

- short duration contracts is recognised over the period of contract or period of risk. Further the liability for unpaid claims (including estimates of costs for claims relating to insured events that have occurred but have not been reported to the insurer) and a liability for claim adjustment expenses is accrued when insured events occur; and
- long duration contracts is recognised when premium is due. Further liability for expected costs is accrued over the current and expected renewal periods of the contracts.

#### Acquisition costs

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

Under US GAAP, acquisition costs, which vary with and are primarily related to the acquisition of new business are deferred and amortized prorata over the contract periods in which the related premiums are earned. Deferred acquisition costs are reviewed to determine if they are recoverable from future income, and if not, are charged to expenses. All other acquisition expenses are charged to operations incurred.

#### 8. Deferred taxation

Under Indian GAAP, deferred tax assets and liabilities are recognized for the future tax consequences for differences between the profit and loss account as per the financial statements as compared to their respective tax base. Deferred tax assets and liabilities are calculated using substantially enacted tax rates. Deferred tax assets are created when virtual certainty exists that there will be adequate future taxable income against which such deferred tax assets can be realised.

Under US GAAP and IAS deferred tax assets and liabilities are recognized for the future tax consequences of differences between the carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carried-forward. Under US GAAP deferred tax assets and liabilities are measured using enacted tax rates. Under IAS the enacted tax rates have been used, since the conditions under which substantially enacted rates can be used, are not met. The measurement of deferred tax assets under US GAAP and IAS is reduced, if necessary, by a valuation allowance for any tax benefits of which future realisation is uncertain.

#### 9. Proposed Dividend

Under Indian GAAP, dividends on equity shares and the related dividend tax are recorded as liabilities when it proposed by the Board of Directors, although such dividend liability does not crystallise unless it is approved by the shareholders'. Under US GAAP and IAS, dividends are recognised when approved by 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 are calculated by dividing net income by the weighted average number of common stocks outstanding.

