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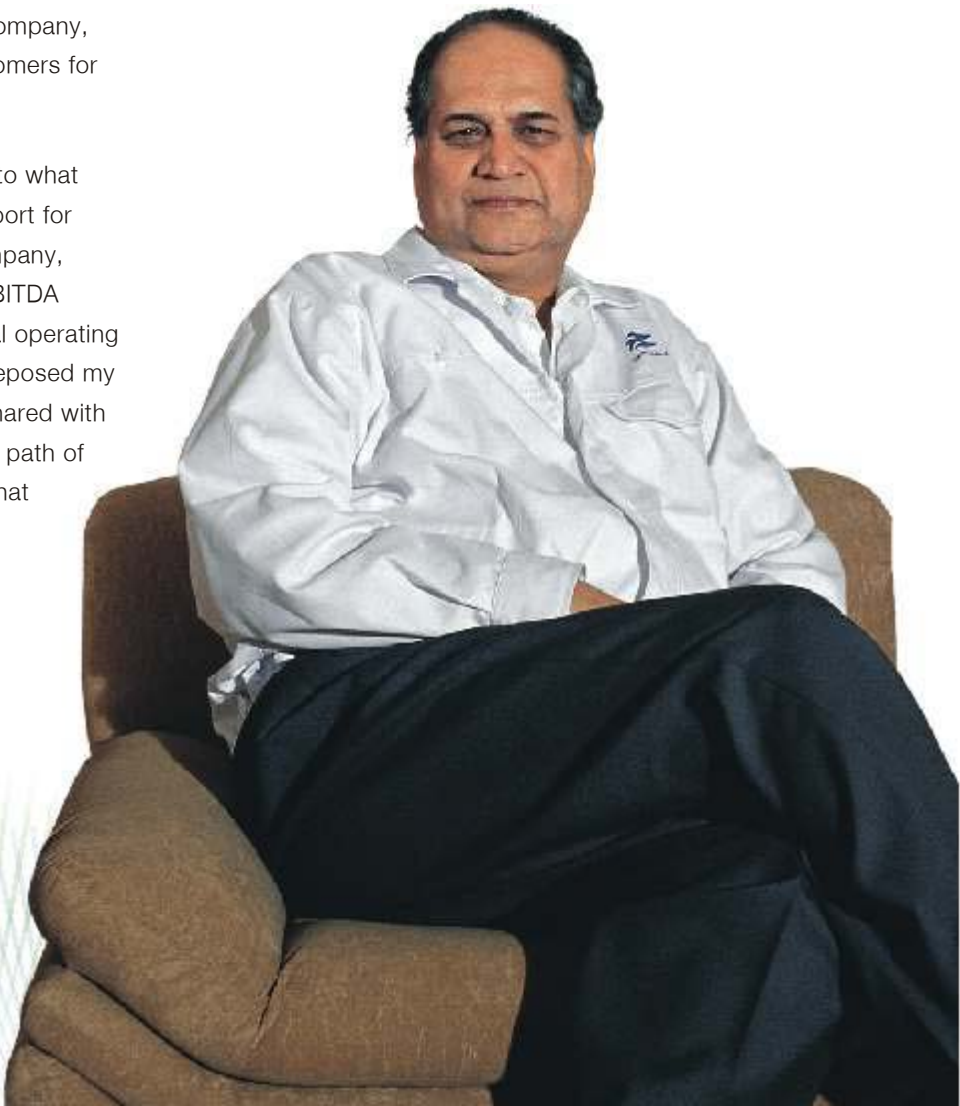


CHAIRMAN'S LETTER

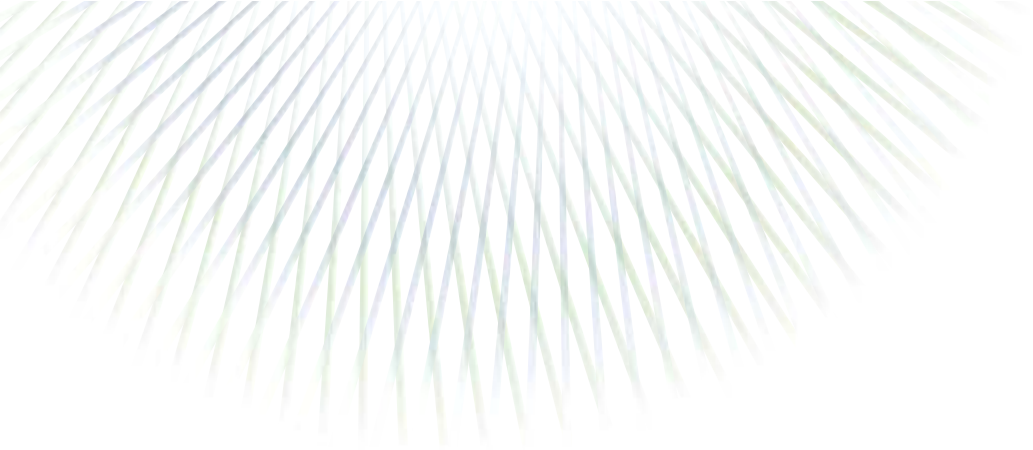
Dear Shareholder,

2003-04 has been another good year for your company. Bajaj Auto has posted its highest ever gross turnover of Rs.59.34 billion; its highest ever profit before tax of Rs.9.60 billion; and its highest ever profit after tax of Rs.7.32 billion. As your Chairman, I am proud of these achievements, and would like to begin by thanking every employee of the company, its vendors, its dealers and its myriad customers for making this performance happen.

As I write this letter, my mind goes back to what I wrote three years ago — in the annual report for 2000-01. It was a difficult year for the company, when sales had taken a beating and the EBITDA margin had dropped to 9.8 per cent of total operating income. Even in those tough times, I had reposed my unwavering faith in the company, when I shared with you Bajaj Auto's vision of the future and its path of transformation. I still recollect a sentence that I wrote: "A year's adversity does nothing to change my belief in this vision."







Three years later, the management team and I feel vindicated. Your company has resolutely engaged in a process of fundamental change. This has involved changes in the organisational structure; in products and models; in the approach to markets and consumer preferences; in R&D, engineering, product design and speed to market; in rationalising of costs; and in a complete overhaul of the way in which we do business.

This change process is now epitomised by Bajaj Auto's new corporate identity — which was unveiled at the Auto Expo in Delhi in January 2004.

To my mind, this new identity symbolises the changing time — a new and rejuvenated Bajaj Auto that is closely in touch with its customers; that believes in speed and innovation; that wants to create excitement through its products; that focuses on transparency. It is an identity that speaks of **inspiring confidence**. It represents the new company in a new India.

Having begun this letter with so many kudos, let me now highlight some achievements and challenges.

First, I am delighted with your company's progress in exports. Bajaj Auto achieved 69 per cent growth in the export of two-wheelers, and 66 per cent increase in the export of all vehicles. In 2003-04, exports accounted

for over 156,000 vehicles. I believe that international markets will be a key driver of our sales in the future. We will leverage this opportunity by significantly growing exports.

Second, I am delighted by the way the diesel powered GC 1000 — a higher payload three-wheeler goods carrier — has performed in 2003-04. Launched in April 2003, the GC 1000 pushed our sales of goods carriers by 154 per cent to around 25,000 vehicles during 2003-04. I expect your company to do even better in this segment in the coming year.

Third, I am happy that the Pulsar — with the new Digital Twin Spark ignition (DTSi) technology — has continued to maintain its unchallenged market leadership in the premium segment of the motorcycle market.

The challenge, however, remains about the state of competition in the other two segments. At the entry level, the supremacy of the Boxer brand has been challenged by a worthy competitor; and, notwithstanding the Caliber and the Wind, we as a company have a long way to go before becoming a truly significant player in the large, mid-level executive segment of the motorcycle market.

Your company is alive to these challenges. It proposes to launch a new CT 100 this year, which should help Bajaj Auto reoccupy the position of primacy in the entry-level segment. In the executive category, it will be launching what I think will be a remarkable motorcycle, which is known within the company by its code name K 60. I am hoping that with these two launches, Bajaj Auto will capture a larger share of the motorcycle market — not only in numbers, but also in the minds and hearts of consumers.

Fourth, in the last three years, R&D has become a major driver of the company. We have set aside Rs.680 million towards this end. Of this, Rs.269 million has already been spent in 2003-04, and Rs.411 million are committed for 2004-05. In the years ahead, you will see this company being even more focused on R&D so as to introduce state-of-the-art vehicles for consumers both in India and abroad. Larger and more targeted marketing and advertisement spends will support this increased R&D effort.

The old order changeth...

Quietly, and without much fanfare, the management of your company has effectively moved to the hands of younger people. I like this process very much,

and have endorsed it to the hilt. After all I was given charge of your company when I was 30. Therefore, I see every reason why younger people should take over the mantle.

That doesn't mean that your Chairman is ready to take *vanavas*. Far from it, I will continue to be involved in wider strategic issues and be a sounding board for ideas. However, the day-to-day working and the quarter-on-quarter planning of Bajaj Auto will be left to younger heads and hands.

2003-04 has been a good year, but the future looks even better. I expect the company to overcome challenges and achieve still better performance across all product categories. The new corporate identity promises to **inspire confidence**. We at Bajaj Auto must leverage this confidence by delivering superior performance year on year, without fail.

Thank you for your support and faith in Bajaj Auto.



Rahul Bajaj

Chairman and Managing Director

Board of Directors

Rahul Bajaj
Chairman and Managing Director

Madhur Bajaj
Vice Chairman and Whole-time Director

Rajiv Bajaj
Joint Managing Director

Kantikumar R Podar

Shekhar Bajaj

D J Balaji Rao

D S Mehta
Whole-time Director

J N Godrej

S H Khan

Suman Kirloskar

Naresh Chandra

Nanoo Pamnani

Management

Rahul Bajaj
Chairman and Managing Director

Madhur Bajaj
Vice Chairman

Rajiv Bajaj
Joint Managing Director

D S Mehta
Whole-time Director

R A Jain
Executive Director

Sanjiv Bajaj
Executive Director

Ranjit Gupta
Vice President (Insurance)

C P Tripathi
Vice President (Operations)

R L Ravichandran
Vice President (Business
Development and Marketing)

N H Hingorani
Vice President (Materials)

P B Menon
Vice President (Projects)

Company Secretary

J Sridhar

Auditors

Dalal & Shah
Chartered Accountants

International Accountants

KPMG

Cost Auditor

A P Raman
Cost Accountant

Bankers

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

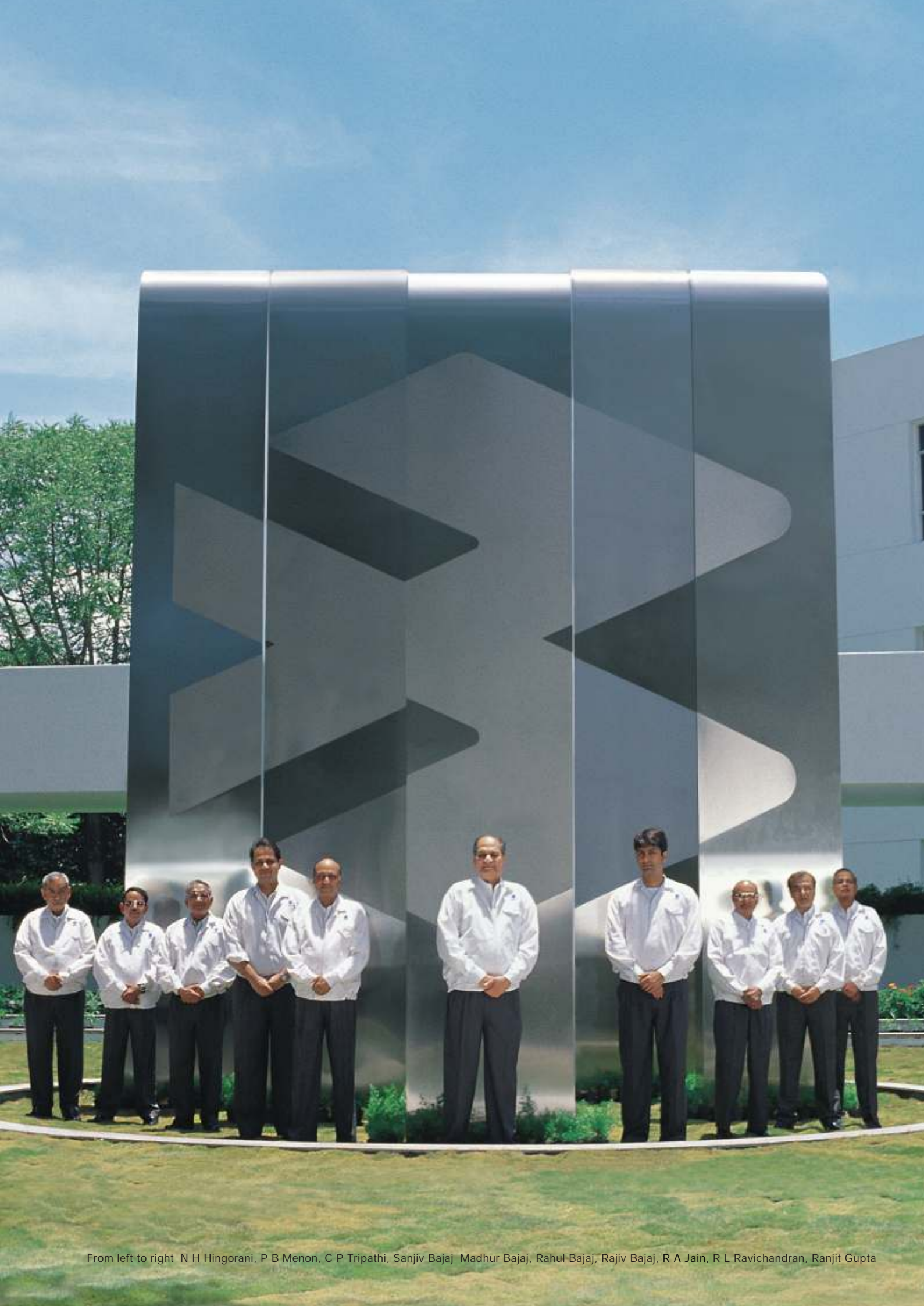
Registered under the
Indian Companies Act, 1913

Registered Office

Mumbai-Pune road
Akurdi, Pune 411 035

Works

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



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

MANAGEMENT DISCUSSION & ANALYSIS

In the last four years, the theme of this chapter has been the process of “change” — of the ways in which Bajaj Auto has been transforming itself to successfully meet the greater competitive challenges of the future. While this year’s Management Discussion and Analysis continues to retain this topic, it is enhanced by a complementary theme — of how the company has leveraged a successful change-process to create products and a brand that inspires confidence.

Like “change”, “inspiring confidence” has many elements and is a continuous process. For Bajaj Auto, “inspiring confidence” means many things: unveiling the new “flying B” Bajaj brand in January 2004 and the way we now write BAJAJ - the new logo; reinforcing the distinctiveness of the brand and what it stands for; using new technologies and design to produce better vehicles that inspire confidence in the hearts and minds of customers; creating excitement in products, in engineering, in people and in customers; inspiring through learning, innovation, perfection, speed and transparency.

For shareholders, “inspiring confidence” has much to do with the results of a company. Therefore, it is useful to highlight some of Bajaj Auto’s results for 2003-04.

- Sales increased by 14 per cent, from Rs.47.44 billion in 2002-03 to Rs.54.18 billion in 2003-04.

This is the company’s highest ever sales. Net sales (net of excise duty) increased by the same percentage, from Rs.41.59 billion in 2002-03 to Rs.47.55 billion in 2003-04.

- Total turnover (net of excise duty) increased by 17 per cent, from Rs.44.86 billion in 2002-03 to Rs.52.70 billion in 2003-04 — another highest ever for the company.
- Operating EBITDA (earnings before interest, taxes, depreciation and amortisation,) increased from Rs.8.17 billion to Rs.8.30 billion in 2003-04. This is also the company’s highest-ever operating profits from manufacturing.
- Profit before tax (PBT) rose by 22 per cent — from Rs.7.89 billion in 2002-03 to Rs.9.60 billion in 2003-04. This is after taking into account an extraordinary expense incurred during the year, namely Rs.415.48 million on account of the settlement of a long-standing labour dispute. If that were added back, the company’s PBT would have exceeded Rs.10 billion.
- Profit after tax (PAT) increased by 36 per cent — from Rs.5.38 billion in 2002-03 to Rs.7.32 billion in 2003-04.



These numbers show how the changes carried out over the last four years are yielding consistently stronger financial results — which is now inspiring confidence in the company's stakeholders.

As has been the practice, 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.

Markets

Two wheelers

Between 2002-03 and 2003-04, the industry's overall sales of two-wheelers grew by 11.6 per cent, from 5.05 million to 5.64 million. The sale of motorcycles, which constitutes by far the most dominant category in this segment, increased by 14.9 per cent — from 3.76 million to around 4.32 million. Consequently, the share of motorcycles to two-wheeler sales rose from 74.4 per cent in 2002-03 to 76.6 per cent in 2003-04. Chart A depicts the trend over the last ten years, while Table 1 gives more detailed, segment-wise data.

CHART A: Industry's sales of two-wheelers

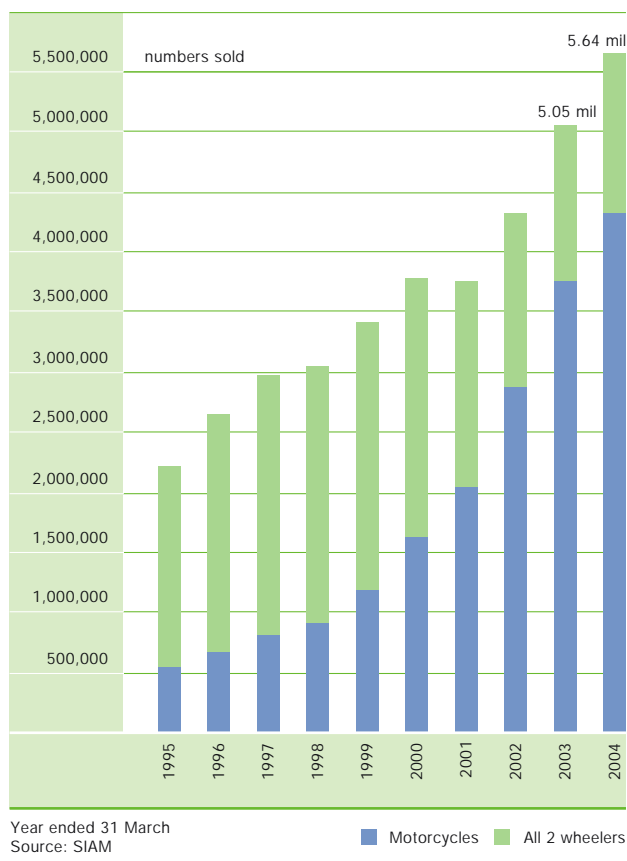


TABLE 1: Industry's sales of two-wheelers, segment wise (in numbers)

Year ended 31 March	Motorcycles	Geared Scooters	Ung geared Scooters	Mopeds	Step-thrus	All two-wheelers
1995	528,043	940,684	189,564	334,135	215,805	2,208,231
1996	660,672	1,079,116	242,101	446,666	231,450	2,660,005
1997	802,266	1,137,579	263,179	492,675	269,775	2,965,474
1998	913,956	1,076,385	267,801	470,512	313,693	3,042,347
1999	1,176,779	1,114,346	282,413	497,677	332,256	3,403,471
2000	1,612,895	978,668	378,815	530,497	275,844	3,776,719
2001	2,033,196	592,411	408,261	483,172	228,476	3,745,516
2002	2,861,375	531,179	410,260	375,712	140,005	4,318,531
2003	3,757,125	335,917	532,410	315,554	112,556	5,053,562
2004	4,316,777	288,127	660,428	337,109	32,990	5,635,431

Source : SIAM

Motorcycles

Given that motorcycles clearly drive two-wheeler sales, it is necessary to analyse sub-categories within this segment. But before doing so, it is worthwhile to see how, over time, from being a predominant scooter manufacturer, Bajaj Auto has become the second largest manufacturer of motorcycles in India. Table 2 shows, Bajaj Auto has succeeded in this endeavour. Between 1997-98 and 2003-04, we have increased our share in an explosively growing and highly discerning market from under 15 per cent to over 23 per cent. From being an insignificant player in the early 1990s, Bajaj Auto today is the clear number two in motorcycles in India.

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

Year ended 31 March	Market	BAL	BAL's market share
2000	1,612,895	255,176	15.8%
2001	2,033,196	422,016	20.8%
2002	2,861,375	656,018	22.9%
2003	3,757,125	868,138	23.1%
2004	4,316,777	1,023,551	23.7%

Source : SIAM

The motorcycle market is divided into three segments:

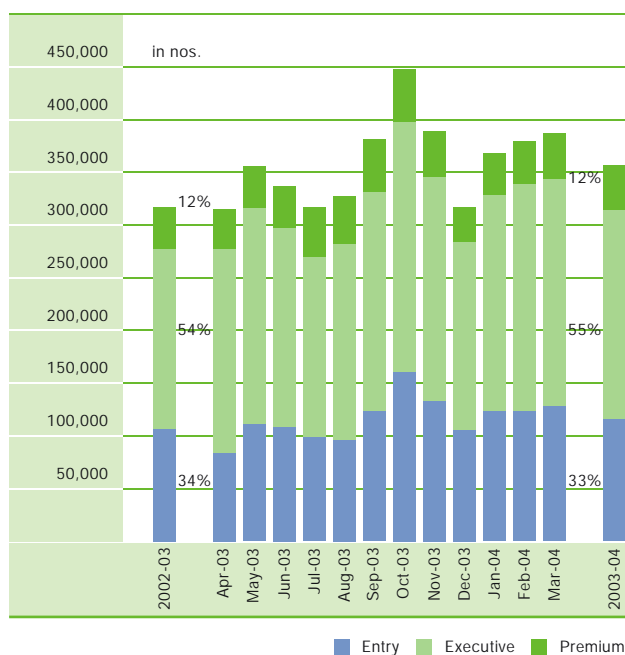
- **Entry category** — models priced between Rs.27,000 and Rs.37,000. In this category, Bajaj Auto has the entire family of Boxers. Here the focus is, by and large, on price and fuel efficiency.
- **Executive category** — models priced between Rs.38,000 and Rs.45,000. These are models with Japanese and European standards of engineering, styling, manufacturing and riding comfort.

Bajaj is present in this segment with Caliber 115 and Wind 125.

- **Premium category** — models priced above Rs.45,000. Bajaj Auto has the Pulsar 150, the Pulsar 180 and, the Eliminator in the higher end of this category.

Chart B depicts the industry-wide monthly sales across these three segments.

CHART B: Monthly sale of motorcycles, according to segments



Thanks to the Boxer, Bajaj Auto accounted for 32 per cent of the entry segment in 2003-04. However, this should be no cause for complacency. In 2002-03, the company enjoyed a market share of 42 per cent. This 10 percentage point fall in share in a segment that grew by 8.6 per cent has been due to competition. Going forward, Bajaj Auto proposes to deal with this

competition by introducing a new model called the CT-100 in May 2004. It is expected that this bike will, with its excellent performance and phenomenal fuel economy, redefine the entry segment, and push Bajaj back to being the leader in this category of the market.

As far as the premium segment goes, Bajaj Auto is the undisputed leader with its Pulsars, especially the Pulsar 150 - DTSi. In 2002-03, the company accounted for 43 per cent of this segment. 2003-04 saw a 62 per cent increase in the company's average monthly sale of Pulsars, reinforced by the DTSi (Digital Twin Spark ignition) technology in October 2003. Consequently, the company's market share in this segment has increased to 59 per cent. Today, the Pulsar 150 ES-DTSi is not only powerful enough to beat the larger displacement of the competitor's, but also gives fuel efficiency of a 125 cc motorcycle. As a company, we will leverage our leadership position in this category by expanding the size of this segment.

From the company's point of view, the real competitive action will be played out in the executive segment of the motorcycle market. This category — which accounts for 55 per cent of motorcycles sold — has grown by 16 per cent in the last year, and accounted for an average monthly sale of over 198,000 bikes in 2003-04. In fact, the last quarter of the financial year saw average sales of 210,000 bikes. Although Bajaj Auto has the Caliber 115 and the 125 cc Wind in this category and its segment share has increased by 3.6 percentage points, the company still accounts for under 11 per cent of sales in the executive segment. The challenge, therefore, is to substantially increase Bajaj's presence as well as share in this growing middle category. The company plans to do so with a completely new, and technologically superior model, code named the K 60 — which will be introduced in the second quarter of 2004-05.

Other Two-wheelers

As is obvious from Chart A and Table 1 above, other two-wheelers are languishing in India, when compared to motorcycles. Sales of geared scooters have continued to fall in volumes. At around 288,000 vehicles in 2003-04, industry sale was 14 per cent less compared to the previous year. This segment has been showing a declining trend every year since 1999-2000. Bajaj Auto sold 178,187 geared scooters in 2003-04 — itself a decline of 34 per cent. Nobody knows whether the market has bottomed out or not. What is evident is that, except for some parts of North India, the demand for the geared scooters is subdued. The company proposes to introduce a new model in 2004-05, and hopes that it may again be able to grow this market, albeit modestly.

However, the ungeared and predominantly plastic bodied scooter segment has grown at 24 per cent in the current year. Our presence in this segment is negligible barring Spirit (60cc) which sold about 54,000 units in 2003-04 in a market size of over 660,000. We will introduce an improved version of Spirit with a 70 cc engine and a new ungeared 110 cc scooter called "Wave" in the second quarter of 2004-05. A few more models are also on the anvil for the coming years.

The change in Bajaj Auto's two-wheeler focus is best captured by Chart C. A decade ago — indeed, even five years ago — the company was predominantly a manufacturer of geared scooters. Today, it is overwhelmingly a manufacturer of motorcycles. And, as Chart C clearly shows, the number of motorcycles sold by the company in 2003-04 was 18 per cent more than the maximum number of geared scooters ever sold by Bajaj Auto in any given year.

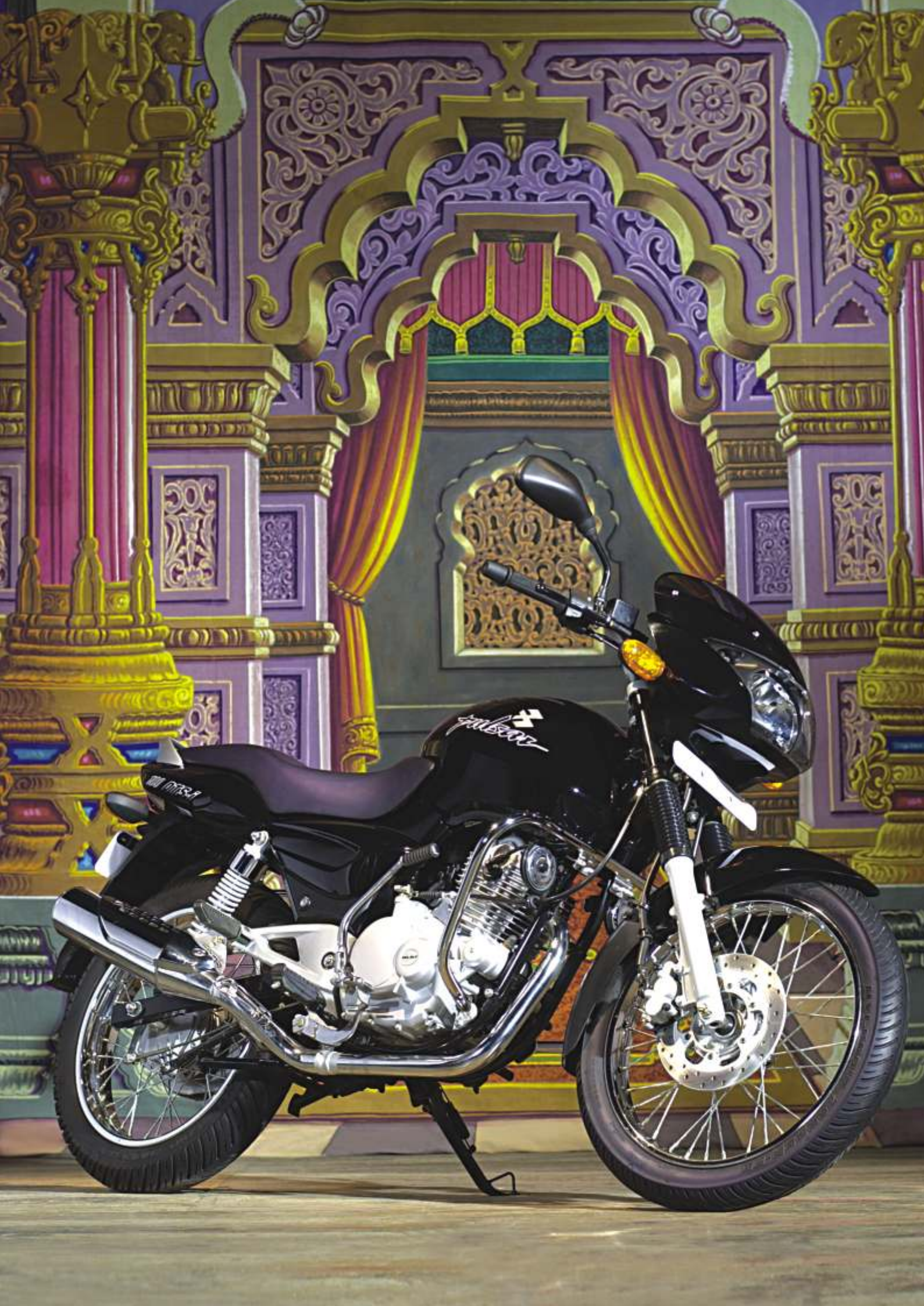
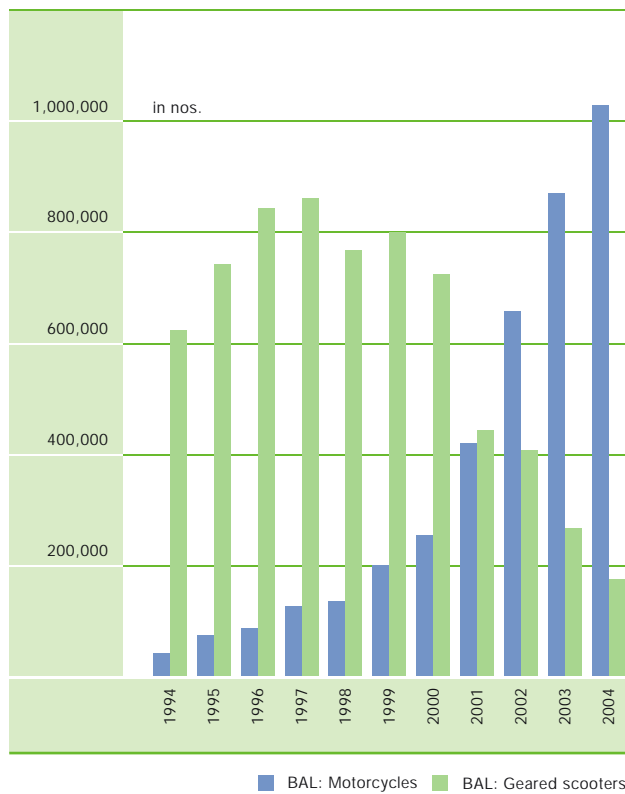


CHART C: Bajaj Auto's sale of motorcycles versus geared scooters



Ten years ago, Bajaj Auto would have been identified as a geared scooter producer who was experimenting with motorcycles. Today, in the two-wheeler space, Bajaj can justifiably call itself a motorcycle manufacturer that also produces scooters. This doesn't mean that the company will not introduce new models of geared and ungeared scooters. Far from it. Nevertheless, this major shift to motorcycles, especially in the last three years — and of occupying the commanding heights of the premium segment

exemplifies a key element of the process of change in the company. It is change such as this, executed in a short time period, that inspires in Bajaj Auto the confidence that its improved technologies and processes will produce better vehicles with superior engineering and design to capture the hearts and minds of customers.

Three-wheelers

The company has done very well in this business. The three-wheeler market consists of two broad segments — three-and six-seater passenger vehicles, and goods carriers. Table 3 breaks down the market across the different categories, and shows the presence of Bajaj Auto in each.

The three-seater passenger vehicle category is dominated in no uncertain terms by Bajaj Auto. Here, the company succeeded in growing its sales in 2003-04 by 10.8 per cent to 203,639 vehicles — and thus captured 91.8 per cent of the market.

As far as the company is concerned, the most heartening feature of Bajaj' performance was in the rapidly growing goods carrier category. In 2002-03, we sold 10,059 such vehicles and accounted for less than 15 per cent of the market. Powered by the GC 1000 — a one ton diesel goods carrier introduced in April 2003 — the company's sales increased by 154 per cent to 25,543 vehicles in 2003-04. Consequently, Bajaj Auto's market share in this segment has risen to 26 per cent. We expect to further leverage the strength of the GC 1000 and increase both volumes and market share in this growing market.

TABLE 3: Three-wheeler sales and share of Bajaj Auto (in numbers)

	2002-03	2003-04	Growth
Passenger vehicles			
3-seater			
Industry sales	198,372	221,831	11.8%
Bajaj Auto sales	183,800	203,639	10.8%
Bajaj Auto market share	92.6%	91.8%	-
6-seater			
Industry sales	15,982	12,245	-23.4%
Bajaj Auto sales	NA	NA	-
Total passenger vehicles			
Industry sales	214,354	234,076	9.2%
Bajaj Auto sales	183,800	203,639	10.8%
Bajaj Auto market share	85.7%	87.0%	-
Goods carriers			
Industry sales	68,708	99,625	45.0%
Bajaj Auto sales	10,059	25,543	153.9%
Bajaj Auto market share	14.6%	25.6%	-
Total 3-wheelers			
Industry sales	283,062	333,701	17.9%
Bajaj Auto sales	193,859	229,182	18.2%
Bajaj Auto market share	68.5%	68.7%	-

Exports

This is another area where Bajaj Auto has done well during the year under review. In 2002-03, the company exported 94,241 two-and three-wheelers. During 2003-04, it exported 156,007 units — a creditable growth of 66 per cent in a single year. Table 4 summarises product-wise exports.

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

Product	2002-03	2003-04	Growth
Motorcycles	43,218	82,314	90%
Total two-wheelers	53,366	90,210	69%
Three-wheelers	40,875	65,797	61%
Total vehicles	94,241	156,007	66%

The global market size for two-wheelers is around 31 million, of which around 90 per cent is contributed by vehicles with engine capacity of less than 200cc — an area that is Bajaj Auto's forte. In the last five years, the Indian two-and three-wheeler industry has become internationally competitive in terms of the variety, quality and fuel efficiency of its products, inherent cost advantages and a keen understanding of consumer preferences. Going forward, we at Bajaj Auto will continue to utilise these competitive strengths to increase our global presence. We believe that a focus on exports would not only keep us on our toes in areas of technology and design, but would also be a step towards de-risking the vagaries of the domestic market.

In exports, the company follows a three-pronged strategy: that of consolidation in markets where it is the leader — such as in Sri Lanka, Bangladesh and Colombia; of growing in potentially strong markets where it currently has a low presence, like Egypt, Peru, Guatemala, Iran; and of seeding new markets, such as those in Africa and South East Asia. During the year, Bajaj Auto has signed an agreement with Kawasaki, Philippines, for joint marketing of Bajaj Auto's products in the country.

The strategy for export growth will follow an optimal combination of export of CKD kits from India and, where necessary, the setting up of green-field assembly projects. In this, it needs to be mentioned that Bajaj Auto is in the process of signing an agreement with a local partner in Indonesia for setting up an assembly unit.

Operations

Research and Development

In a world of rapid changes in customer preferences and shorter product life cycles, the ability of developing and marketing top-class products shall depend upon the quality of a company's in-house research, development and testing capabilities. Bajaj Auto has been committed to building its in-house R&D capabilities. Consequently, over the past few years, the company has built a young, talented, and highly motivated team with skills in styling, engine and product design and testing, as well as efficient and reliable product development practices.

During 2003-04, the company's R&D team unveiled an innovative and path-breaking technology called DTSi (Digital Twin Spark ignition). This technology is the world's first on small displacement two-wheelers, for which Bajaj Auto has applied for a patent. Currently introduced in Pulsar 150 and 180 models, this DTSi technology has resulted in higher power, better fuel consumption as well as lower emissions. Over time, this technology will be introduced across various product ranges of Bajaj Auto.

In motorcycles, the company's R&D has also developed an entry-level bike called CT-100, to be launched in May 2004. This bike gives higher power, better driveability and an amazing fuel economy. Moreover, a motorcycle code named K 60 is in advanced stages of development, and will be launched in the second quarter of 2004-05. This model with its best-in-global class features is expected to re-define the executive segment of the motorcycle market.

As far as scooters go, the company has developed a new 125 cc engine with a unique gear shifting mechanism called "wonder gear" for the Chetak 4S. This model will be launched in the second quarter of 2004-05. It has also developed a new 70 cc engine for its Spirit model and a new ungeared scooter called Wave — both of which will be launched during the second quarter of the year 2004-05.

To further consolidate the company's R&D efforts, a new integrated facility is being set up at the Akurdi complex. This centre will consist of state-of-the-art facilities for design, analysis, prototyping and testing.

It needs to be emphasised that the company's R&D strategy is a combination of in-house and collaborative efforts. Thus, for instance, while Bajaj Auto continues to build its in-house R&D capabilities, it also collaborates with Kawasaki for joint design and development of new vehicles.

During 2003-04, the company's efforts in product development has been recognised in terms of the number of awards won. Listed below are a few:

ICICI Bank-Overdrive awards for:

- Bike maker of the year, 2003-04.
- Bike of the year, 2003-04 — the Pulsar DTSi.
- Automotive technology of the year — DTSi technology.



BBC World Wheels awards:

- Best bike, viewers choice — Pulsar 180 DTSi.
- Best two-wheeler in the Rs.45,000-Rs.50,000 category — Pulsar 150 DTSi.
- Best two-wheeler in the Rs.55,000-Rs.70,000 category — Pulsar 180 DTSi.

CNBC Auto Cars Auto Awards:

- Two Wheeler of the year — Wind 125.

NFO Automotive:

- Winner of the total customer satisfaction study in motorcycles — Pulsar.

Plants

During 2003-04, the three plants of Bajaj Auto produced a total of 1,516,876 two-and three-wheelers. The distribution of products across the plants is given in Table 5.

TABLE 5: Distribution of products across plants

Plant	
Akurdi	Geared scooters, step thrus
Waluj	Bajaj - Kawasaki range of motorcycles, three-wheelers
Chakan	Ung geared scooters, Bajaj motorcycles (Pulsar)

Table 6 gives the distribution of production capacities across the three plants over the previous and current year.

TABLE 6: Plant wise capacities

Plant	2002-03	2003-04
Akurdi	840,000	720,000
Waluj	1,200,000	1,200,000
Chakan	480,000	600,000
Total	2,520,000	2,520,000

During 2003-04, capacities have been added at the Chakan plant. The annual capacity at the Akurdi plant has been reduced by 120,000 vehicles. This is because Akurdi predominantly manufactures geared scooters, whose sales have steadily fallen over the last five years. The Akurdi plant is being put to alternative use — that of manufacturing components for the other two plants. During 2003-04, around 1,200 sets per day of Pulsar and 700 sets per day of three-wheeler components were supplied to the Chakan and Waluj plants, respectively.

However, this too does not fully utilise the Akurdi capacity. In view of the improved productivity norms agreed to between the management and the workmen at Akurdi on 5th September 2003, and the long term reduction in overall demand for geared scooters, the company estimates that the Akurdi plant currently has over 1,200 surplus workers. This issue needs to be addressed in the future.

The TPM movement continues at Bajaj Auto's plants at Akurdi and Waluj. Early gains made through improvements in Overall Equipment Effectiveness (OEE), have been consolidated. Additional benefits achieved during the year through improvements in productivity, quality and reduction in conversion costs are highlighted in Table 7.

TABLE 7: Overall Equipment Effectiveness at Akurdi

	2002-03	2003-04
Plant OEE%	90%	94%
Vehicles per man	0.57	0.98
Average breakdown hours per month	347	225
Component defects in the year	550	182
Kaizens implemented	2,038	2,735

During the year, Bajaj Auto's Waluj plant was re-certified under ISO 14001 and ISO 9001.

People

From being an employer of over 21,000 people in 1997, Bajaj Auto has transformed to a flat organisation structure that enables faster decision-making in a rapidly changing business environment. As of 31 March 2004, the employee strength stood at 11,531 people. Table 8 shows how the vehicle output per person per year has increased from 67.7 vehicles in 1996-97 to 131.5 in 2003-04.

TABLE 8: 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
2003	1,457,066	12,338	118.1
2004	1,516,876	11,531	131.5

This shift to a flatter and more empowered organisational structure has required the company to continuously identify people whose skill sets are not in tune with the current requirements. Consequently, in 2003-04, 536 staff members were released through a voluntary retirement scheme (VRS). This is in addition to 102 workmen who also accepted VRS. Simultaneously, competency building activities were enhanced. Most employees have been given courses in customer orientation and leadership development. Moreover, Bajaj Auto is in the process of defining "role-goal clarity" at each management level. This process will ensure that the organisation stays focused on each aspect of its business — target achievement, continuous improvement (kaizen) and capability building for a long-term profitable growth.

Information Technology

In 2003-04, Bajaj Auto completed the enterprise wide implementation of "my-SAP", an ERP solution from SAP A.G., Germany. Several initiatives were taken in business process changes and system design to achieve the key objectives of implementation — namely, to improve forecasting, sales planning and distribution to dealers, enhance production and vendor performance, reduce inventory levels across supply chain, and cut down on non-value-added activities and costs.

Underlying the ERP implementation is the objective of extending it as an infrastructure backbone for support to internet based applications covering the entire supply chain from vendors to our plants to dealers. An internet based SAP-Portal has also been implemented across key elements of the supply chain to integrate the business activities across the channel partners.

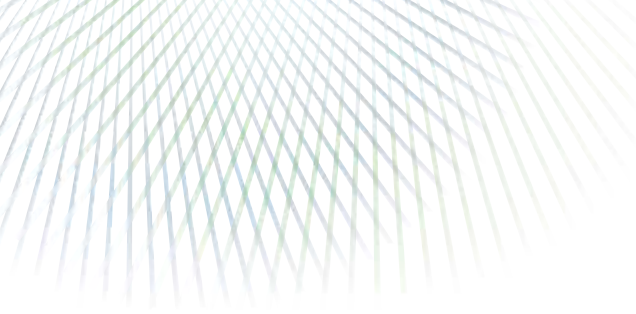
In addition, a Business Information Warehouse is currently being implemented. This will enable the company to analyse and action the vast data available in the ERP system on real time basis.

Supply Chain

Vendors

The process of rationalising the vendor base continued during the year. By aggregating purchases of original equipment (OE) items, the company will end up having an OE vendor base of around 180. This will give vendors larger orders, help reduce average costs and offer better terms to Bajaj Auto.

To continuously upgrade the technological capability of the vendors, the company has been encouraging



and arranging technology tie-ups with leading international auto component manufacturers. During the year, such tie-ups occurred in areas such as disc-brakes, CVT, clutch assemblies, starter motors and auto-electricals.

In 2003-04, a number of vendors supplying to Chakan have shifted their production bases closer to the plant. This has enabled them to be more in tune with the production requirements of the plant and has reduced cost of transportation and packing. Moreover, supplies can be made in smaller lots and directly to the production lines — thereby reducing Bajaj Auto's requirement to hold inventory. As of date, 18 new vendors' plants have become operational at Chakan.

TPM activities were extended to a cluster of 45 vendors located near our manufacturing plants at Chakan and Waluj. Active support and guidance were provided to them both through Bajaj Auto's own resources and through external consultants to enable them to achieve TPM's objective of "zero breakdowns, zero rejections and zero accidents". Many of the vendors are already seeing the results of TPM in terms of higher productivity levels and reduced costs.

Dealers

Bajaj Auto has a network of 452 dealers and over 1,300 authorised service centres. In an effort to widen its reach, the company continued with the process of appointing new dealers, especially in the smaller C and D category of towns.

With growth in rural demand, Bajaj Auto plans to have sales and service outlets in each town or village

having a population of more than 25,000. During 2003-04, the company, through its dealers, set up 300 additional rural sales outlets (RSO). These "no-frills" RSOs are serviced by dealers. In the course of the year, Bajaj Auto also concentrated on reviewing the performance of dealers. Those below par were given definite time lines to improve their performance — and the 26 dealers who could not improve by the end of the time period were replaced. In 2004-05, the principles of TPM will be implemented across Bajaj Auto's dealerships.

Financials

Bajaj Auto continued to drive top line growth through increased sales volumes, better product mix and higher realisations while its costs were reduced through improvements in operational efficiency.

Sales for 2003-04 was Rs.54.18 billion as against Rs.47.44 billion in 2002-03 — an increase of 14 per cent. Included in this sales figure is the turnover from exports of Rs.5.56 billion for 2003-04 — which formed 12 per cent of net sales, versus Rs.3.53 billion or 8 per cent in 2002-03. Total turnover (net of excise duty) increased from Rs. 44.86 billion in 2002-03 to Rs.52.7 billion in 2003-04 — an increase of 17 per cent.

EBITDA margin on operations for 2003-04 was 16.9 per cent compared to 19 per cent in 2002-03. Profit before tax increased from Rs.7.89 billion to Rs.9.60 billion — an increase of 22 per cent. Table 9 gives the summarised profit and loss account.



TABLE 9: Summarised profit & loss account, 2003-04

In Rs. million	2003-04	2002-03
Operations		
Sales	54,185	47,444
Less: excise duty	6,633	5,853
Net sales	47,552	41,591
Other operating income	1,616	1,515
Total operating income	49,168	43,106
Cost of materials consumed, net of expenditures capitalised	31,754	26,722
Share of material cost	64.6%	62.0%
Stores and tools	588	649
Share of stores and tools	1.2%	1.5%
Labour cost	2,405	2,377
Share of labour cost	4.9%	5.5%
Factory and administrative expenses	2,200	1,851
Share of factory and administrative expenses	4.5%	4.3%
Sales and after sales expenses	3,270	2,874
Share of sales and after sales expenses	6.6%	6.7%
Total expenditure	40,217	34,473
Operating profit	8,951	8,633
Operating profit as a share of total operating income	18.2%	20.0%
Voluntary Retirement Scheme	235	461
Labour settlement provision	415	-
Revised operating profit	8,301	8,172
Revised operating profit as a share of total income	16.9%	19.0%
Interest	9	11
Depreciation	1,504	1,417
Net operating profit	6,788	6,744
Non-operating income		
Income	3,271	1,450
Expenses	374	274
Non-operating income, net	2,897	1,176
Windfarm operations		
Income	264	301
Expenses	50	41
Depreciation	295	294
Windfarm operations, net	-81	-34
Profit before taxation	9,604	7,886
Provision for taxation	2,289	2,502
Profit after taxation	7,315	5,384
Prior years adjustments	69	-38
Disposable surplus	7,384	5,346

TABLE 10: Break-up of sales (in units and in Rs. million)

Product	2003-04		2002-03		% to total units		% to total value	
	Units	Value	Units	Value	2003-04	2002-03	2003-04	2002-03
Motorcycles	1,023,551	31,852	868,138	26,082	67.4%	60.0%	58.8%	55.0%
Scooters geared	178,187	3,653	268,656	5,261	11.8%	18.6%	6.7%	11.1%
Scooters ungeared	54,709	1,040	60,757	1,254	3.6%	4.2%	1.9%	2.6%
Step-thrus	32,502	573	54,363	981	2.1%	3.8%	1.1%	2.1%
Total two-wheelers	1,288,949	37,118	1,251,914	33,578	84.9%	86.6%	68.5%	70.8%
Three wheelers	229,182	14,427	193,859	11,542	15.1%	13.4%	26.6%	24.3%
Total vehicles	1,518,131	51,545	1,445,773	45,120	100.0%	100.0%	95.1%	95.1%
Spare parts	N.A.	2,640	N.A.	2,324	-	-	4.9%	4.9%
Total sales	1,518,131	54,185	1,445,773	47,444	-	-	100.0%	100.0%

Analysis of sales

The analysis of sales across product groups is given in Table 10. In 2003-04, motorcycles continued to dominate the product portfolio, with an increase of 18 per cent in volume and 22 per cent in value over the past year. Buoyancy in the three-wheeler markets also enabled an increase of 18 per cent in volume and 25 per cent in value.

Materials, stores and tools

During 2003-04, the share of materials to net sales and other operating income increased from 62 per cent to 64.6 per cent. This is a result of two factors. First, the increase in the number of motorcycles sold, with its high bought-out material content, has increased this percentage more than the reduction that occurred due to a greater number of three-wheelers being sold. Second, the continuous rise in the price of steel sheets throughout 2003-04, and the inability of the company to pass on price increases completely to the customers, also played a role. The share of stores and tools has shown a marginal decrease at 1.2 per cent as against 1.5 per cent in 2002-03.

Labour, factory and administration costs

Labour costs as a share of net sales and other operating income has reduced from 5.5 per cent in the previous year to 4.9 per cent in 2003-04. This is a result of rationalisation of manpower and growing productivity in the plants. Factory and administration costs has increased marginally to 4.5 per cent of net sales and other operating income — versus 4.3 per cent in 2002-03.

Sales and after sales expenses

Despite intense competition in the two-wheeler market, Bajaj Auto has been able to contain its sales and after sales expenses at 6.6 per cent of net sales and other operating income. In addition to product and brand advertisement, promotion expenses this year largely focused on offering exchange incentives, genuine zero percent interest schemes to the customers, and incentives to dealers for their rural sales initiatives. Improvements in product quality by Bajaj Auto and its vendors have also resulted in a reduction in warranty costs, despite increase in the warranty period of certain motorcycles.

Operating margins

Operating earnings before interest, taxation, depreciation and amortisation (EBITDA) as a share of net sales and other operating income is 16.9 per cent as against 19 per cent in 2002-03. This change in the operating margins is largely on account of increase in prices of raw materials during the year — particularly steel and aluminium — and the one time extraordinary item of expenses of Rs.415 million towards provision for labour settlement of temporary workers.

Operating working capital

The company's continuous efforts to improve efficiencies in operating working capital has resulted in a negative net operating working capital as of 31 March 2004. This is given in Table 11, which highlights the extent to which the company has achieved efficiency in financial management.

TABLE 11: Operating working capital (Rs. million)

	As at 31 March 2004	As at 31 March 2003
Current assets		
Inventories	2,026	2,080
Sundry debtors	1,340	1,671
Cash and bank balances	784	290
Other current assets	1,759	1,497
Sub-total	5,909	5,538
Less: Current liabilities		
Acceptances	–	3
Sundry creditors	6,226	4,130
Advance against orders	193	150
Other current liabilities	120	78
Cash credit	–	539
Sub-total	6,539	4,900
Working capital	-630	638

Return on operating capital employed

Table 12 gives Bajaj Auto's return on operating capital employed in the manufacturing side of the business. As the table shows, the company's pre-tax return on operating capital employed has increased by an impressive 11 percentage points — from 60 per cent for 2002-03 to 71 per cent for 2003-04.

TABLE 12: Return on operating capital (Rs. million)

	As at 31 March 2004	As at 31 March 2003
Fixed assets	10,134	10,502
Technical know-how	77	107
Working capital	-630	638
Total	9,581	11,247
Operating profit after interest and depreciation	6,788	6,744
Pre-tax return on operating capital employed	71%	60%

Treasury operations

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 those earned by top mutual funds. Table 13 gives the non-operating income earned by Bajaj Auto by different investment categories.

TABLE 13: Income from investment of surplus funds (Rs. million)

	2003-04	2002-03
Dividends	261	127
Interest on debentures and bonds	690	408
Interest on government securities	492	405
Interest on inter-corporate deposits and other loans	126	239
Income from mutual fund units	580	44
Profit on sale of investments	1,113	214
Interest on fixed deposits	-	2
Others	9	11
Total Non-operating income	3,271	1,450
Non-operating expenses	374	274
Net non-operating income	2,897	1,176

The composition of Bajaj Auto's investment profile is given in Table 14. Given the pruning of the equity portfolio and opportunities in the G-Sec and bond market, the market value of the portfolio is higher than the cost by Rs.6,036 million.

TABLE 14: Bajaj Auto's investment of surplus funds (Rs. million)

	As at 31 March 2004	% to total	As at 31 March 2003	% to total
Government securities and bank deposits	19,861	50.8	8,653	29.7
Mutual funds including UTI	1,568	4.0	1,739	6.0
Debentures and bonds	9,268	23.7	8,698	29.9
Preference shares	567	1.5	854	2.9
Inter-corporate deposits	381	1.0	1,651	5.7
Loan to Bajaj Auto Holdings Ltd.	137	0.4	140	0.5
Fixed income investments	31,782	81.4	21,735	74.7
Equity shares and equity share based mutual funds	7,290	18.6	7,355	25.3
Total cost	39,072	100.0	29,090	100.0
Market Value	45,108	-	29,267	-

Summarised cash-flow

The summarised cash flow for Bajaj Auto Limited during the current year is given in Table 15

TABLE 15: Summarised cash-flow of Bajaj Auto Limited (Rs. million)

	Operations	Treasury	Windmill	Total
Sources				
Profits	6,788	2,897	-81	9,604
Add: Non cash charges				
Depreciation and amortisation	1,504	-	295	1,799
Write off of technical know-how fees	37	-	-	37
Leasehold land amortisation	4	-	-	4
Diminution in value of Investments	-	68	-	68
Provision for doubtful advances	16	257	-	273
	1,561	325	295	2,181
Cash generation from operations	8,349	3,222	214	11,785
Other inflows/outflows				
SICOM Incentives	1,694	-	518	2,212
Total Cash Generated	10,043	3,222	732	13,997
Applied towards:				
Reduction in cash credit	539	-	-	539
Repayment of fixed deposits	17	-	-	17
Current assets, loans and advances				
Inventories reduction	-54	-	-	-54
Debtors reduction	-318	-	-	-318
Other current assets increase/(decrease)	251	-	-	251
Loans and advances increase/(decrease)	-	-29	-	-29
Loans and ICDs	-	-1,146	-	-1,146
Current liabilities (increase)/decrease	-2,178	-	-	-2,178
	11,786	4,397	732	16,915
Investments made	-	-11,323	-	-11,323
Capital expenditure and technical know-how	-1,148	-	-	-1,148
	10,638	-6,926	732	4,444
Income taxes paid	-	-	-	2,601
Prior period adjustments	-	-	-	-69
Dividends paid	-	-	-	1,418
Balance representing change in cash	-	-	-	494

Wind power project

A total of 138 windmills were set up 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 109 million units of power during 2003-2004, valued at Rs.264 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 four years. Considering the income tax and sales tax benefits derived from this project over the last few years, the initial investment has been paid back in full. There were no new investments in wind power during the year.

Consolidation of accounts and segment reporting

The company also consolidated the financial statements of Bajaj Auto, 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 have been tabulated in Table 16.

TABLE 16: Segment Revenue and Segment Results (Rs. million)

Segment Revenue		Segment Results Profit/(loss) from each segment before interest and tax	
Automotive	49,249	Automotive	6,777
Insurance	3,704	Insurance	37
Investment and others	3,578	Investment and others	2,992
Total	56,531	Total	9,806
Less: Intersegment revenue	264	Less: Interest	9
Total	56,267	Profit before tax	9,797

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 well before these were mandated by the Securities and Exchange Board of India (SEBI) and the stock exchanges through clause 49 of their listing agreements. Transparency, fairness, disclosure and accountability — the four pillars of corporate governance — have always been central to the working of the company, its management and its board of directors. The standing that the company enjoys in today's corporate world has as much to do with its reputation for integrity and transparency as with its performance.

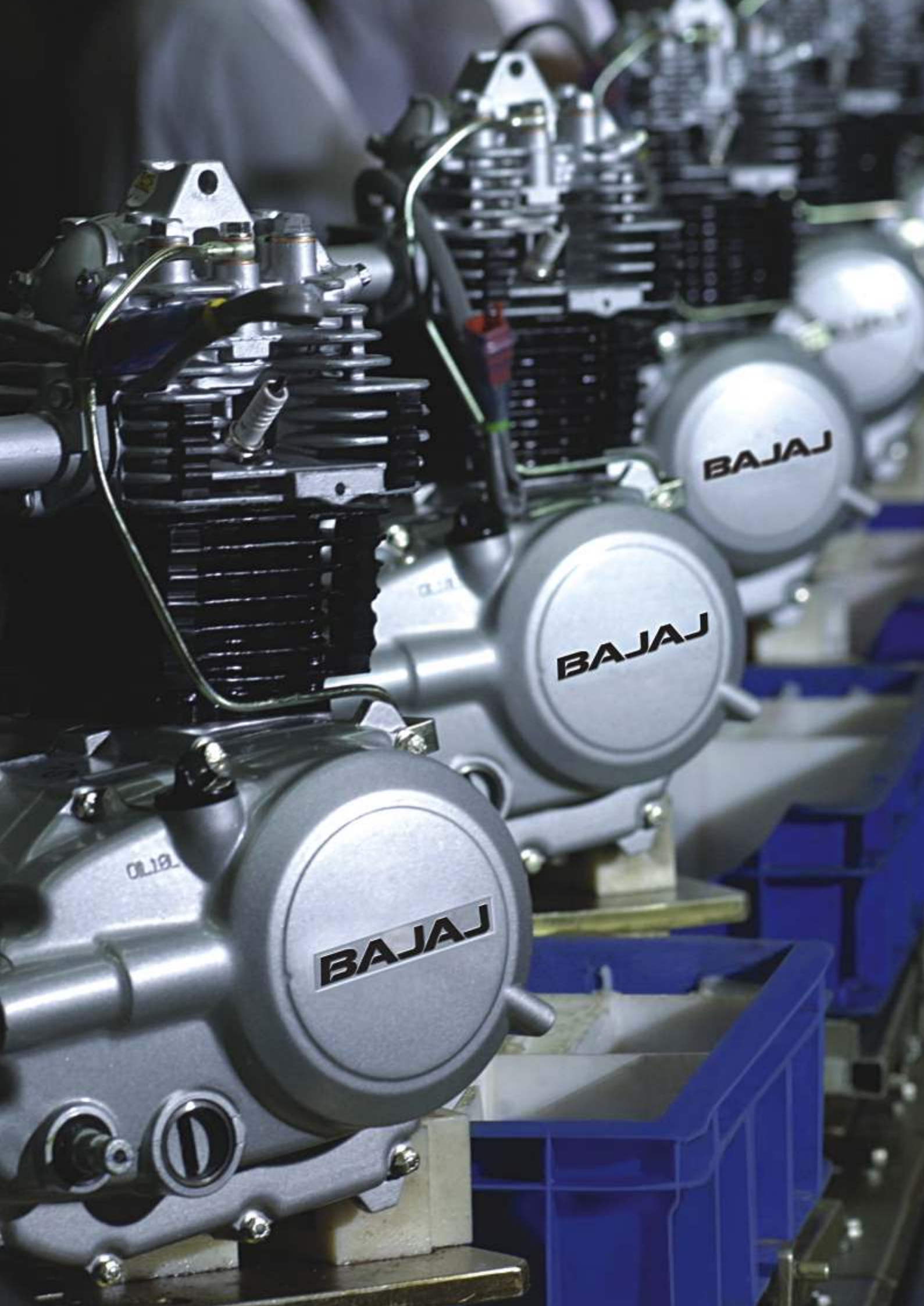
Given below are the company's corporate governance policies and practices for 2003-04. As will be seen, Bajaj Auto's corporate governance practices and disclosures have gone well beyond complying with the statutory and regulatory requirements in accordance with the provisions of clause 49 of the listing agreement.

Board of directors

Recognising the need and importance of having a strong and broad-based board, the company has recently enhanced the limit on the number of directors on the board from 12 to 15 by amending its articles of association and obtaining the approval from the Central Government in this regard. Appropriate action would be taken shortly to strengthen the board.

Composition

The board of Bajaj Auto currently consists of twelve directors, eight of whom are non-executive. Seven out of the eight non-executive directors are independent (see Table 1). According to clause 49 of the listing agreement, 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. All non-executive



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directors are persons of eminence who not only bring a wide range of expertise and experience, but also impart the desired level of independence on the board.

The company now has four whole-time executive directors on the board, inclusive of the chairman & managing director, vice-chairman, joint managing director and another whole-time director. The board has no institutional nominees as directors.

According to the statutes, at least two-third of the board should consist of retiring directors. Of these, a third are required to retire every year and, if eligible, may seek re-appointment by the shareholders. Nine out of the twelve directors in Bajaj Auto are retiring directors. The retiring directors on this occasion are Shekhar Bajaj, Kantikumar R. Podar and J.N. Godrej who, being eligible, have offered their candidature for re-appointment. Their details are given in the section on "Shareholders" in this chapter, as well as in the directors' report.

Board procedures

During the year 2003-04, the board of directors met seven times on the following dates: 11 May 2003, 26 July 2003, 13 September 2003, 22 October 2003, 31 January 2004, 23 February 2004 and 27 February 2004. The gap between any two meetings has been less than four months — thus complying with the Clause 49 requirement. 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 seven board meetings held during 2003-04, as well as at the last annual general meeting.

TABLE 1 : Composition of the board and attendance record of directors for 2003-04

Name of Director	Category	Meetings attended	Whether attended last AGM on 26 July 2003
Rahul Bajaj	Chairman and Managing Director, executive	7/7	Yes
Madhur Bajaj	Vice Chairman and whole-time director, executive	7/7	Yes
Rajiv Bajaj	Joint Managing Director, executive	6/7	Yes
Kantikumar R Podar	Non-executive, independent	2/7	Yes
Shekhar Bajaj	Non-executive	5/7	Yes
D J Balaji Rao	Non-executive, independent	7/7	Yes
D S Mehta	Whole-time director, executive	5/7	Yes
J N Godrej	Non-executive, independent	5/7	Yes
S H Khan	Non-executive, independent	7/7	Yes
Suman Kirloskar	Non-executive, independent	3/7	Yes
Naresh Chandra	Non-executive, independent	6/7	Yes
Nanoo Pamnani	Non-executive, independent	6/7	Yes

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, operations, investments and financial performance, (iii) review of plant-wise business, (iv) financial results, (v) domestic and international marketing reviews, (vi) staff matters, including senior appointments and extensions, (vii) labour matters and human resources issues,

(viii) voluntary retirement schemes, (ix) legal proceedings by or against the company, (x) legal compliance reports, (xi) insider trading disclosures, (xii) share transfer and demat compliance, (xiii) significant developments in subsidiary/associate companies, (xiv) IT strategies and related investments, (xv) donations, (xvi) change in corporate identity 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 2004

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	6
Rajiv Bajaj	1	1	-
Kantikumar R Podar	4	1	-
Shekhar Bajaj	2	6	3
D J Balaji Rao	6	1	7
D S Mehta	4	3	9
J N Godrej	4	7	3
S H Khan	2	4	4
Suman Kirloskar		3	1
Naresh Chandra	2	2	8
Nanoo Pamnani	1	4	-

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 vendors to Bajaj Auto. Purchases of goods from these companies have been in the ordinary course of business and, for the year ended 31 March 2004, amounted to Rs.2 million and Rs.7 million respectively.
2. During the year under review, inter-corporate loans amounting to Rs.94 million were refunded by Bajaj Electricals Limited and there was no outstanding amount as on 31 March 2004.
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 December 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.16 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.

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 with a view to bringing about greater effectiveness in the committee and to comply with various requirements under the Companies Act, 1956 and clause 49 of the listing agreement.

The current audit committee consists of the following directors:

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

All members of the audit committee are independent, non-executive directors. S H Khan, D J Balaji Rao and Nanoo Pamnani have a strong financial and accounting background. Nanoo Pamnani, who was appointed as a director of the company on 14 May 2003, was inducted into the committee with effect from 13 September 2003.



Meetings, attendance and topics discussed

During 2003-04, the audit committee met five times — on 14 May 2003, 26 July 2003, 13 September 2003, 22 October 2003 and 31 January 2004. 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, S H Khan and D J Balaji Rao were present at each of the five meetings. J N Godrej and Naresh Chandra were present at four meetings. Nanoo Pamnani attended one out of the two meetings held after his induction as a member of the committee.

The terms of reference of the audit committee are extensive and include all that is mandated in clause 49 of the listing agreement and section 292A of the Companies Act, 1956. Apart from overseeing and monitoring the financial reporting system within the company and considering unaudited and audited financial results for the relevant quarter, half-year and the year before being adopted by the board, the audit committee focused its attention on topics, such as review of annual revenue and capital budgets, annual internal audit plan, cost audit, legal compliance reporting system, related party transactions of a material nature, investment and provisioning guidelines, presentation of consolidated financial statement and 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 was 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 composition of this committee remained unchanged during the year. It consisted of the following non-executive independent directors

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

The committee did not meet during the year under review, as there was no occasion for discussing any materially significant changes in the remuneration of board members or senior management.

Shareholders' and investors' grievance committee

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

following independent, non-executive directors:

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

During the year under review, the committee met on 27 February 2004 to review the status of investors services rendered, with D J Balaji Rao and J N Godrej 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 regarding investors' queries and complaints in respect of transfer, dividend, annual reports etc., electronic clearing service for dividend payment, complaints of investors routed by SEBI/Stock Exchanges, amounts transferable to Investor Education and Protection Fund, secretarial audits, delisting of securities from stock exchanges at Pune and Delhi 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 and 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.

Remuneration of directors

Non-executive directors

Non-executive directors were paid a sitting fee of Rs.5,000 for every meeting of the board or committee attended by them until 23 February 2004, after which the sitting fee payable has been enhanced to Rs.20,000 per meeting. Based on their attendance at the board and the committee meetings, the non-executive directors can be paid upto an aggregate amount of Rs.2.4 million per year by way of commission on net profits, as per approval of the Central Government, which is valid until 31 March 2006.

Executive directors

There has been no change in the terms of remuneration of Rahul Bajaj, Madhur Bajaj, Rajiv Bajaj and D S Mehta during the year under review.

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

Bajaj Auto has no stock option plans and hence 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 2003-04, 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 2003-04.

TABLE 3 : Remuneration paid/payable to directors during 2003-04

Name of director	Relationship with other directors	Sitting fees Rs.	Salary & perquisites Rs.	Commission Rs.	Total Rs.
Rahul Bajaj	Father of Rajiv Bajaj, cousin of Madhur and Shekhar Bajaj	-	3,441,765	2,400,000	5,841,765
Madhur Bajaj	Cousin of Rahul Bajaj, brother of Shekhar Bajaj	-	2,550,084	2,400,000	4,950,084
Rajiv Bajaj	Son of Rahul Bajaj	-	2,764,106	1,800,000	4,564,106
Kantikumar R Podar	-	10,000	-	40,000	50,000
Shekhar Bajaj	Cousin of Rahul Bajaj, brother of Madhur Bajaj	25,000	-	100,000	125,000
D J Balaji Rao	-	95,000	-	260,000	355,000
D S Mehta	-	-	1,645,544	-	1,645,544
J N Godrej	-	80,000	-	200,000	280,000
S H Khan	-	75,000	-	240,000	315,000
Suman Kirloskar	-	15,000	-	60,000	75,000
Naresh Chandra	-	50,000	-	200,000	250,000
Nanoo Pamnani	-	50,000	-	140,000	190,000

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 the position of vice president (finance) to that of executive director with effect from 12 April 2004. However, no changes have been made in his remuneration as earlier approved by the remuneration

committee, the board, the shareholders and the central government. During the year under review, Sanjiv Bajaj was paid Rs.3,579,405 as salary including monetary/non-monetary perquisites



Management

Management discussion and analysis

This is given as a separate chapter in the 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 with the amended regulations.

Shareholders

Disclosure regarding appointment and/or re-appointment of directors

Kantikumar R Podar, J N Godrej and Shekhar Bajaj are retiring by rotation and are eligible for re-appointment. Their brief profiles are given below :

Kantikumar R. Podar, 69, graduated in commerce from Sydenham College of Commerce & Economics, Mumbai.

He is the former president of the SAARC Chamber of Commerce and Industry with headquarters in Pakistan. In addition, he has been chairman/president of numerous prestigious bodies, such as the Federation of Indian Chambers of Commerce and Industry (FICCI),

Economic & Scientific Research Foundation, the Indian Cotton Mills Federation (ICMF), Indian Merchants' Chamber (IMC), All India Organisation of Employers, Indian Council of Arbitration, Mumbai Textile Research Association and Mill-owners' Association.

He was a member of the Senate of the University of Mumbai for six years. He was also the youngest Sheriff of Mumbai, when he was appointed to this prestigious office in 1974. He is connected with numerous business, social and cultural organisations.

He holds directorships in the following public limited companies :

Bajaj Auto Ltd
Ceat Ltd
Pittie Laminations Ltd
Podar Infotech Ltd
Podar Knitex Ltd
Sutlej Industries Ltd

He does not hold committee positions in any of the companies.

J N Godrej, 55, did his graduate studies in mechanical engineering and his masters in business administration, both from the Illinois Institute of Technology, USA. He joined the board of management of Godrej & Boyce Mfg Co Ltd as director in 1974 and became the managing director in 1991 and chairman of the board in 2000. The Godrej Group are leaders in office equipment, consumer durables, industrial products as well as consumer products and services.

He has been closely associated with the Confederation of Indian Industry and was its president during 1993-94. He is also a past president of the Indian Machine Tool Manufacturers' Association and is

the president of the World Wide Fund for Nature-India. He is an ardent yachting enthusiast and has done extensive cruising along the west coast of India.

He was the recipient of Padma Bhushan award in April 2003, conferred by the President of India.

He holds directorships/committee memberships in the following public limited companies:

Directorships :

Geometric Software Solutions Co Ltd - Chairman

Godrej & Boyce Mfg Co Ltd - Chairman & Managing Director

Bajaj Auto Ltd

Godrej Agrovet Ltd

Godrej Consumer Products Ltd

Godrej Foods Ltd

Godrej Industries Ltd

Godrej Properties & Investments Ltd

Godrej Sara Lee Ltd

Godrej Tea Ltd

Godrej Upstream Ltd

3D PLM Software Solutions Ltd

Committee positions :

Bajaj Auto Ltd (2)

Godrej Consumer Products Ltd (1)

Geometric Software Solutions Co Ltd (2)

Shekhar Bajaj, 55, is an honours graduate in science from Pune University with an MBA from New York University. He started his career as resident director of Bajaj Sevashram Ltd in Udaipur in 1968 and later occupied top management positions in Bachhraj Factories Ltd and Bajaj International Pvt Ltd.

He is currently the chairman and managing director of Bajaj Electricals Ltd, a company engaged in the manufacture and marketing of a wide range of household electrical appliances and consumer durables.

He has served with distinction in important capacities on several bodies, such as, president of the Associated Chamber of Commerce and Industry of India (ASSOCHAM), Indian Merchants' Chamber (IMC), Council for Fair Business Practices (CFBP) and Electric Lamp & Component Manufacturers' Association of India (ELCOMA). He was also the chairman of the Fan Makers Association of India (FMA).

He is connected with numerous business, social and cultural organisations.

He holds directorships/committee memberships in the following public limited companies:

Directorships :

Bajaj Electricals Ltd - Chairman & Managing Director

Bajaj Ventures Ltd - Chairman

Hercules Hoists Ltd - Chairman

Hind Lamps Ltd - Chairman

Bajaj Auto Ltd

Catalyst Finance Ltd

Conquest Investment & Finance Ltd

Fusion Investments & Financial Services Ltd

Primus Investments & Finance Ltd

He does not hold committee positions in any of the companies.

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, half-yearly and annual financial results are published in numerous leading dailies, such as Hindustan Times, The Times of India, The Economic Times, Sakal, Kesari, Financial Express, Hindu-Businessline and Business Standard along with the official press release. In addition, the half-yearly and annual financial results are published in the Financial Times, 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, on which all important public domain information, including presentations made to the media, analysts, institutional investors are posted. The web-site also contains information on matters such as dividend and bonus history, answers to frequently asked queries (FAQs) by the various shareholder categories and details of the corporate contact persons. All financial and other vital official news releases are also communicated to the concerned stock exchanges, besides being placed on the company's web-site.

The company also files, inter alia, the following information, statements, reports on the electronic data information filing and retrieval (EDIFAR) website maintained online by National Informatics Centre (NIC) 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 online on the approved website of London Stock Exchange information on financial statements and other matters as specified by them.

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:

56th AGM	28th July, 2001	at 12.15 p.m.
57th AGM	27th July, 2002	at 11.30 a.m.
58th AGM	26th July, 2003	at 11.30 a.m.

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

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 2003-04.

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 2003-04. 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 practices. 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 : 31 July 2004

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 2004

- 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.25 per equity share (250 per cent) for the financial year ended 31 March 2004, 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).

Dates of book closure

The register of members and share transfer books of the company will remain closed from Saturday, 17 July 2004 to Saturday, 31 July 2004, both days inclusive.

Date of dividend payment

The payment of dividend, upon declaration by the shareholders at the forthcoming annual general meeting, will be made on or after 5 August 2004:

- 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 Friday, 16 July 2004 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 Friday, 16 July 2004.

Payment of dividend

Dividend will be paid by account payee/no-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, as per applicable guidelines, 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.

As reported last year, as per section 205-C of the Companies Act, 1956, any money transferred by the company to the unpaid dividend account and remaining unclaimed for a period of seven years from the date of such transfer shall be transferred by the company to a fund called the Investor Education and Protection Fund ("the fund") set up by the central government. Accordingly, the unpaid/unclaimed dividend for the year 1995-96 was transferred by the company to the said fund in October 2003. No claims shall lie against the fund or the company in respect of such amounts so transferred.

Unpaid/unclaimed dividend starting with 1996-97 shall become transferable to the fund in the month of October 2004, 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 1996-97 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. The practice of sending an intimation in the form of an 'option letter' to the purchaser/transferee upon completion of the process of registration of transfer of shares under the scheme of transfer-cum-demat has been discontinued with effect from 10 February 2004 in view of a circular issued by SEBI in this regard.

Total number of shares transferred in physical category during 2003-04 was 1,030,408 compared to 12,745,203 shares during 2002-03. Of these, 92,278 shares were directly dematerialised against receipt of option forms under the earlier system.

Dematerialisation of shares

During 2003-04, 2,102,447 shares (including the shares dematerialised under the scheme of 'Transfer-cum-demat') were dematerialised - compared to 1,621,728 shares during 2002-03. The distribution of shares in physical and electronic mode as on 31 March 2004 and 31 March 2003 is given in Table 1:

TABLE 1: Shares held in physical and electronic mode

Categories	Position as on 31 March 2004		Position as on 31 March 2003		Net change during 2003-04	
	No. of shares	% to total shareholding	No. of shares	% to total shareholding	No. of shares	% to total shareholding
Physical	52,192,581	51.58	54,295,028	53.66	(2,102,447)	(2.08)
Demat:						
NSDL	48,313,371	47.75	45,275,882	44.75	3,037,489	3.00
CDSL	677,558	0.67	1,612,600	1.59	(935,042)	(0.92)
Sub-Total	48,990,929	48.42	46,888,482	46.34	2,102,447	2.08
Total	101,183,510	100.00	101,183,510	100.00	-	-

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 changed to Deutsche Bank Trust Company Americas from 15 April 2002). As on 31 March 2004, 4,658,411 GDRs were outstanding and represented an equal number of underlying equity shares. Of these, 3,905,523 shares were held in electronic form and 752,888 were in physical form.

In view of the RBI Notification issued in 2001, GDRs issued by the Indian companies are eligible for the operation of limited two-way fungibility. As reported last year, 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 at any point of time 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

De-listing of securities

Pursuant to the guidelines issued by SEBI followed by the special resolution passed by the shareholders at their meeting held on 26 July 2003, the company had applied to Pune Stock Exchange Ltd (PSE) and Delhi Stock Exchange Association Ltd (DSE) for voluntary de-listing of its securities from these stock exchanges. The company has received approval letters from PSE and DSE, intimating that the securities of the company have been de-listed with effect from 6 October 2003 and 10 December 2003 respectively.

Listing on stock exchanges

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

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

GDRs are listed on the London Stock Exchange, having its office at 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

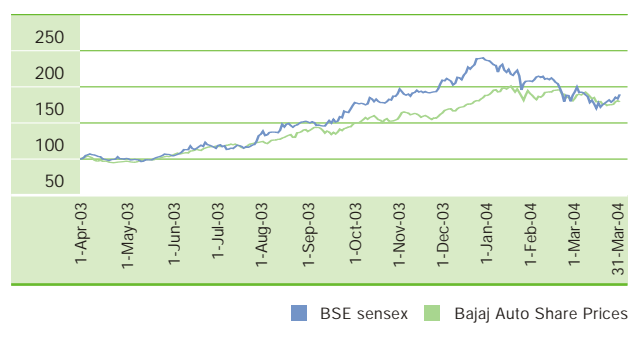
Table 2 gives the monthly highs and lows of Bajaj Auto's shares on the Bombay Stock Exchange (BSE), the National Stock Exchange (NSE) and for the GDRs on the London Stock Exchange.

TABLE 2: Monthly highs and lows of Bajaj Auto's shares during 2003-04 (Rs.)

Month	BSE		NSE		LONDON SE (GDRs)	
	High	Low	High	Low	High	Low
Apr-03	522.90	466.00	529.00	466.00	516.55	462.89
May-03	517.00	459.40	514.50	459.50	509.33	466.50
Jun-03	600.00	494.95	620.10	499.10	573.84	506.16
Jul-03	640.00	495.00	642.00	480.00	629.81	539.73
Aug-03	733.00	610.00	735.00	617.20	735.89	630.08
Sep-03	806.10	691.55	819.00	686.00	795.84	695.70
Oct-03	950.00	745.25	924.00	790.35	929.06	808.54
Nov-03	959.75	860.00	992.00	892.05	961.52	896.23
Dec-03	1200.00	965.00	1210.30	962.00	1175.75	985.46
Jan-04	1153.00	932.00	1165.00	801.40	1125.16	975.19
Feb-04	1065.00	856.00	1070.00	853.05	1099.82	952.30
Mar-04	980.00	795.00	986.00	793.00	1019.67	905.00

Chart A depicts the comparable movements of Bajaj Auto's shares against the BSE Sensex during the year ended 31 March 2004.

CHART A: Bajaj Auto Vs. BSE Sensex, indexed to 100 on 1 April 2003



Distribution of shareholdings

Table 3 gives details about the pattern of shareholdings among various categories as on 31 March 2004, while Table 4 gives the data according to size classes.

TABLE 3: Distribution of shareholdings across categories

Categories	31 March, 2004		31 March, 2003	
	No. of shares	% to total capital	No. of shares	% to total capital
Promoters and persons acting in concert	29,530,432	29.19	29,517,706	29.17
Friends and associates of promoters	17,297,994	17.09	17,495,992	17.29
GDRs*	4,658,411	4.60	5,072,399	5.01
Foreign Institutional Investors	17,351,097	17.15	12,569,211	12.42
Public Financial Institutions	5,627,842	5.56	4,069,074	4.02
Mutual funds	1,273,210	1.26	4,377,770	4.33
Nationalised and other banks	129,151	0.13	303,714	0.30
NRIs and OCBs	576,673	0.57	452,483	0.45
Others	24,738,700	24.45	27,325,161	27.01
Total	101,183,510	100.00	101,183,510	100.00

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 2004

No. of shares	Number of shareholders		Shares held in each class	
	Number	%	Number	%
Up to 100	14,428	52.89	653,311	0.64
101 to 200	4,037	14.80	624,771	0.62
201 to 500	3,617	13.26	1,199,510	1.19
501 to 1,000	1,796	6.58	1,290,442	1.28
1,001 to 5,000	2,304	8.45	5,171,803	5.11
5,001 to 10,000	473	1.73	3,340,904	3.30
10,001 to 1,00,000	474	1.74	14,315,753	14.15
1,00,001 and above	149	0.55	74,587,016	73.71
Total	27,278	100.00	101,183,510	100.00

Shareholders' and investors' grievances

The board of directors of Bajaj Auto has 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 by warrants as well as through electronic clearing service, non-receipt of annual report, non-receipt of transferred shares and change of address and/or bank particulars. There was nothing pending to be addressed or resolved.

During the year under review, letters were received from SEBI concerning 28 complaints filed by the shareholders on various matters. In respect of each of these complaints - most of which were found to be repetitive - replies were filed with SEBI in the prescribed format and no action remains to be taken from the company's end.

Nomination

Individual shareholders holding shares singly or jointly in physical form can nominate a person in whose name the shares shall be transferable in the case of

death of 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 Dist. Pune 410 501 (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) 27406063
Fax : (020) 27407380
e-mail : investors@bajajauto.co.in

BAJAJ AUTO-HIGHLIGHTS

Rs. million

	2003-04	2002-03	2001-02	2000-01	1999-00
INCOME :					
Gross Sales & Income from Operations	55,801	48,959	42,214	36,899	38,105
Less: Excise duty	6,633	5,853	5,256	5,621	6,078
Net Sales & Income from Operations	49,168	43,106	36,958	31,278	32,027
Other Income	3,535	1,751	1,813	2,740	4,051
Net Income	52,703	44,857	38,771	34,018	36,078
Gross Profit after Interest but before Depreciation & Tax	11,403	9,598	7,675	5,468	9,705
Profit for the year	7,315	5,384	5,211	2,626	6,137
Dividends & Corporate Dividend Tax	2,854	1,598	1,417	892	1,325
ASSETS EMPLOYED :					
Net Fixed Assets	12,321	12,982	13,683	13,623	11,143
Technical Know-how	77	107	128	160	4
Investments	38,554	27,299	19,661	11,846	19,524
Net Working Capital	(2,730)	2,144	3,353	5,873	6,327
Total	48,222	42,532	36,825	31,502	36,998
FINANCED BY :					
A. Borrowed Funds					
i Cash Credit & Commercial Paper	-	539	318	560	1,016
ii Sales Tax Deferral	10,031	7,819	5,890	4,516	3,864
iii Others	1,255	1,768	1,959	61	77
Total	11,286	10,126	8,167	5,137	4,957
B. Shareholders' Funds					
i Share Capital	1,012	1,012	1,012	1,012	1,194
ii Reserves	35,924	31,394	27,646	25,353	30,847
Total	36,936	32,406	28,658	26,365	32,041
OTHERS :					
Gross Fixed Assets	27,113	26,262	25,401	24,902	21,216
Contribution to Country's Exchequer	7,560	8,220	6,185	7,191	7,403
Exports	5,563	3,529	1,596	1,351	1,378
Employee Cost	2,405	2,377	2,379	2,444	2,356

BAJAJ AUTO-HIGHLIGHTS (contd.)

		2003-04	2002-03	2001-02	2000-01	1999-00
SALES :						
Two-Wheelers	Nos.	1,288,949	1,251,914	1,198,296	1,053,901	1,240,621
Three-Wheelers	Nos.	229,182	193,859	160,684	155,177	171,977
EMPLOYEES :						
	Nos.	11,531	12,338	13,482	13,819	17,213
EQUITY SHARE DATA :						
Net Income per equity share	Rs.	521	443	383	306#	302
Earning per equity share	Rs.	73	53	51	22#	53
Cash earnings per equity share	Rs.	91	70	69	38#	65
Book value of equity share	Rs.	365	320	283	261	268
Market price: Mumbai Stock Exchange						
(a) High	Rs.	1,200	565	505	392	650
(b) Low	Rs.	459	361	208	221	257
Dividend	%	250	140	140	80	100
Dividend Cover (Including Corporate Dividend Tax)	Times	2.6	3.4	3.7	2.8	4.8
RATIOS :						
$\frac{\text{Gross Profit}}{\text{Net Income}}$	%	21.64	21.40	19.80	16.07	26.90
$\frac{\text{Profit for the year}}{\text{Net Worth}}$	%	19.80	16.61	18.18	9.96	19.15
$\frac{\text{Net Worth}}{\text{Total Assets}}$	%	52	52	54	57	59
$\frac{\text{Long Term Debt}}{\text{Net Worth}}$	Times	0.27	0.24	0.21	0.17	0.12
Earning before Interest, Taxation, Depreciation and Amortisation	%	16.9	19.0	16.8	9.8	18.2
Pre-tax return on operating capital employed	%	71	60	41	14	34
# On weighted average equity capital						

DIRECTORS' REPORT

Introduction

The directors present their fifty-ninth annual report and the audited statement of accounts for the year ended 31 March 2004.

Operations

Sales	2003-04 (Nos.)	2002-03 (Nos.)
Motorcycle	1,023,551	868,138
Other two-wheelers	265,398	383,776
Total Two wheeler	1,288,949	1,251,914
Three wheeler	229,182	193,859
Total Two & Three wheeler	1,518,131	1,445,773
Of the above, exports were		
Two wheelers	90,210	53,366
Three wheelers	65,797	40,875
Total Exports	156,007	94,241

Financial results

	2003-04 Rs. million	2002-03 Rs. million
Net sales & other income	52,703	44,857
Gross profit before interest & depreciation	11,412	9,609
Interest	9	11
Depreciation	1,799	1,712
Profit before taxation	9,604	7,886
Provision for taxation	2,289	2,502
Profit after tax	7,315	5,384
Disposable surplus after adjustments for earlier years	7,384	5,346
Proposed dividend (inclusive of dividend tax)	2,854	1,598
Balance carried to general reserve	4,530	3,748
Earnings per share (Rs)	72.98	52.84

Dividend

The directors recommend for consideration of the shareholders at the ensuing annual general meeting, payment of a dividend of Rs. 25 per share (250 per cent) for the year ended 31 March 2004. The amount of dividend and the tax thereon aggregate to Rs.2,854 million.

Dividend paid for the year ended 31 March 2003 was Rs.14 per share (140 per cent). The amount of dividend and the tax thereon aggregated to Rs.1,598 million.

New corporate identity

During the year under review, the company unveiled a new corporate identity for itself. The white and blue hexagonal symbol with Bajaj Auto in small lettering has now been replaced by a refreshing new "flying 'B' " symbol with the Bajaj logo-type in capital letters.

The change in identity, which presents a futuristic face of the new global Bajaj, is a part of the on-going changes happening in the company and is expected to help create a paradigm shift in consumer perception of the company.

Research & development and technology absorption

The company's R&D efforts during the year were focused mainly on three areas :

- Up-grading of current products for better performance, while meeting new regulations.

- Launching of development activities in a series of new scooters to cater to changing market needs.
- Initiatives towards significant cost reduction in various models, particularly in the entry level segment.

The year commenced with the launching of a newly developed 125 cc motorcycle branded as "Wind 125" in collaboration with Kawasaki Heavy Industries Ltd, Japan. The product, primarily meant for the global market, was also successfully launched in the domestic market.

Development of the Chetak 4S with a new 125 cc engine and having a unique gear shifting mechanism has been completed. Mass production is planned in the second quarter of the current year.

A new 70 cc two-stroke engine has been developed and is currently under market validation. This will replace the existing 60 cc engine in Spirit. Mass production is planned in the second quarter of the current year.

The company has also developed a new gearless scooter "Wave" with a Continuously Variable Transmission (CVT) drive. Development and testing work has been completed. Mass production is planned in the second quarter of the current year.

In the entry level segment, Boxer family of products has an improved 100 cc engine with better drivability and performance. Mass production of this model has recently commenced in the Waluj plant.

The Pulsar 150 cc and 180 cc have been upgraded for power and performance with a new Digital Twin

Spark ignition (DTS-i) technology developed in-house. The company is the first to have such a feature in its product and the technology patent for the same has been applied for. The product has been well acclaimed by the market.

The company's new motorcycle, code-named as K60, has completed its development process and is expected to go into production in the current year.

The company has initiated the necessary development activities to meet the new Central Motor Vehicle Regulations (CMVR) and emission targets applicable for 2005. The company will implement necessary design changes by the end of 2004.

Expenditure on research and development during 2002-03 and the year under review was:

		2003-04 Rs. million	2002-03 Rs. million
i	Capital (including technical know-how)	269.2	99.9
ii	Recurring	381.0	322.5
iii	Total research and development expenditure as a percentage of sales, net of excise duty	1.37	1.02

Conservation of energy

The company continued to benefit in the area of energy conservation through its wind power project, commissioned with an installed capacity of 65.2 MW. During the year under review, 109 million units of power, as against 106 million units of power in the previous year, were generated by 138 wind mills and fed to MSEB grid. The cumulative capital investment made by the company in wind power project remained unchanged at Rs.2.94 billion.

As a part of continuing efforts to conserve energy and natural resources, some of the important initiatives taken during the year are set out in the following paragraphs.

Saving in electrical energy :

- Installation of energy efficient lighting transformers and electronic ballasts in various production shops and offices.
- Installation of Variable Frequency Drives (VFD) in paint shops and other facilities.
- Installation of Variable Speed Drive (VSD) based compressors to increase compressed air generation with same input, and installation of remote operated valves to save compressed air during non-working hours.
- Installation of precise temperature controlling devices like digital controller in LPG vaporizer and air conditioning plants of engine assemblies.
- Installation of additional capacitor banks to reduce power losses and improve health of equipment.
- Introduction of Acrylic Electro Deposition (AED) on frames to eliminate need of finish coat.

Saving in water consumption :

- Rain water harvesting and reuse of treated water, apart from increasing employee awareness.
- Utilising water from Tertiary Treatment Plant (TTP) and recycling of water, instead of using fresh water for processes in paint and plating shops.

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- Use of treated water in paint/heat treatment/plating and engine assemblies by providing localised storage tanks and thus eliminating need of fresh water.
- Drip irrigation system for gardening to minimise water use.

Saving in petroleum products (fuels) :

- Equipment modernisation and optimisation of temperature settings of paint ovens and boilers run on LPG.
- Use of auxiliary petrol tank for motorcycles testing was introduced to minimise gasoline consumption.
- Use of high precision digital temperature controlling device for LPG vaporizer.

Investments for energy conservation :

As compared to an investment of Rs.5.8 million made during the previous year to reduce energy and water consumption, investment to the tune of Rs.11.5 million was made during the year under review.

Impact of measures taken

Due to these and other initiatives taken for conservation of energy and natural resources, the company has witnessed :

- Five per cent reduction in the unit of electricity used per vehicle compared to the previous year.

- Ten per cent reduction of water consumption over previous year, in spite of a four per cent increase in vehicle production.

Foreign exchange earning & outgo

The total foreign exchange earned by the company during the year under review was Rs.5,645 million, as against Rs.3,580 million during the previous year. The total foreign exchange outflow during the year under review was Rs.1,373 million towards import of raw materials, components, machinery spares, capital equipment and other expenditure, as against Rs.1,444 million during the previous year.

Industrial relations

Wage settlement for the workmen at the Akurdi plant, which was pending since 30 November 2001, was signed by the management with Bharatiya Kamgar Sena, the recognised union, on 5 September 2003. The settlement so signed will be valid until 28 February 2007.

The wage settlement dated 11 October 2000 covering the workmen at the Waluj plant expired on 31 March 2004. The Bharatiya Kamgar Sena, the recognised union there as well, has submitted its charter of demands in February 2004. Negotiations have now commenced.

Relations with staff and workmen at Akurdi, Waluj and Chakan continued to be peaceful and cordial during the year under review.

As regards certain labour disputes, following were the noteworthy developments during the year under review:-

- In the civil appeals filed by the company before the Supreme Court, out of two groups of 401 and 301 temporary workmen at Akurdi, as regards the group of 401 temporary workmen, through mutual consent supported by court order, it has been decided that permanency be granted, but with liberty to the company to transfer them to any of the company's branches/depots/suppliers/dealers located anywhere in the country. In respect of the other group of 301 temporary workmen, it has been decided through a mutual settlement supported by a consent order that these workmen not be granted permanency, but be given compensation.
- In the other civil appeals filed by the company before the Supreme Court in respect of a group of 1197 temporary workmen at Waluj, 1012 workmen have settled their claim out of court by accepting the compensation offered by the company. As regards the remaining 185 workmen, where mutual consent could not be arrived at, the court gave a judgement, pronouncing a compensation slightly higher than the mutual consent amount.
- Based on the Supreme Court order, the company has recognised a sum of Rs.415.5 million towards the liability arising on account of the labour disputes in respect of the temporary workmen.
- The company had filed a writ petition before the Mumbai High Court against the notification of the Government of Maharashtra issued on 23 August

2002, prohibiting the contract labour system at Akurdi plant. The petition, which had been admitted with grant of stay, is pending for final hearing.

Joint Ventures

Bajaj Allianz General Insurance Company Ltd., the general insurance subsidiary of Bajaj Auto in joint venture with Allianz AG, Germany, continued its good performance as one of the leading non-life private sector insurance companies in India. During 2003-04, it recorded a gross written premium of Rs.4,798 million, which is an increase of sixty per cent over the previous year. Net earned premia grew by fifty per cent to Rs.2,306 million, while underwriting profits from general insurance business increased to Rs.223 million from Rs.81 million in the previous year. The company's net profit after tax was Rs.217 million as against Rs.96 million, recorded in the previous year, which is an increase of one hundred and twenty six per cent.

The company has its presence in 37 locations with a total staff strength of 480 employees as on 31 March 2004. It offers a full range of general insurance products covering fire, accident, engineering, marine, aviation, liability and motor insurance, including some which are unique offerings in the insurance market in India. The company expanded its agency network and had 3,000 individual and corporate agents as at 31 March 2004. The company's tie-ups with banks and other agencies have been further strengthened during the year.

Allianz Bajaj Life Insurance Company Ltd., the life insurance subsidiary of Bajaj Auto in joint venture with

Allianz AG, Germany, completed its second full year of operations in March 2004. Additional funds by way of capital and premium of Rs. 493.7 million were infused in December 2003 to fund the growth plans of the company. The gross premium written for the financial year was over Rs.2 billion, as compared to Rs.691.8 million in the previous year. The company at present has a product range of twelve individual products and two group products. During the year, the company launched five new individual products, while it revised four of its existing products. Among the new products launched, there has been a very positive response to the unit-linked product.

The field agency force continues to be the most dominating of all existing distribution channels followed by Bancassurance. The network of the company was increased by opening new branch offices during the year, thereby providing the company a good geographical spread of 56 locations in 54 cities.

Status of Maharashtra Scooters Ltd.

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 few years, its profits have declined substantially due to the steep fall in the demand for geared scooters. WMDC has offered 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. The matter has been referred to an Arbitrator. Arbitration proceedings are in progress.

Rural and community development activities and empowerment of women

The company, continued with its rural development activity in Pune and Aurangabad districts of Maharashtra through the Jankidevi Bajaj Gram Vikas Sanstha (JBGVS).

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

- Watershed development : Preparatory work in respect of two major projects viz. CAPART project in 7 villages of Karla area and the DPAP project in 8 villages of Maval & Khed taluka, together costing Rs.31.4 million, for watershed development, has been completed.

Actual treatment work has also commenced in the CAPART project.

- Health care : The rural health project continues to be implemented with local resident health and social workers. Mobile clinics and weekly visits have helped in improving the health of women and children.
- Medicinal plant cultivation : Medicinal Plant Board, New Delhi has allocated a two year project to JBGVS for promotion and cultivation of medicinal plants. Ten workshops and training programs were conducted during the year, in which 500 farmers participated.
- Empowerment of women : Women's empowerment programmes are being conducted successfully. The activities include formation of self-help groups and mahila mandals, entrepreneurship development, adult literacy programmes and organisation of mahila melavas.
- Micro credit : The Micro Credit Organisation, DISHA, co-sponsored by JBGVS, VANRAI and Rotary Club of Poona North, has shown appreciable growth during the year. 489 groups comprising 2,442 women availed of 1,332 micro credit loans; an amount aggregating to Rs.3.7 million was disbursed during the year; and the women's saving accounts showed a cumulative credit balance of Rs.1.4 million at the end of the year.

Delisting of shares

Pursuant to the guidelines issued by SEBI followed by the special resolution passed by the shareholders at their last meeting held on 26 July 2003, the company had applied to Pune Stock Exchange Ltd (PSE) and Delhi Stock Exchange Association Ltd (DSE) for voluntary delisting of its securities from the respective stock exchanges. In response to the applications made, the company has received approval letters from PSE and DSE, intimating that the securities of the company have been delisted with effect from 6 October 2003 and 10 December 2003 respectively.

Directors

Kantikumar R Podar, J N Godrej and Shekhar Bajaj retire from the board by rotation and being eligible offer themselves for re-appointment.

Pursuant to the special resolution passed by the shareholders at their last meeting held on 26 July 2003, amending the articles of association of the company, the company had applied to the central government for increase in the limit in the number of directors from 12 to 15. In response to the application so made, the company has received the approval from central government vide its letter dated 17 December 2003.

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, pursuant to the provisions of the listing agreement, the audited consolidated

financial statement, duly incorporating the financial statements of the subsidiaries, associates and joint ventures prepared in compliance with the prescribed accounting standards.

Statutory disclosures

The company has received an exemption from the central government under 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 for the year 2003-04. The accounts of the subsidiary companies and detailed information 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 preceding paragraphs.

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

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

A Cash Flow Statement for the year 2003-04 is attached to the balance sheet.

Corporate governance

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

Reconciliation of accounts under US GAAP and IAS

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

A statement of reconciliation of significant differences in shareholders' equity and net income as at and for the year ended on 31 March 2004 and 2003 between Indian Generally Accepted Accounting Principles (GAAP), US GAAP and IAS, notes to reconciliation and an independent accountants' review report are set out in this annual report.

Auditors' report

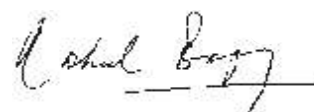
The observations made in the auditors' report, read together with the relevant notes thereon are self-explanatory and hence, do not call for any comments under section 217 of the Companies Act, 1956.

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 2005. 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



19 May 2004

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 2004

Sr. No.	Name	Designation/ Nature of duties	Gross remuneration (Rupees)	Qualifications	Age (Years)	Total experience (Years)	Date of commencement of employment	Last Employment and Designation	
(A) Employed throughout the financial year									
1	Bajaj Madhur	Vice Chairman	4,853,417	B Com, MBA	51	24	21-06-1986	Bajaj International Pvt. Ltd.	Chief Executive
2	Bajaj Rahul	Chairman and Managing Director	5,741,765	B A (Hons), LLB, MBA (Harvard)	66	44	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	4,414,106	B E (Mech), M Sc (M S E)	37	13	19-12-1990	-	-
4	Bajaj Sanjiv	Executive Director	3,389,786	B E (Mech), M Sc (M S E), MBA (Harvard)	34	9	01-08-1994	-	-
5	Chander K P	General Manager (Machine Tool Division)	2,916,939	B Tech	49	27	19-01-2000	Widia India Ltd. Bangalore	General Manager (SPM)
6	D'sa K P	General Manager (Finance)	3,429,451	B Com, ACA, AICWA	50	25	05-09-1978	-	-
7	Govind R V	General Manager (Product Engg.- 2 Wheelers)	2,487,738	B Tech (Mech)	48	27	25-08-2000	Kinetic Engg. Ltd.	General Manager
8	Gupta Arvind	General Manager (Akurdi)	3,234,429	B E (Mech), D I M	57	33	30-04-1991	Telco, Pune	Dy. Divisional Manager (Projects)
9	Gupta Ranjit	Vice President (Insurance)	4,053,642	Inter Sc, MIME, AMIPE, FIEE	61	38	19-03-1988	Maruti Udyog Ltd.	General Manager
10	Hingorani N H	Vice President (Materials)	4,590,816	B E (Mech)	55	32	01-03-1997	LML Ltd.	Executive Director (Commercial)
11	Khopkar A G	General Manager (Management Information System)	2,848,720	B E (Mech), PGDM	49	22	29-03-1994	AI Information Technology Ltd.	Systems Manager
12	Laddha G B	General Manager (Finance)	3,513,339	B Com, AICWA	60	40	18-08-1969	Bajaj Tempo Ltd.	Costing Officer
13	Marathe S R	General Manager (Product Engg.- 3 Wheelers)	2,605,220	M E (Mech)	54	31	15-06-1990	TVS-Suzuki Ltd.	Member Research & Development
14	Mengane N G	General Manager (Waluj-Motor Cycle Division)	2,928,191	D M E	59	37	16-05-1980	David Brown Greaves Ltd.	Shift Engineer
15	Menon P B	Vice President (Projects)	5,076,501	B Sc (Mech. Engg.), M E (Mech)	59	27	12-07-2000	Apollo Tyres Ltd.	Head-Limda Plant

Sr. No.	Name	Designation/ Nature of duties	Gross remuneration (Rupees)	Qualifications	Age (Years)	Total experience (Years)	Date of commencement of employment	Last Employment and Designation	
16	Raghavan V S	General Manager (Corporate Finance)	2,963,550	B Sc, ACA, MACI	51	24	09-03-1984	Self Employed	Chartered Accountant
17	Rao C K	General Manager (Marketing 3 Wheelers)	3,022,784	B E (Mech), PGD (Int Trade)	50	26	02-07-2000	Hindustan Motors Ltd.	Vice President (Marketing)
18	Rath P K	General Manager (Overseas Manufacturing)]	2,731,784	B Sc (Hons), B Sc (Engg.)	57	35	25-09-1996	STI India Ltd.	Vice President
19	Ravichandran R L	Vice President (Business Dev. & Marketing)	4,754,955	B Com, PGDBM	54	34	27-01-1998	TVS-Suzuki Ltd.	Vice President (Mktg. & Sales)
20	Ravikumar S	General Manager (Business Development)	2,415,971	B Com, C A	46	23	18-06-1984	Enfield India Ltd.	Financial Accountant
21	Rege S R	General Manager (Maharashtra Scooters Ltd.)	2,490,360	B E (Mech), M Tech, MMS, MIE MIS, ME	65	40	14-01-1985	Godrej & Boyce Mfg. Co. Pvt. Ltd.	Asst. Plant Manager
22	Saxena Ashok	Dy. General Manager (West-Asia & Africa)	2,853,832	B E (Mech)	53	30	02-03-1991	Kinetic Engg. Ltd.	Purchase Manager
23	Shrivastava Pradeep	General Manager (Engineering & Chakan)	3,098,907	B Tech, PGDM	44	18	25-04-1986	Tata Engg. & Locomotive Co. Ltd.	Asst. Engineer
24	Sridhar S	General Manager (Sales-2 Wheelers)	3,022,675	B E (Agrl. Engg.)	42	18	21-03-2001	TVS-Suzuki Ltd.	General Manager (Sales)
25	Srinivas K	General Manager (Human Resource Development)	2,425,742	B E (Elect), DMS	42	21	07-01-2000	Gilbert Tweed Mgmt. Group Pvt. Ltd.	Chief Executive Officer
26	Tripathi C P	Vice President (Operations)	4,974,401	B Sc, B Tech, DIIP	62	38	22-01-1996	Escorts Ltd.	Chief General Manager (Material & Production)
(B)	Employed for part of the financial year								
1	Bhargava Ramesh	General Manager (International Mktg.)	2,645,223	M Sc, PGDIT	52	27	08-04-1994	Hero Motors	Sr. General Manager (Export)

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 and provision for privilege leave entitlement. It also includes company's Contribution to Provident Fund, Super Annuation 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 2004, 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") and Sanjiv Bajaj (Sr. No. 4 under "A") who are sons of Rahul Bajaj (Sr.No. 2 under "A") Chairman and Managing Director of the company.

Annexure 2

Certificate by the Auditors on Corporate Governance

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, 2004.

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

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

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

On the Basis of the records maintained by the "Shareholders / Investors Grievance Committee" of the company, we state that there were no investor grievance pending against the company for a period exceeding one month.

Based on such examination, in our opinion, the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement of the Stock Exchanges of India.

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

For and on behalf of
Dalal & Shah
Chartered Accountants

Anish Amin
Partner
Membership No. 40451

Mumbai: 19th May, 2004

Report of the Auditors to the Members

We have audited the attached Balance Sheet of **BAJAJ AUTO LIMITED**, as at 31st March 2004 and also the annexed Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our Audit.

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

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

- (e) On the basis of the written representations received from the Directors as on 31st March, 2004, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2004 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- (f) In our opinion and to the best of our information and according to the explanations given to us, the said Financial Statements, subject to the manner of disclosure of investments pending approval of the Department of Company Affairs, Ministry of Finance as detailed in Note 10(a) 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 31st March, 2004,
 - (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 : 19th May, 2004.

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 31st March, 2004.

On the basis of the records produced to us for our verification/perusal, such checks as we considered appropriate, and in terms of information and explanations given to us on our enquiries, we state that:

- i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - (b) As explained to us, all the fixed assets have been physically verified by the management at reasonable intervals during the year. According to the information and explanations given to us and the records produced to us for our verification, discrepancies noticed on such physical verification were not, in our opinion, material and the same have been properly dealt with in the Books of Account.
 - (c) As per the information and explanation given to us on our enquiries the disposal of assets during the year were not substantial and would not have an impact on the operations of the company.
 - ii) (a) The inventories have been physically verified by the management at reasonable intervals during the year and partially at the close of the year;
 - (b) The procedures of physical verification of inventories followed by the management as explained to us are, in our opinion, reasonable and adequate in relation to the size of the Company and the nature of its business;
 - (c) According to the records produced to us for our verification, the discrepancies noticed on physical verification of inventories referred to above, as compared to book records, though not material, have been properly dealt with in the books of account;
 - iii) (a) As per the information and explanation given to us and the records produced to us for our verification the company has granted unsecured loans to two companies covered in the register maintained under section 301 of the Companies Act, 1956 aggregating Rs.160,595,435/- of which one company has repaid the entire amount during the year and the outstanding amount due at the close of the year amounting to Rs.32,595,435/- is due from one such company.
The Company has not granted any loans to Firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. The Company has not taken any loans, secured or unsecured, from companies firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (b) As per the explanations given to us, the rate of interest at which loans referred to in (a) above are, in our opinion, not prima facie prejudicial to the interest of the company.
 - (c) The companies to whom loans have been granted, as referred to in (a) above, have been regular in the payment of principal and interest wherever stipulated.
 - (d) There were no amounts overdue in respect of the loans referred to in (a) above;
- iv) 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 inventory and fixed assets and also for the sale of goods. As per the information given to us, no major weaknesses in the internal controls have been identified by the management or the internal audit department of the company during the year. During the course of our audit, nothing had come to our notice that may suggest a major weakness in the internal control systems of the company;
 - v) (a) On the basis of the audit procedures performed by us and according to the information and explanations given to us on our enquiries on this behalf and the records produced to us for our verification, the transactions required to be entered into the register in pursuance of section 301 of the Companies Act, 1956 have been so entered.
 - (b) The transactions so entered, aggregating in excess of Rs.500,000/- in respect of each party during the year, have been, in our opinion, as per the information and explanation given to us, made at prices which are reasonable having regard to prevailing market prices as available with the Company for such transactions or prices at which transactions, if any, for similar goods have been made with other parties at the relevant time;
 - vi) In our opinion, the Company has complied with the directives issued by the Reserve Bank of India and the provisions of Section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975, where applicable with regard to the deposits

Annexure to the Auditors' Report (Contd.)

- accepted by it from the public. Since the Company has not defaulted in repayments of deposits, compliance of Section 58AA or obtaining any order from the National Company Law Tribunal, does not arise;
- vii) On the basis of the internal audit reports broadly reviewed by us, we are of the opinion that, the Company has an adequate internal audit system commensurate with the size and nature of its business;
- viii) We have broadly reviewed the Books of Account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of Cost Records under Section 209(1)(d) of the Companies Act, 1956, and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determine whether they are accurate;
- ix) (a) According to the records of the Company, the company has been regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Customs Duty, Excise duty, Cess and other Statutory dues with the appropriate authorities;
- (b) According to the records of the Company and the information and explanations given to us upon our enquiries in this regard, disputed dues in respect of Sales Tax, Income-tax, Wealth-tax, Customs Duty and Excise Duty/cess unpaid as at the last day of the financial year, are as follows
- x) The Company has not defaulted in repayment of dues to banks. The company has not borrowed any sums from Financial Institutions nor through debentures;
- xi) The Company has, in our opinion, maintained adequate documents and records in respect of loans and advances granted on the basis of security by way of pledge of shares, debentures and other securities;
- xii) The Company has, in our opinion, maintained proper records and contracts with respect to its investments where timely entries of transactions are made in the former. All investments at the close of the year are generally held in the name of the company except in a few cases where the titles to the investments are in dispute or are in the process of transfer, as detailed in foot note no 1 to schedule "7" to the accounts;
- xiii) The terms and conditions at which guarantees have been given by the company for loans taken from financial institutions and/or banks by others, are, in our opinion, not prejudicial to the interest of the company;
- xiv) The company raised working capital funds, which were used for the purpose as and when needed. Internal generations have been deployed in investments and partially ploughed back into the business.
- xv) As per the information and explanations given to us on our enquiries on this behalf there were no frauds on or by the company which have been noticed or reported during the year;

	Statutes	FORUMS BEFORE WHOM PENDING				Total
		Commissioner Appeals	Tribunal	High Court	Supreme Court	
1	Sales Tax	763,929	2,333,887	16,550,330	—	19,648,145
2	Income Tax	224,137,182	—	—	—	224,137,182
3	Wealth Tax	2,492,432	—	—	—	2,492,432
4	Customs Duty	47,258,127	—	38,451,454	—	85,709,672
5	Excise	46,791,273	67,392,442	—	—	114,183,715

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

For and on behalf of
DALAL & SHAH
Chartered Accountants

MUMBAI : 19th May, 2004.

Anish Amin
Partner
Membership No: 40451

Balance Sheet as at 31 March

		2004	2003
	Schedule	Rupees	Rupees
I. Sources of Funds			
1. Shareholders' Funds			
a) Capital	1	1,011,835,100	1,011,835,100
b) Reserves & Surplus	2	35,924,422,344	31,394,221,364
			<u>32,406,056,464</u>
2. Loan Funds			
a) Secured Loans	3	—	539,117,444
b) Unsecured Loans	4	10,057,235,155	7,863,146,692
			<u>8,402,264,136</u>
3. Deferred Tax Adjustments [See note 13]			
a) Deferred Tax Liabilities		2,390,401,821	2,404,729,407
b) Deferred Tax Assets		(1,162,165,385)	(680,621,488)
			<u>1,228,236,436</u>
			<u>1,724,107,919</u>
	Total	<u>48,221,729,035</u>	<u>42,532,428,519</u>
II. Application of Funds			
1. Fixed Assets			
a) Gross Block		27,029,889,081	26,221,886,556
b) Less: Depreciation		14,966,814,533	13,454,682,286
c) Net Block	5	12,063,074,548	12,767,204,270
d) Lease Adjustment Account-Plant and Machinery		175,000,000	175,000,000
			<u>12,942,204,270</u>
e) Capital Work in Progress, expenditure to date		82,715,400	40,061,870
			<u>12,320,789,948</u>
			<u>12,982,266,140</u>
2. Technical Know-how	6		76,732,915
3. Investments	7		38,554,405,966
4. Current Assets, Loans and Advances	8		27,298,942,317
a) Inventories		2,025,616,991	2,079,812,310
b) Sundry Debtors		1,339,481,184	1,670,399,578
c) Cash and Bank Balances		793,705,442	300,255,201
d) Other Current Assets		454,831,620	594,449,458
e) Loans and Advances		15,916,824,688	16,906,387,049
		<u>20,530,459,925</u>	<u>21,551,303,596</u>
Less: Current Liabilities and Provisions	9		
a) Liabilities		6,725,968,539	4,549,035,114
b) Provisions		16,534,691,180	14,857,867,061
		<u>23,260,659,719</u>	<u>19,406,902,175</u>
Net Current Assets			<u>(2,730,199,794)</u>
	Total	<u>48,221,729,035</u>	<u>42,532,428,519</u>
Notes forming part of the Financial Statements	14		

As per our attached report of even date

For and on behalf of Dalal and Shah
Chartered Accountants

Anish Amin
Partner

J. Sridhar
Company Secretary

Mumbai : 19 May 2004

Rahul Bajaj Chairman & Managing Director

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

Directors

Profit and Loss Account for the year ended 31 March

		2004	2003
	Schedule	Rupees	Rupees
Income			
Sales		54,184,903,870	47,443,447,856
Less: Excise Duty		6,633,195,799	5,852,561,035
Net Sales		47,551,708,071	41,590,886,821
Wind power generated, captively consumed		263,800,661	301,333,504
Other Income	10	4,887,105,480	2,965,255,245
		52,702,614,212	44,857,475,570
Expenditure			
Materials	11	31,992,220,112	26,927,528,415
Other Expenses	12	8,885,810,507	8,065,208,914
Interest	13	9,351,496	11,177,987
Depreciation		1,798,946,045	1,711,565,431
		42,686,328,160	36,715,480,747
Less: Expenses, included in above items, capitalised		238,241,702	205,100,165
		42,448,086,458	36,510,380,582
Compensation Paid Under Voluntary Retirement Scheme		234,842,310	460,899,353
Liability in respect of labour dispute [See note 1(A) (vii)]		415,484,092	—
		43,098,412,860	36,971,279,935
Profit for the year before taxation		9,604,201,352	7,886,195,635
Taxation			
Current Tax [including Rs. 3,600,000 for Wealth tax (previous year Rs. 3,600,000)]		2,785,000,000	2,683,600,000
Deferred Tax [See note 13]		(495,871,483)	(181,625,717)
		2,289,128,517	2,501,974,283
Profit for the year		7,315,072,835	5,384,221,352
Tax credits pertaining to earlier years		98,519,795	—
Prior Period adjustments:			
Expenses		29,700,470	37,836,239
Taxation		—	36,489
		7,383,892,160	5,346,348,624
Transfer to General Reserve		4,530,200,980	3,748,281,563
Proposed Dividend		2,529,587,750	1,416,569,140
Corporate Dividend Tax thereon		324,103,430	181,497,921
Balance Carried to Balance Sheet		—	—
Basic and diluted Earnings Per Share (Rs)		72.98	52.84
Nominal value per share (Rs)		10	10
Net Profit (Rs)		7,383,892,160	5,346,348,624
Weighted average number of Shares		101,183,510	101,183,510

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 : 19 May 2004

Rahul Bajaj Chairman & Managing Director

Madhur Bajaj
Rajiv Bajaj
D.S. Mehta
Kantikumar R. Podar
Shekhar Bajaj
D. J. Balaji Rao
S.H. Khan
J.N. Godrej
Suman Kirloskar
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, 2004

Schedule 1 - Share Capital

	As at 31 March 2003	
	Rupees	Rupees
Authorised		
150,000,000 Equity Shares of Rs.10 each	1,500,000,000	1,500,000,000
Issued,Subscribed and Paid up		
*101,183,510 Equity Shares of Rs. 10 each	1,011,835,100	1,011,835,100
Total	<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. Outstanding GDR's as on 31/3/2004 were 4,658,411

Schedule 2 - Reserves and Surplus

	As at 31 March 2003	
	Rupees	Rupees
Capital redemption reserve		
As per last account	182,073,040	182,073,040
Contingency Reserve		
As per last account	—	17,500,000
Less : Transferred to General Reserve, as no longer required	—	17,500,000
	—	—
General Reserve		
As per last account	31,212,148,324	27,446,366,761
Add : Transferred from Contingency Reserve	—	17,500,000
Set aside this year	4,530,200,980	3,748,281,563
	<u>35,742,349,304</u>	<u>31,212,148,324</u>
Total	<u>35,924,422,344</u>	<u>31,394,221,364</u>

Schedule 3 - Secured Loans

		As at 31 March 2003	
		Rupees	Rupees
From Banks, against hypothecation of Stores, Raw Materials, Finished Goods, Stock in Process and Book Debts Cash Credit		—	539,117,444
Total		<u>—</u>	<u>539,117,444</u>

Schedule 4 - Unsecured Loans

		As at 31 March 2003	
		Rupees	Rupees
Sales tax deferral Liability/Loan, an incentive under Package Scheme of Incentives 1983, 1988 and 1993.		10,030,356,965	7,818,961,051
Fixed Deposits		26,878,190	44,185,641
Total		<u>10,057,235,155</u>	<u>7,863,146,692</u>

Schedule 5 - Fixed Assets

Particulars	Gross Block (a)				Depreciation				Net Block	
	As at 31 March 2003	Additions	Deductions and Adjustments	As at 31 March 2004	Upto 31 March 2003	Deductions and Adjustments	For the Year (c)	Upto 31 March 2004	As at 31 March 2004	As at 31 March 2003
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Land Freehold	85,601,749	—	—	85,601,749	—	—	—	—	85,601,749	85,601,749
Land Leasehold	367,895,767	—	4,210,566	363,685,201	—	—	—	—	363,685,201	367,895,767
Buildings (b) & (d) Waterpumps, Reservoirs and Mains	2,080,737,513	99,110,996	1,580,245	2,178,268,264	647,041,470	929,125	56,933,716	703,046,061	1,475,222,203	1,433,696,043
Plant & Machinery	52,223,644	264,306	(335,682)	52,823,632	24,727,467	(66,141)	2,493,681	27,287,289	25,536,343	27,496,177
Dies & Jigs	14,795,087,032	544,803,313	225,224,744	15,114,665,601	8,504,945,139	194,835,194	1,031,263,443	9,341,373,388	5,773,292,213	6,290,141,893
Electric Installations	2,950,250,348	233,987,133	143,979,875	3,040,257,606	1,480,514,848	64,980,252	296,944,731	1,712,479,327	1,327,778,279	1,469,735,500
Factory Equipments	379,992,967	31,694,874	—	411,687,841	206,279,495	—	13,107,097	219,386,592	192,301,249	173,713,472
Furniture & Fixtures	823,104,209	262,191,858	(7,556,425)	1,092,852,492	468,000,894	5,738,307	58,816,517	521,079,104	571,773,388	355,103,315
Electric Fittings	354,011,899	12,300,714	27,062,980	339,249,633	220,438,404	11,691,122	19,091,805	227,839,087	111,410,546	133,573,495
Vehicles & Aircraft	90,558,107	7,351,225	—	97,909,332	59,033,714	—	3,635,008	62,668,722	35,240,610	31,524,393
Wind Energy Generators	316,700,349	31,374,399	20,909,990	327,164,758	121,599,719	8,705,939	23,084,699	135,978,479	191,186,279	195,100,630
Leased Assets :- Plant & Machinery	2,839,220,000	—	—	2,839,220,000	635,598,164	—	293,575,348	929,173,512	1,910,046,488	2,203,621,836
Dies & Moulds	944,222,335	—	—	944,222,335	944,222,335	—	—	944,222,335	—	—
As at 31st March, 2004 Total	26,221,886,556	1,223,078,818	415,076,293	27,029,889,081	13,454,682,286	286,813,798	1,798,946,045	14,966,814,533	12,063,074,548	12,767,204,270
As at 31st March, 2003 Total	25,361,345,023	1,112,928,496	252,386,963	26,221,886,556	11,892,929,498	149,812,643	1,711,565,431	13,454,682,286	12,767,204,270	

- 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. 117,595,506/- and cost of shares therein Rs. 750/-
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 3(b) 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 2003
	Rupees	Rupees
(i) Acquired by the company		
As per last account	106,818,641	128,017,678
Add : Cost of technical know-how acquired during the year	—	13,257,020
Less : Adjustments to cost on remittances in foreign currency	149,150	—
	<u>106,669,491</u>	<u>141,274,698</u>
Less : Written off during the year	34,406,342	34,456,057
	<u>72,263,149</u>	<u>106,818,641</u>
(ii) Developed by the company		
As per last account	—	—
Add : Expenses incurred during the year on know-how developed	6,704,649	—
	<u>6,704,649</u>	<u>—</u>
Less : Written off during the year	2,234,883	—
	<u>4,469,766</u>	<u>—</u>
Total	<u>76,732,915</u>	<u>106,818,641</u>

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

	As at 31 March 2003		
	Rupees	Rupees	Rupees
In Government and Trust Securities :			
Quoted :			
— (-) 5.64% Government of India Stock 2019 of face value of Rs.650,000,000	650,788,667		—
— (-) 6.05% Government of India Stock 2019 of face value of Rs.850,000,000	884,259,444		—
— (-) 6.17% Government of India Stock 2023 of face value of Rs.550,000,000	581,536,810		—
— (-) 6.25% Government of India Stock 2018 of face value of Rs.800,000,000	852,711,240		—
— (-) 6.35% Government of India Stock 2020 of face value of Rs.650,000,000	690,072,500		—
— (-) 6.72% Government of India Stock 2014 of face value of Rs.700,000,000	781,291,667		—
— (-) 6.85% Government of India Stock 2012 of face value of Rs.550,000,000	622,687,639		—
— 7.37% Government of India Stock 2014 of face value of Rs.550,000,000 (Previous Year Rs.100,000,000)	654,051,653		110,280,556
— 7.38% Government of India Stock 2015 of face value of Rs.900,000,000 (Previous Year Rs.150,000,000)	1,056,100,969		162,147,750
— 7.46% Government of India Stock 2017 of face value of Rs.600,000,000 (Previous Year Rs.450,000,000)	708,297,859		485,270,961
— 7.49% Government of India Stock 2017 of face value of Rs.950,000,000 (Previous Year Rs.150,000,000)	1,131,626,639		167,069,792
— 7.95% Government of India Stock 2032 of face value of Rs.505,000,000 (Previous Year Rs.310,000,000)	591,414,445		343,373,810
— (-) 8.07% Government of India Stock 2017 of face value of Rs.1,250,000,000	1,539,315,153		—
— (-) 8.35% Government of India Stock 2022 of face value of Rs.400,000,000	499,256,465		—
— 9.85% Government of India Stock 2015 of face value of Rs.1,200,000,000 (Previous Year Rs.650,000,000)	1,673,481,259		843,841,905
Carried over	<u>12,916,892,409</u>	—	<u>2,111,984,774</u>
Carried over		—	—

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

		As at 31 March 2003		
		Rupees	Rupees	Rupees
	Brought over		—	—
In Government and Trust Securities : (Contd.)				
	Brought over	12,916,892,409		2,111,984,774
Quoted : (Contd.)				
—	10.03% Government of India Stock 2019 of face value of Rs.1,400,000,000 (Previous Year Rs.750,000,000)	1,925,295,046		999,836,188
—	10.18% Government of India Stock 2026 of face value of Rs.300,000,000 (Previous Year Rs.550,000,000)	418,351,049		741,939,133
—	10.25% Government of India Stock 2021 of face value of Rs.800,000,000 (Previous Year Rs.350,000,000)	1,124,589,090		452,714,009
—	10.71% Government of India Stock 2016 of face value of Rs.1,450,000,000 (Previous Year Rs.550,000,000)	2,084,635,106		731,411,161
—	11.83% Government of India Stock 2014 of face value of Rs.353,500,000 (Previous Year Rs.153,500,000)	545,325,102		208,715,943
	Other	1,270,875,280		4,216,550,143
			20,285,963,082	9,463,151,351
Unquoted :				
	6 Years National Saving Certificates of the face value of Rs.11,500	11,500		11,500
-	(730) Units of Rs.100 each of Unit Trust of India under Venture Capital Unit Scheme 1990 Vecaus II (730 units redeemed during the year)	—		73,000
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		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		51,572,912
	Carried over	157,969,572		158,042,572
	Carried over		20,285,963,082	9,463,151,351

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

				As at 31 March 2003
		Rupees	Rupees	Rupees
	Brought over		20,285,963,082	9,463,151,351
In Government and Trust Securities : (Contd.)				
	Unquoted : (Contd.)			
	Brought over	157,969,572		158,042,572
20	Contribution held in ICICI Home Finance 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)	160,847,793		205,806,987
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)	86,211,560		208,433,726
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)	89,114,352		114,396,871
			494,143,277	686,680,156
In Fully Paid Preference Shares :				
Unquoted :				
500,000	6% Redeemable Cumulative Non-Convertible Preference Shares of Rs.100 each in The Arvind Mills Limited	50,000,000		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) 12% Redeemable Non Convertible Cumulative Preference Shares of Rs.100 each in Birla VXL Limited	—		20,000,000
—	(1,000,000) 9.75% Cumulative Redeemable Preference Shares of Rs.10 each in Dani Trading and Investments Limited	—		10,000,000
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	—		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
	Carried over	130,000,000		240,000,000
	Carried over		20,780,106,359	10,149,831,507

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

		As at 31 March 2003		
		Rupees	Rupees	Rupees
	Brought over		20,780,106,359	10,149,831,507
In Fully Paid Preference Shares : (Contd.)				
	Unquoted : (Contd.)			
	Brought over	130,000,000		240,000,000
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
20,661,200	(-) 5% Redeemable Cumulative Preference Shares of Rs.10 each in IFCI Limited	206,612,000		—
140,000	10% Cumulative Redeemable Preference Shares of Rs.100 each in Khandwala Securities Limited	14,000,000		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
2,000,000	13.5% Redeemable Cumulative Preference Shares of Rs.10 each in Marvel Industries Limited	20,000,000		20,000,000
196,169	(-) 0.01% Cumulative Redeemable Preference Shares of Rs.10 each in Mukand Limited	1,961,690		—
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
—	(5,000,000) 11% Cumulative Redeemable Preference Shares of Rs.10 each in SICOM Limited	—		50,000,000
	Carried over	524,248,690		782,287,000
	Carried over		20,780,106,359	10,149,831,507

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

				As at 31 March 2003
		Rupees	Rupees	Rupees
	Brought over		20,780,106,359	10,149,831,507
In Fully Paid Preference Shares : (Contd.)				
	Brought over	524,248,690		782,287,000
5,000,000	(-) 8% Cumulative Redeemable Preference Shares of Rs.10 each in SICOM Limited	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
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>743,703,690</u>	<u>981,742,000</u>
In Fully Paid Equity Shares :				
Trade :				
Quoted :				
5,493,800	Shares of Rs.10 each in Bajaj Auto Finance Limited	219,186,257		219,186,257
2,742,848	Shares of Rs.10 each in Maharashtra Scooters Limited	2,400,000		2,400,000
			<u>221,586,257</u>	<u>221,586,257</u>
In Subsidiary Company :				
Unquoted :				
111,048,840	(111,024,420) Shares of Rs.10 each in Allianz Bajaj Life Insurance Co Limited	1,110,488,400		1,110,244,200
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
			<u>1,926,938,400</u>	<u>1,926,694,200</u>
	Carried over		<u>23,672,334,706</u>	<u>13,279,853,964</u>

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

				As at 31 March 2003
		Rupees	Rupees	Rupees
Brought over			23,672,334,706	13,279,853,964
In Fully Paid Equity Shares : (Contd.)				
Other				
Quoted :				
2,139,561	Shares of Rs.10 each in Bajaj Tempo Limited	460,592,511		460,592,511
19,667,218	(21,519,725) Shares of Rs.10 each in ICICI Bank Limited	2,546,288,529		2,785,457,310
	Other	1,330,352,785		1,442,135,182
			4,337,233,825	4,688,185,003
Unquoted :				
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
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
1	Share of Rs.100 each in The Poona District Motor Transport Co-operative Society Limited	100		100
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
In Debentures :				
Fully Paid :				
Other :				
Quoted :				
250	7.40% Redeemable Non Convertible Debentures of Rs.1,000,000 each of Housing Development Finance Corporation Limited - Series M001	256,176,992		256,176,992
2,500	14% Secured Redeemable Non Convertible Debentures of Rs.100,000 each of Hindustan Copper Limited - balance Non Convertible portion of Rs.87,500 each after second redemption	250,396,450		286,167,371
20	8.80% Secured Redeemable Non Convertible Debentures of Rs.10,000,000 each of Mahindra & Mahindra Financial Services Limited	204,693,017		204,693,017
	Carried over	711,266,459		747,037,380
	Carried over		28,117,944,207	18,076,414,643

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

				As at 31 March 2003
		Rupees	Rupees	Rupees
In Debentures (Contd.) :	Brought over		28,117,944,207	18,076,414,643
Fully Paid (Contd.) :				
Other (Contd.) :				
Quoted (Contd.) :	Brought over	711,266,459		747,037,380
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		259,556,928
	Other	1,668,860,896		1,142,405,270
			2,918,630,518	2,427,945,813
Unquoted :				
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
100,000	18% Non Convertible Debentures of Rs.100 each of Goodearth Organic (India) Limited	9,500,000		9,500,000
100	11% Secured Redeemable Non Convertible Debentures of Rs.1,000,000 each of Gujarat Industries Power Company Limited - balance non convertible portion of Rs. 4,00,000 each after second redemption	39,990,000		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 each after first redemption	—		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 each after second redemption	—		49,916,911
	Carried over	111,823,095		267,203,056
	Carried over		31,036,574,725	20,504,360,456

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

				As at 31 March 2003
		Rupees	Rupees	Rupees
		Brought over		20,504,360,456
In Debentures (Contd.) :				
Fully Paid (Contd.) :				
Other (Contd.) :				
unquoted (Contd.) :		Brought over		267,203,056
20,000	18% Secured Non Convertible Debentures of Rs.1,000 each of Mafatlal Finance Limited	20,000,000		20,000,000
690	Unsecured Redeemable Non Convertible Debentures of Rs.3,625 each of Mahadev Industries Limited (Scheme C-Deep Discount Debentures)	2,501,250		2,501,250
300,000	18% Secured Redeemable Non-Convertible Debentures of Rs.100 each of Punjab Wireless Systems Limited	30,000,000		30,000,000
500	10.25% (Non Taxable) Secured Redeemable Non Convertible Debentures of Rs.500,000 each of Reliance Telecom Limited - balance Non Convertible Portion of Rs.150,000 each after second redemption	75,000,000		162,500,000
100,000	20% Non Convertible Debentures of Rs.100 each - Series-1 of Shaan Interwell (India) Limited - balance after part redemption	6,138,972		6,138,972
			245,463,317	488,343,278
In Bonds :				
Other :				
Fully Paid :				
Quoted :				
200	(-) 7.60% Bonds Rs.1,000,000 each of Housing & Urban Development Corporation Limited	211,237,305		—
250	(-) 6.20% Taxable Secured Redeemable Non Convertible Railway Bonds of Rs.1,000,000 each of Indian Railway Finance Corporation Limited -2018 - Series 46AA, to 44EE	250,000,000		—
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		250,000,000
6,000	12.25% Secured Redeemable Non Convertible Bonds of Rs.50,000 each of Sardar Sarovar Narmada Nigam Limited, Type C, Infrastructure - I	300,000,000		300,000,000
		Carried over		550,000,000
		Carried over	31,282,038,042	20,992,703,734

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

				As at 31 March 2003
		Rupees	Rupees	Rupees
	Brought over		31,282,038,042	20,992,703,734
In Bonds (Contd.) :				
Other (Contd.) :				
Fully Paid (Contd.) :				
Quoted (Contd.) :	Brought over	1,011,237,305		550,000,000
7,950,100	(-) 6.75% Tax Free US 64 Bonds Guaranteed by Government of India of Rs.100 each, including 5,450,100 units received on conversion of 54,500,000 Units of Rs.10 each of US 64	913,888,640		—
	Other	3,958,822,202		4,618,264,557
			5,883,948,147	5,168,264,557
In Mutual Fund Units:				
Quoted:				
44,559,970.293	(-) Units of Rs.10 each of IL&FS Mutual Fund under IL&FS Growth & Value Fund - Bonus Plan	480,000,000		—
23,108,564.034	(-) Units of Rs.10 each of IL&FS Mutual Fund under IL&FS Bond Fund Institutional Plan - Bonus Plan	240,000,000		—
23,255,164.972	(-) Units of Rs.10 each of Sundaram Bond Saver Institutional Plan - Bonus Option	250,000,000		—
58,088,868.111	(-) Units of Rs.10 each of Tata Mutual Fund under Tata Income Fund Appreciation Bonus	600,000,000		—
	Other	363,068,726		1,514,771,785
			1,933,068,726	1,514,771,785
Unquoted :				
212.500	Units of Rs.5,000 each of Auto Ancillary Fund		1,062,500	1,062,500
			39,100,117,415	27,676,802,576
Less:	Provision for diminution in value of Investments		545,711,449	477,860,259
			38,554,405,966	27,198,942,317
	Application Money for Investment in Shares and Bonds		—	100,000,000
	Total		<u>38,554,405,966</u>	<u>27,298,942,317</u>
	Book Value as at		Market Value as at	
	31st March, 2004 Rupees	31st March, 2003 Rupees	31st March, 2004 Rupees	31st March, 2003 Rupees
Quoted	35,369,402,260	23,291,194,901	*41,405,130,214	*23,567,810,170
Unquoted	3,185,003,706	3,907,747,416		
Total	<u>38,554,405,966</u>	<u>27,198,942,317</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 Company Limited	90
Gesco Corporation Limited	11
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
IL&FS Bond Fund Institutional Plan - Annual Dividend	36,817,496	1,200,000,000	801,349,141
Kotak Mahindra K Gilt Saving Plan	20,233,666	310,000,000	209,491,286
Sundaram Bond Saver Institutional Plan - Bonus	23,255,165	250,000,000	249,930,235
IL&FS Liquid Fund	19,951,099	235,000,000	235,029,927
IL&FS Bond Fund Institutional Plan - Bonus	34,662,846	360,000,000	360,940,750
IL&FS Growth & Value Fund - Bonus	29,706,647	320,000,000	321,425,919
Standard Chartered Grindlays GCBG	757,279,169	8,796,000,000	8,799,641,715
Sundaram Money Fund - Appreciation	30,861,206	410,000,000	410,173,201
Tata Mutual Fund - Appreciation Bonus	58,088,868	600,000,000	602,457,078

(b) Bonds :

Name of the Company	Quantity Nos	Purchase Cost Rupees	Sale Proceeds Rupees
0% Bharti Tele-Ventures Ltd-PTC	10	94,877,650	99,105,450

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

Notes to Investment Schedule : (Contd.)

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

Particulars	Purchase Cost Rupees	Sale Proceeds Rupees
6.01% Government of India Loan, 2028	99,768,611	102,194,278
6.17% Government of India Loan, 2023	107,900,968	109,580,222
6.25% Government of India Loan, 2018	159,499,385	160,960,764
6.72% Government of India Loan, 2012	423,786,667	430,983,667
6.72% Government of India Loan, 2014	660,552,000	672,580,667
6.96% Government of India Loan, 2009	743,303,585	758,766,000
7.27% Government of India Loan, 2013	293,708,792	294,771,472
7.37% Government of India Loan, 2014	1,142,104,750	1,174,759,653
7.38% Government of India Loan, 2015	117,811,531	121,666,000
7.40% Government of India Loan, 2012	110,929,556	113,963,333
7.46% Government of India Loan, 2017	742,577,940	776,445,500
7.49% Government of India Loan, 2017	681,442,903	714,563,097
8.07% Government of India Loan, 2017	1,103,126,513	1,117,589,083
8.35% Government of India Loan, 2022	820,090,826	839,462,500
9.40% Government of India Loan, 2012	252,062,667	259,114,167
9.85% Government of India Loan, 2015	2,237,852,052	2,338,880,417
10.25% Government of India Loan, 2021	136,890,414	148,381,111
10.45% Government of India Loan, 2018	129,544,594	147,176,181
10.47% Government of India Loan, 2015	201,734,497	211,477,500
10.71% Government of India Loan, 2016	1,270,974,394	1,315,601,375
10.95% Government of India Loan, 2011	863,829,583	879,269,792
11.40% Government of India Loan, 2008	130,445,000	130,665,000
11.83% Government of India Loan, 2014	138,840,609	152,558,042
12.00% Government of India Loan, 2008	128,971,667	129,595,000

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 '10' in Schedule '14' to the Accounts.

Schedule 8 - Current Assets, Loans and Advances

				As at 31 March 2003
	Rupees	Rupees	Rupees	Rupees
(a) Inventories				
Stores and spares, at cost *		37,405,440		33,268,118
Tools, at cost *		139,848,287		178,217,420
Stock-in-trade, at cost or market value whichever is lower :				
Raw Materials and Components		512,810,408		561,630,035
Work-in-progress (including factory made components Rs. 101,163,172 Previous Year Rs. 68,365,431)		162,825,229		160,417,965
Finished Goods:				
Vehicles		921,153,357		862,179,319
Auto Spare parts, etc.		246,316,773		201,755,024
As valued and certified by Management		<u>2,020,359,494</u>		<u>1,997,467,881</u>
Goods in transit, at cost to date		5,257,497		82,344,429
			2,025,616,991	<u>2,079,812,310</u>
(b) Sundry Debtors, Unsecured				
Outstanding for a period exceeding six months :				
Good	3,441,883			12,279,450
Doubtful	19,833,189			6,837,892
Less : Provision	<u>19,833,189</u>			<u>6,837,892</u>
				<u>—</u>
Others, Good		<u>3,441,883</u>		<u>12,279,450</u>
		1,336,039,301		1,658,120,128
			1,339,481,184	<u>1,670,399,578</u>
(c) Cash and Bank Balances				
Cash on hand (including cheques on hand Rs.140,195,693 Previous year Rs.9,575,313)		141,163,635		10,676,944
Remittances in Transit		285,000		3,020,500
Bank Balances :				
With Scheduled Banks:				
** In current account		641,525,008		273,681,752
In margin deposits		10,030,000		10,010,000
In fixed deposits		500,000		2,565,000
Interest accrued on fixed deposits		9,623		71,616
		<u>652,064,631</u>		<u>286,328,368</u>
With Other Banks :				
In current account				
Standard Chartered Bank, Dubai (maximum balance outstanding during the year Rs. 1,807,146 Previous Year Rs. 1,537,698)		<u>192,176</u>		<u>229,389</u>
			793,705,442	<u>300,255,201</u>
(d) Other Current Assets, good (Unless otherwise stated)				
Dividend and Interest receivable on Investments	21,893,297			66,973,693
Doubtful	51,081,603			1,286,102
Less: Provision	<u>51,081,603</u>			<u>1,286,102</u>
				<u>—</u>
Carried over		21,893,297		66,973,693
Carried over			<u>4,158,803,617</u>	<u>4,050,467,089</u>

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

		As at 31 March 2003			
		Rupees	Rupees	Rupees	Rupees
	Brought over			4,158,803,617	4,050,467,089
(d) Other Current Assets, good (Contd.)	Brought over		21,893,297		66,973,693
	Interest receivable on Loans etc:	9,818,474			135,389,853
	Doubtful	79,514,873			—
	Less : Provision	79,514,873			—
		—			—
			9,818,474		135,389,853
	Lease Rent Receivable		10,989,196		40,989,196
	Export Incentives Receivable		346,203,024		275,843,105
	Credit receivable for Windpower generated		65,927,629		75,253,611
				454,831,620	594,449,458
(e) Loans and Advances, unsecured, good (Unless otherwise stated)					
*** Loan to Bajaj Auto Holdings Limited - wholly owned subsidiary			137,000,000		140,000,000
*** Loan to Bajaj Auto Finance Limited - an associate Company			—		920,000,000
Loan to Bajaj Electricals Limited - a company in which Directors are interested			—		94,000,000
Loan to Mukand Ltd - a company in which Directors are interested			32,595,435		66,595,435
Loan to Others:			50,043,532		65,807,306
Deposits with Joint Stock Companies: (Including Rs. 68,596,340 secured against pledge of Securities Previous Year Rs.417,833,532)		380,596,340			637,100,000
	Doubtful	151,903,660			24,000,000
	Less: Provision	151,903,660			24,000,000
		—			—
			380,596,340		637,100,000
Advances Recoverable in Cash or in kind or for value to be received:					
	Due from Subsidiaries	3,887,545			
	@ Others, Good	1,198,972,671			948,501,832
	Doubtful	36,539,980			33,380,118
	Less: Provision	36,539,980			33,380,118
		—			—
			1,202,860,216		948,501,832
Balances with Customs and Central Excise Departments			45,585,270		38,745,996
Sundry Deposits			134,870,216		117,680,463
Tax paid in Advance			13,933,273,679		13,877,956,017
				15,916,824,688	16,906,387,049
Total				20,530,459,925	21,551,303,596

* Except obsolete and slow moving inventory at estimated realisable value

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

*** No stipulations as to repayment of principal amounts

@ Includes amount due from an Officer of the Company Rs.127,500 (Previous Year Rs.142,500)

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

Schedule 9 - Current Liabilities and Provisions

	As at 31 March 2003		
	Rupees	Rupees	Rupees
(a) Liabilities			
Acceptances	—		2,531,415
Sundry Creditors:			
Due to Small Scale Industrial Undertakings [See note 11]	—		207,827,170
Other	6,231,700,965		3,928,233,262
		6,231,700,965	4,136,060,432
Advances against Orders		192,974,542	150,138,950
Investor Education Protection Fund		23,981	47,291
Unclaimed Dividends		27,240,961	28,562,709
Deposit from Dealers and others		230,860,055	227,526,060
Unclaimed amount of Sale proceeds of Fractional coupons of Bonus Shares		5,595	5,595
Unclaimed amount on Debentures redeemed		1,971,636	3,353,735
Interest accrued but not due on loans		427,817	808,927
Temporary overdraft with bank as per books		40,762,987	—
		6,725,968,539	4,549,035,114
(b) Provisions			
Provision for Taxation	13,681,000,000		13,259,800,000
Proposed Dividend	2,529,587,750		1,416,569,140
Provision for Corporate Dividend Tax on Proposed Dividend	324,103,430		181,497,921
		16,534,691,180	14,857,867,061
Total		23,260,659,719	19,406,902,175

Schedule 10 - Other Income

	Rupees	Rupees	Previous year Rupees
Workshop Receipts		3,657,149	4,936,028
Technical Know-how		6,040,148	10,030,883
Dividends [Gross-Tax Deducted Rs. 216,799 Previous Year Rs. 13,020,343]			
From Subsidiary		—	4,900,000
From Trade Investments	26,367,809		23,864,948
Other	<u>234,761,160</u>		<u>98,394,852</u>
		261,128,969	127,159,800
Interest [Gross-Tax Deducted Rs.161,095,884 Previous Year Rs.136,937,929]			
On Government Securities	491,977,119		405,081,386
On Debentures and Bonds	690,447,613		407,715,378
Other	<u>269,041,149</u>		<u>445,691,977</u>
		1,451,465,881	1,258,488,741
Income From Units of Mutual Funds [Gross - Tax Deducted Rs. Nil Previous Year Rs. 4,330,125]		579,507,021	43,928,580
Leasing Business			
Lease Rent		1,000	42,007
Rent		17,289,482	21,415,557
Insurance Claims		130,868	8,808,222
Export Incentives		799,556,879	533,952,123
Miscellaneous Receipts		430,993,572	352,804,351
Surplus on Sale of Assets		45,833,799	39,339,915
Profit on Sale of Investments,net		1,113,248,305	214,280,591
Bad Debts Recovered		476,201	1,500,000
Sundry Credit balances appropriated		7,922,996	25,064,023
Provisions for Doubtful Debts and Advances written back	1,263,271		24,284,219
Less : Write backs on account of amounts written off during the year,as per contra	<u>249,110</u>		<u>22,587,834</u>
		1,014,161	1,696,385
Provisions no longer required		168,839,049	321,808,039
Total		<u>4,887,105,480</u>	<u>2,965,255,245</u>

Schedule 11 - Materials

			Previous Year
	Rupees	Rupees	Rupees
(a) Raw materials and components consumed		30,881,395,594	26,339,379,735
(b) Finished Goods purchases			
Two Wheelers	91,974		176,971
Auto Spare Parts	<u>1,043,255,337</u>		<u>758,217,370</u>
		1,043,347,311	758,394,341
(c) Excise duty on year end inventory of Finished Goods		173,420,258	155,484,222
(d) (Increase)/Decrease in Stocks			
Stocks at close			
Work in progress [including factory made components Rs.101,163,172 (Previous Year Rs.68,365,431)]	162,825,229		160,417,965
Finished Goods	921,153,357		862,179,319
Auto Spare Parts	<u>246,316,773</u>		<u>201,755,024</u>
	<u>1,330,295,359</u>		<u>1,224,352,308</u>
Less: Stocks at commencement			
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>
		(105,943,051)	(325,729,883)
Total		<u>31,992,220,112</u>	<u>26,927,528,415</u>

Schedule 12 - Other Expenses

			Previous Year
	Rupees	Rupees	Rupees
Stores,spares and tools consumed		588,023,541	649,217,909
Power,fuel and water		625,066,127	611,155,343
Repairs			
Buildings and Roads	76,145,049		61,130,719
Machinery	333,705,161		240,951,042
Other	25,072,254		26,386,088
		434,922,464	328,467,849
Employees' Emoluments			
Salaries,wages,bonus etc.	1,951,776,643		1,899,080,585
Contribution to Provident and other funds and schemes	225,203,145		246,542,709
Welfare expenses [see note 9]	228,376,355		231,882,306
		2,405,356,143	2,377,505,600
Rent		27,661,965	21,529,155
Rates and taxes		17,351,678	9,505,574
Insurance		35,324,857	42,564,452
Auditors' Remuneration		4,837,172	5,119,599
Directors' fees and travelling expenses		1,084,139	355,133
Managing Directors' remuneration			
Salary	3,000,000		1,296,774
Commission	4,200,000		2,496,774
		7,200,000	3,793,548
Wholtime Directors' remuneration			
Salary	2,640,000		3,986,976
Commission	2,400,000		4,103,226
		5,040,000	8,090,202
Commission to Non Executive Directors		1,240,000	1,140,000
Miscellaneous expenses		761,148,460	606,316,733
Electricity service connection and other charges written off		—	2,260,000
Packing,forwarding etc.		615,046,683	442,284,608
Advertisement		1,293,220,710	1,290,661,325
Vehicle service charges and other expenses		748,708,182	753,360,045
Commission and Discount		129,272,167	108,635,539
Incentives & Sales Promotion		327,512,445	180,242,430
Royalty		267,151,337	203,363,846
Donations		51,180,083	19,387,000
Contributions to political parties			
All India Congress Committee	10,000,000		—
Bharatiya Janata Party	10,000,000		—
Shiv Sena	5,000,000		—
		25,000,000	—
Bad debts and other irrecoverable debit balances written off	554,246		41,198,286
Less: Provisions made in earlier years in respect of amounts written off during the year, adjusted as per contra	249,110		22,587,834
		305,136	18,610,452
Sundry credit balances previously appropriated, now paid		15,000	720,668
Loss on assets sold,demolished, discarded and scrapped		82,134,203	68,440,500
Loss on conversion of investments		25,325,577	—
Loss on redemption of securities		23,346,991	6,910,607
Provision for Doubtful Debts and Advances		274,632,465	42,578,738
Provision for Diminution in Value of Investments		67,851,191	224,325,436
Amount written off against Technical Know-how		36,641,225	34,456,057
Amount written off against leasehold land		4,210,566	4,210,566
Total		8,885,810,507	8,065,208,914

Schedule 13 - Interest

			Previous Year
	Rupees	Rupees	Rupees
Interest:			
On Fixed Loans		3,040,276	4,757,664
Others	6,311,220	6,420,323	
Total		9,351,496	11,177,987

Schedule 14 - Notes forming part of financial statements

	As at 31 March, 2004	As at 31 March, 2003
	Rupees	Rupees
1. (A) Contingent liabilities not provided for in respect of :		
(i) Sales Bills Discounted	66,111,187	64,784,749
(ii) Claims against the Company not acknowledged as debts	2,311,318,739	1,955,876,195
(iii) Guarantees given by the Company to Housing Development Finance Corporation Ltd. - for loans to Employees	43,204,786	70,694,353
(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	613,538,270	567,074,965
(v) Income-Tax matters under dispute - Appeal by Company Appeal by Department	464,701,883 1,191,273,901	524,559,318 968,723,872
(vi) Sales Tax matters under dispute	1,655,975,784 37,593,021	1,493,283,190 129,221,735
(vii) Claims: [Estimated amounts]		
a) Claims made by temporary workmen against which the Company has appealed before the Supreme Court were settled during the year under an arrangement sanctioned by the apex court. The Company has charged the said liability during the year. In case of a small number of workmen, the Supreme Court has adjudicated a compensation based on the facts presented before it. The said liability has been provided for during the year.	—	430,447,910
b) As regards similar matters pending before Labour/Industrial Courts the Company has been advised by an eminent counsel that the matter is contingent on the facts and evidence presented before the adjudicating authorities and not necessarily likely to be influenced by the Supreme Courts above order	365,493,665	376,654,277
	<u>365,493,665</u>	<u>807,102,187</u>
(B) The Company has imported Capital Goods under the Export Promotion Capital Goods Scheme, of the Government of India, at concessional rates of duty on an undertaking to fulfill quantified exports against which remaining future obligations aggregates USD 283.33 million. Minimum Export obligation to be fulfilled by the Company under the said scheme, by 31st March, 2004 has been fulfilled, 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.		
2. Estimated amounts of contracts remaining to be executed on capital account and not provided for, net of advances.	385,608,009	351,429,489
3. Payments to Auditors :		

	Auditors		Cost Auditors	
	2003-2004 Rupees	2002-2003 Rupees	2003-2004 Rupees	2002-2003 Rupees
(i) As Auditors	3,564,000	3,564,000	216,000	216,000
(ii) In other capacity:				
For tax audit	486,000	472,500	—	—
For limited review	259,200	252,000		
For Provident Fund				
Certificates & other matters	216,534	598,715	—	—
Sub-Total	<u>4,525,734</u>	<u>4,887,215</u>	<u>216,000</u>	<u>216,000</u>
(iii) For expenses	311,438	232,384	2,389	1,183
Total	<u>4,837,172</u>	<u>5,119,599</u>	<u>218,389</u>	<u>217,183</u>

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

	As at 31 March, 2004	As at 31 March, 2003
	Rupees	Rupees
4. C.I.F. Value of Imports, Expenditure and Earnings in Foreign Currencies etc:		
(a) C.I.F. Value of Imports *		
(i) Raw materials:		
Steel and Non-Ferrous Material	325,623,898	445,613,462
Components	398,600,919	303,510,722
	<u>724,224,817</u>	<u>749,124,184</u>
(ii) Machinery Spares	9,361,429	26,862,294
(iii) Capital Goods	189,445,068	275,968,916
* Excluding C.I.F. Value of Stores, Tools, etc. Rs.144,228,334 (Previous Year Rs.166,487,288)		
(b) Expenditure in foreign currencies:		
(i) Travelling expenses	7,787,631	4,827,010
(ii) Royalty, net of tax	213,658,781	162,631,525
(iii) Technical Consultancy, net of tax	37,153,923	13,835,148
(iv) Technical know-how fees, net of tax	—	10,599,280
(v) Commission on Exports	155,712	2,018,964
(vi) Research and Development Expenses, under an arrangement	284,846	449,246
(vii) Advertisement & publicity	9,304,827	3,324,255
(viii) Other matters	36,780,486	26,122,673
(ix) Capital Expenditure at Dubai Office	144,842	1,264,832
(c) Earnings in foreign currencies:		
(i) F.O.B. Value of exports	5,560,324,885	3,528,098,011
(ii) F.O.B. Value of exports - goods traded in	3,123,274	1,535,096
(iii) Forwarding charges exports recovered	73,707,661	44,357,356
(iv) Interest	6,796,228	2,703,692
(v) Royalty	479,389	45,886
(vi) Technical Know how	229,450	—
(vii) Others	114,359	3,135,043
(d) Exchange differences on account of fluctuations in foreign currency rates		
(a) Exchange difference gains/(loss) recognised in the Profit and Loss account.		
(i) relating to Exports during the year as a part of "Sales"	10,649,047	9,100,622
(ii) on settlement of Export receivables carried forward from the previous accounting period as a part of "Other Income"	—	—
(iii) on cancellation of forward contracts as a part of "Other Income"	21,914,666	(3,167,167)
(iv) on realignment of open forward contracts against exports of the year	11,095,000	—
(b) Exchange difference gains/(loss) adjusted in the carrying amount of Fixed Assets during the year	—	—
(c) amount of premium/discount on open forward contracts		
(i) recognised for the year in the profit and loss account	120,985	—
(ii) to be recognised in the subsequent accounting period	221,515	—

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

	2003-2004	
	Rupees	Rupees
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		7,383,892,160
Add: Managing Directors' Remuneration (including perquisites)	10,405,871	
Wholetime Directors' Remuneration(including perquisites)	6,595,628	
Commission to Non-Executive Directors	1,240,000	
Provision for Taxation	<u>2,289,128,517</u>	
		2,307,370,016
Less: Excess of Sales price over cost of assets sold	1,055,991	
Provision for doubtful debts and advances written back	1,014,161	
Provisions no longer required	<u>168,839,049</u>	
		170,909,201
Profit on which commission is payable		<u>9,520,352,975</u>
(ii) Commission to Managing Director - Shri Rahul Bajaj		
Commission @ 1% on Rs. 9,520,352,975		95,203,530
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		2,400,000
(iii) Commission to Wholetime Director - Shri Madhur Bajaj		
Commission @ 1% on Rs. 9,520,352,975		95,203,530
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		2,400,000
(iv) Commission to Jt. Managing Director - Shri Rajiv Bajaj *		
Commission @ 1% on Rs. 9,520,352,975		95,203,530
Maximum Commission payable as determined by the Board of Directors to be limited to an amount equal to annual salary for the year		1,800,000
(v) Commission to Non-Executive Directors		
Commission @ 1% on Rs. 9,520,352,975		95,203,530
Maximum Commission restricted to Rs. 20,000/- per meeting attended, per person, subject to an overall ceiling of Rs. 2,400,000		1,240,000
(b) The Profit & Loss Account also includes payments and provisions on account of the Managing Director and Wholetime Directors as under		

	Managing Director		Jt. Managing Director		Wholetime Directors	
	2003-2004 Rupees	2002-2003 Rupees	2003-2004 Rupees	2002-2003 * Rupees	2003-2004 Rupees	2002-2003 * Rupees
(i) Salary	1,200,000	1,200,000	1,800,000	96,774	2,640,000	3,986,976
(ii) Commission	2,400,000	2,400,000	1,800,000	96,774	2,400,000	4,103,226
(iii) Privilege Leave Entitlement	100,000	113,333	150,000	—	96,667	407,643
(iv) Contribution to Provident Fund, Superannuation & Gratuity	424,000	424,000	636,000	26,129	596,800	1,163,921
(v) Other perquisites	339,943	423,909	151,706	2,581	119,614	253,343
(vi) Estimated monetary value of perquisite in form of:						
Unfurnished Accommodation	364,800	364,800	—	—	364,800	244,800
Furniture at Residence	986,622	903,102	—	—	324,947	324,947
Personal use of Company's car	26,400	26,400	26,400	1,419	52,800	77,781
	<u>5,841,765</u>	<u>5,855,544</u>	<u>4,564,106</u>	<u>223,677</u>	<u>6,595,628</u>	<u>10,562,637</u>

* Wholetime Director designated as Jt. Managing Director w.e.f. 12th March, 2003. Previous year amount represent proportionate remuneration as Jt. Managing Director and Wholetime Director respectively.

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

	2003-2004		2002-2003		
6. Details of raw materials consumption, goods traded in and Machinery Spares Consumption					
(i) Raw materials (including components) consumed					
	Unit	Qty	Rupees	Qty	Rupees
(a) Ferrous Metal	M.T.	25,306	737,090,753	26,709	773,986,055
	Mtrs.	499	45,176	5,156	81,071
	Nos.	—	—	50	158,163
(b) Non-Ferrous Metal	M.T.	13,180	1,104,720,082	12,319	1,017,651,010
	Mtrs.	—	—	619	—
(c) Tyres & tubes	Nos.	7,244,968	1,180,271,602	6,866,205	1,071,658,469
(d) Other Components			27,389,413,115		22,868,195,466
(e) Others			469,854,866		607,649,501
Total			<u>30,881,395,594</u>		<u>26,339,379,735</u>
(ii) Imported and indigenous raw material consumption (including components)					
		Rupees	Percentage	Rupees	Percentage
(a) Imported (including Customs Duty and other related charges)		995,400,036	3.22	1,186,822,148	4.51
(b) Indigenous		29,885,995,558	96.78	25,152,557,587	95.49
Total		<u>30,881,395,594</u>	<u>100.00</u>	<u>26,339,379,735</u>	<u>100.00</u>
(iii) Imported and indigenous Machinery Spares Consumed					
		Rupees	Percentage	Rupees	Percentage
(a) Imported (including Customs Duty and other related charges)		21,373,510	12.45	33,102,826	32.30
(b) Indigenous		150,270,168	87.55	69,368,987	67.70
Total		<u>171,643,678</u>	<u>100.00</u>	<u>102,471,813</u>	<u>100.00</u>
(iv) Details of goods traded in-Purchases					
		Nos.	Rupees	Nos.	Rupees
Two Wheelers		4	91,974	7	176,971
Auto Spare Parts			1,043,255,337		758,217,370
Total			<u>1,043,347,311</u>		<u>758,394,341</u>

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

2003-2004

2002-2003

7. Details of Licensed & Installed Capacity, Production, Stocks and Turnover

Class of Goods

(I) Motorised Two Wheelers & Three Wheelers upto 350 cc Engine capacity

	2003-2004		2002-2003	
	Nos.	Rupees	Nos.	Rupees
(including two Wheelers c.k.d. packs- 200,000 Nos.) (a)	1,639,350		1,639,350	
(ii) Installed Capacity (b)	2,520,000		2,520,000	
(iii) Production	1,516,876		1,457,066	
(iv) Stocks:				
At commencement:				
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
Total		1,063,934,343		736,040,460
At Close				
Two & Three-Wheelers	35,232	921,153,357	36,488	862,156,273
Goods Traded in:				
Two Wheelers	—	—	1	23,046
Auto Spare Parts (c)	—	246,316,773	—	201,755,024
Total		1,167,470,130		1,063,934,343
(v) Turnover (d)				
Two & Three-Wheelers	1,518,131	51,545,190,562	1,445,773	45,120,473,437
Goods Traded in:				
Two Wheelers	5	111,771	9	215,127
Auto Spare Parts (including factory made parts)	—	2,639,601,537	—	2,322,759,292
Total		54,184,903,870		47,443,447,856
(vi) Other:				
Dismantled, Scrapped, Free of Charge	1		4	
Lost in Transit-recovered from transporter	—		1	
(vii) Details of c.k.d. packs included in above				
Stocks at commencement	490		631	
Production	56,281		53,847	
Turnover				
Maharastra Scooters Ltd.	17,586		33,735	
Export	38,321		20,253	
Stocks at Close	864		490	
(II) Special Purpose Machine Tools				
(i) Licensed Capacity (a)	80		80	
(ii) Installed Capacity (b)	40		40	
(iii) Production	39		45	
(iv) Capitalised	39		45	
(III) Windpower Generation				
Installed Capacity (b) - Mega Watts	65.20		65.20	
Generated, captively consumed - Units	108,827,099	263,800,661	105,794,244	301,333,504

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

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. 66,795,870/- and Rs. 68,336,447/- respectively (Previous Year Rs. 48,619,792/- and Rs. 66,795,870/- respectively)
- (d) Includes 45 Nos. Capitalised at cost Rs. 2,205,534/- (Previous Year 124 Nos. Rs. 4,441,412/-)

8. Significant Accounting Policies followed by the Company are as stated in the Statement annexed to this schedule.

9. Welfare Expenses include Rs. 1,210,000/- (Previous Year Rs.Nil/-) being the contribution to a Fund created for welfare of the employees.

10. 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 31st March 2004, 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, on an assessment of the non-performing investments (quoted and unquoted) as per guidelines adopted by the Company during the year the management has determined an additional amount during the year of Rs. 67,851,191/- (Previous Year Rs. 224,325,436/-) for possible diminution/losses, which has been provided for in the accounts.

11. There are no Small Scale Industrial Undertakings to whom the company owes sums, including interest, outstanding for more than thirty days.

12. Deposits include a sum of Rs. 37,500,000/- (Previous Year Rs. 37,500,000/-) against use of premises on a Leave License basis, placed with Directors and their relatives, jointly and severally.

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

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

Particulars	Balance carried As at 31 March, 2003	Arising during the year	Balance carried As at 31 March, 2004
Deferred Tax Liabilities:			
On account of timing difference in			
a) Depreciation and Amortisation	2,404,729,407	(14,327,586)	2,390,401,821
Total	<u>2,404,729,407</u>	<u>(14,327,586)</u>	<u>2,390,401,821</u>
Deferred Tax Assets:			
On account of timing difference in			
a) Voluntary Retirement Scheme costs	262,713,898	(28,267,400)	234,446,498
b) Inventory Valuation (Section 145 A of the Income Tax Act ,1956)	46,471,959	3,863,750	50,335,709
c) Diminution in the value of investments	48,980,676	9,550,619	58,531,295
d) Provision for bad and doubtful debts	27,044,819	97,900,362	124,945,181
e) Provision for privilege leave etc.	18,711,999	60,527,619	79,239,618
f) Taxes duties etc.	131,931,989	1,858,468	133,790,457
g) Short term Capital loss	78,240,933	336,110,479	414,351,412
h) Long term Capital loss	66,525,215	—	66,525,215
Total	<u>680,621,488</u>	<u>481,543,897</u>	<u>1,162,165,385</u>
Net	<u>1,724,107,919</u>	<u>(495,871,483)</u>	<u>1,228,236,436</u>

14. Future minimum lease rental in respect of assets

- (i) given on operating lease in the form of office premises after April 1, 2001
Minimum future lease payments as on March 31, 2004:
 - (a) Receivable within one year - Rs. 13,079,040/- (Rs.11,501,829/-)
 - (b) Receivable between one year and five years- Rs. 2,657,780/- (Rs. 13,373,790/-)
 - (c) Receivable after five years- Rs. Nil (Rs. Nil)
 - (d) Received during the year- Rs. 17,050,976/- (Rs. 20,998,355/-)
- (ii) taken on operating lease in the form of office premises after April 1, 2001
Minimum future lease payments as on March 31, 2004:
 - (a) Payable within one year- Rs. 8,955,953/- (Rs. 9,355,872/-)
 - (b) Payable between one year and five years- Rs. 5,523,142/- (Rs. 6,554,212/-)
 - (c) Payable after five years-Rs. Nil
 - (d) Paid during the year- Rs. 8,537,642/- (Rs. 6,075,399/-)

15. Disclosure of transactions with Related Parties, as required by Accounting Standard 18 'Related Party Disclosures' has been set out in a separate statement annexed to this Schedule. Related parties as defined under clause 3 of the Accounting Standard have been identified on the basis of representations made by key managerial personnel and information available with the Company.

16. Segment Information based on the Consolidated Financial Statements attached to the Independent Financial Statements, has been disclosed in the Statement annexed to this Schedule.

17. Previous year's figures have been regrouped wherever necessary to make them comparable with those of the current year.

Signature to Schedules "1" to "14"

As per our attached report of even date

For and on behalf of Dalal and Shah
Chartered Accountants

Anish Amin
Partner

J. Sridhar
Company Secretary

Mumbai : 19 May 2004

Rahul Bajaj
Chairman & Managing Director

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

Directors

Annexure referred to in Note 8 in Schedule 14 to the Financial Statements for the year ended 31 March 2004

Statement of Significant Accounting Policies

1) System of Accounting :

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

2) Revenue recognition :

a) Sales :

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

b) Income :

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

- (1) Interest is accrued over the period of the loan/investment.
- (2) Dividend is accrued in the year in which it is declared whereby a right to receive is established.
- (3) Profit/loss on sale of investments are recognized on the contract date.
- (4) 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.

3) Fixed Assets and Depreciation :

(a) Fixed Assets

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

(b) Depreciation and Amortisation :

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

Annexure referred to in Note 8 in Schedule 14 to the Financial Statements for the year ended 31 March 2004

(ii) On Plant & Machinery given on Lease:

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

Assets	Rate on Straight Line Method		Status
	Over the primary Period of lease %	As Specified in Schedule XIV %	
Plant & Machinery			As at 31 st March, 2004
High Efficiency Boiler	16.67	* 5.28	Fully Provided for
Dies and Moulds			
Primary period 3 years	33.33	11.31	Fully Provided for
Primary period 5 years	20.00	11.31	Fully Provided for

* at the rates applicable to Continuous Process machinery

(iii) 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 month they are put to use.

(iv) On other Fixed Assets :

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

1. Depreciation on additions is being provided on prorata basis from the month of such additions.
2. 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.
3. Depreciation on additions on account of increase in rupee value due to fluctuation in the rate of exchange of foreign currency upto 1st April, 1995, is being provided at respective rates of depreciation of related assets with retrospective effect from the date of addition of said asset. Depreciation on similar additions thereafter, if any, will be provided over the balance depreciable life of the relevant asset.

4) Intangible Assets :

- a) Technical know-how acquired
Expenditure on technical know-how acquired (including Income-tax and R&D cess) is being amortised over a period of six years.
- b) Technical know-how developed by the company
 - i) Expenditure incurred on know-how developed by the company, post research stage, is recognised as an intangible assets, if and only if the future economic benefits attributable are probable to flow to the company and the costs can be measured reliably.
 - ii) The cost of Technical Know-how developed is amortised over its estimated life i.e. three years.

Annexure referred to in Note 8 in Schedule 14 to the Financial Statements for the year ended 31 March 2004

5) Investments :

- a) Investments are valued at cost of acquisition, less provision for diminution as necessary.
- b) Investments made by the Company are of a long-term nature and hence diminutions in value of quoted Investments are generally not considered to be of a permanent nature.
- c) The management has laid out guidelines for the purpose of assessing likely impairments in investments and for making provisions there against based on given criteria. Appropriate provisions are accordingly made which in the opinion of the management are considered adequate.

6) Inventories :

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

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

7) Foreign Currency Transactions :

- a) Current Assets and Liabilities in foreign currency outstanding at the close of financial year are revalued at the appropriate exchange rates prevailing at the close of the year.
- b) The gain or loss due to decrease/increase in reporting currency 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 in the manner detailed in Note No. 4 (d) in Schedule 14 to the accounts.
- c) Fixed Assets purchased at Overseas Branches in foreign exchange are recorded at their historical cost computed with reference to the average rate of foreign exchange remitted to the Branch.
- d) Foreign Exchange Contracts:
 - i) Premium/Discounts are recognised over the life of the contract
 - ii) Profit or loss arising from either cancellation or utilization of the contract and revalorizing the contract at the close of the year is recognised in the profit and loss account as detailed in Note No. 4 (d) in Schedule 14 to the accounts.

8) Research & Development Expenditure :

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

Annexure referred to in Note 8 in Schedule 14 to the Financial Statements for the year ended 31 March 2004

9) Privilege Leave entitlements :

Privilege leave entitlements are recognised as a liability, in the calendar year of rendering of service, as per the rules of the company, irrespective of encashment or availment.

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 is 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 between book profits and taxable profits are accounted for to the extent deferred tax liabilities are expected to crystallise 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	2003-04		2002-03	
		Transaction Value (Rs.)	Outstanding amounts carried in the Balance Sheet (Rs.)	Transaction Value (Rs.)	Outstanding amounts carried in the Balance Sheet (Rs.)
[a] Subsidiaries:					
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	22,000,000	137,000,000	126,000,000	140,000,000
	Loan taken	19,000,000	—	82,000,000	—
	Interest received	19,821,164	—	26,596,632	—
	Other credits	6,000	—	6,000	—
[b] Associates and Joint Ventures:					
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	139,486,355	—	228,013,433	—
	Technical know-how fees received	6,153,528	—	10,615,911	—
	Purchase of dies	28,008,811	—	13,946,072	—
	Services received	244,676	—	58,836	—
	Services rendered	3,747,004	—	3,298,189	—
	Warranty paid	1,868,845	—	3,238,190	—
	Other debits	224,604	7,586,905	(760,983)	10,289,695
Bajaj Allianz General Insurance Co.Ltd. (74 % shares held by Bajaj Auto Ltd.)	Contribution to Equity (81,400,000 shares of Rs.10 each)	—	814,000,000	—	814,000,000
	Rent received	8,234,287	—	4,903,740	—
	Deposit received	6,568,080	11,767,985	—	5,199,905
	Insurance premia paid	36,719,748	3,887,545	18,538,822	611,129
	Other credits	4,950,400	—	3,244,092	—
Allianz Bajaj Life Insurance Co.Ltd. (74 % shares held by Bajaj Auto Ltd.)	Contribution to Equity [111,048,840 shares (Previous year 111,024,420 shares) of Rs. 10 each]	244,200	1,110,488,400	244,200	1,110,244,200
	Rent received	3,428,083	—	6,688,080	—
	Deposit received/(refunded)	(6,568,080)	741,635	—	7,309,715
	Other credits	29,038	(46,594)	31,152	—
Bajaj Auto Finance Ltd. (31.3 % shares held by Bajaj Auto Ltd.)	Contribution to Equity [5,493,800 shares]	—	219,186,257	38,400,000	219,186,257
	Loan refunded	2,050,000,000	—	823,500,000	920,000,000
	Loan taken	1,130,000,000	—	—	—
	Interest received	39,916,775	—	90,669,810	14,853,425
	Subvention charges paid for finance scheme	88,585,587	4,699,736	66,628,821	—
	Services rendered	1,746,831	—	9,601,323	—
	Service incentive received	1,216,301	—	1,101,881	—
	Other debits	864,216	639,862	1,728,782	10,269,120
Allianz AG	Nil	Nil	—	Nil	—
Western Maharashtra Development Corporation	Nil	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	2003-04		2002-03	
		Transaction Value (Rs.)	Outstanding amounts carried in the Balance Sheet (Rs.)	Transaction Value (Rs.)	Outstanding amounts carried in the Balance Sheet (Rs.)
[c] Directors & Relatives:					
Mr. Rahul Bajaj - Managing Director (Also key management personnel)	Remuneration	3,441,765	—	3,455,544	—
	Commission	2,400,000	—	2,400,000	—
	Rent paid for premises	146,410	—	131,000	—
	Deposit paid against premises taken on lease	—	4,250,000	—	4,250,000
Mr. Madhur Bajaj - Wholetime Director (Also key management personnel)	Remuneration	2,550,084	—	2,430,594	—
	Commission	2,400,000	—	2,400,000	—
	Rent paid for premises	141,086	—	126,280	—
	Deposit paid against premises taken on lease	—	4,100,000	—	4,100,000
Mr. Rajiv Bajaj - Joint Managing Director (Also key management personnel)	Remuneration	2,764,106	—	2,910,244	—
	Commission	1,800,000	—	1,800,000	—
	Rent paid for premises	146,410	—	131,000	—
	Deposit paid against premises taken on lease	—	4,250,000	—	4,250,000
Mr. Sanjiv Bajaj - E.D.	Remuneration	3,579,405	—	2,010,865	—
Rahul Kumar Bajaj (HUF)	Rent paid for premises	146,410	—	131,000	—
	Deposit paid against premises taken on lease	—	4,250,000	—	4,250,000
Kamal Nayan Bajaj (HUF)	Rent paid for premises	146,410	—	131,000	—
	Deposit paid against premises taken on lease	—	4,250,000	—	4,250,000
Shekhar Bajaj - Non Executive Director	Commission	100,000	—	60,000	60,000
	Sitting fees	25,000	—	6,000	—
	Rent paid for premises	141,086	—	126,280	—
	Deposit paid against premises taken on lease	—	4,100,000	—	4,100,000
Shekhar Bajaj (HUF)	Rent paid for premises	141,086	—	126,280	—
	Deposit paid against premises taken on lease	—	4,100,000	—	4,100,000
Ramkrishna Bajaj (HUF)	Rent paid for premises	141,086	—	126,280	—
	Deposit paid against premises taken on lease	—	4,100,000	—	4,100,000
Niraj Bajaj (HUF)	Rent paid for premises	141,086	—	126,280	—
	Deposit paid against premises taken on lease	—	4,100,000	—	4,100,000
[d] Key Management Personnel:					
Mr. D. S. Mehta - Whole time Director (Key management personnel)	Remuneration	1,645,544	—	1,245,476	—

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	2003-04		2002-03	
		Transaction Value (Rs.)	Outstanding amounts carried in the Balance Sheet (Rs.)	Transaction Value (Rs.)	Outstanding amounts carried in the Balance Sheet (Rs.)
[e] Enterprise over which any person described in (c) or (d) above is able to exercise significant influence:					
Mukand Ltd.	Contribution to Equity [2,785,027 shares (Previous year 980,853 shares) of Rs.10 each]	3,427,170	86,308,837	—	82,881,667
	0.01% Redeemable Preference Shares (196,169 shares of Rs. 10 each)	1,961,690	1,961,690	—	—
	14.5% Secured Redeemable Non Convertible Debentures	—	14,794,225	—	14,794,225
	Recovery of advances	34,000,000	32,595,435	12,208,281	66,595,435
	Advance taken and refunded	110,000,000	—	—	—
	Interest on Debentures	—	—	1,515,827	—
	Interest received - others	9,766,608	—	11,409,939	—
	Services rendered	417,726	—	660,400	—
	Purchases of project material	1,016,232	—	—	—
	Scrap Sale	2,852,700	—	—	—
	Other credits	—	1,291,396	427,320	835,930
Bajaj Electricals Ltd.	Contribution to Equity [1,719,676 shares (Previous year 859,838 shares) of Rs.10 each]	21,495,950	132,351,170	—	110,855,220
	11 % Cumulative Non-participating Redeemable Preference Shares (3,000,000 shares of Rs. 10 each)	—	30,000,000	—	30,000,000
	Inter Corporate Deposits (ICDs) given	—	—	54,000,000	94,000,000
	Inter Corporate Deposits (ICDs) refunded	94,000,000	—	—	—
	Interest received on ICD	8,753,423	—	6,355,067	—
	Purchase of Sales Tax Entitlement	—	—	850,208	—
	Purchase / Processing of material	1,809,628	—	18,540,949	—
	Other credits	6,563	(95,431)	1,543,000	(854,966)
	Other debits	248,614	—	647,782	—
Hind Musafir Agency Pvt. Ltd.	Services received	16,039,562	(996,747)	10,147,344	—
	Other Credits	—	—	47,823	(78,213)
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	—

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	2003-04		2002-03	
		Transaction Value (Rs.)	Outstanding amounts carried in the Balance Sheet (Rs.)	Transaction Value (Rs.)	Outstanding amounts carried in the Balance Sheet (Rs.)
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	—
Rahul Securities Pvt. Ltd.	Nil	Nil	—	Nil	—

Segment wise Revenue, Results and Capital employed for the Year ended March 31, 2004

(a) Primary Segment : Business Segment

	Automotive	Investments and Others	Insurance *	Consolidated
	Rupees	Rupees	Rupees	Rupees
Revenue *				
External Sales and Other Income	49,249,343,965	3,313,660,757	3,704,376,464	56,267,381,186
Inter segment Sales and Other Income	—	263,800,661	—	263,800,661
Total Revenue	49,249,343,965	3,577,461,418	3,704,376,464	56,531,181,847
Segment Result	6,777,452,044	2,991,861,296	36,712,836	9,806,026,176
Interest Expense	9,409,651	—	—	9,409,651
Income Taxes	—	—	—	2,358,158,996
Net Profit	6,768,042,393	2,991,861,296	36,712,836	7,438,457,529
Segment Assets	16,183,642,110	40,878,578,563	6,119,178,043	63,181,398,716
Unallocated Corporate Assets	—	—	—	13,959,395,873
Total Assets	16,183,642,110	40,878,578,563	6,119,178,043	77,140,794,589
Segment Liabilities	6,582,192,093	200,994,673	3,808,482,371	10,591,669,136
Unallocated Corporate Liabilities	—	—	—	16,551,659,617
Total Liabilities	6,582,192,093	200,994,673	3,808,482,371	27,143,328,753
Capital Employed	9,601,450,017	40,677,583,890	2,310,695,673	49,997,465,836
Capital Expenditure	1,223,128,586	10,130,555,403	1,785,960,741	13,139,644,730
Depreciation	1,507,311,785	295,087,901	101,772,090	1,904,171,776
Non Cash Expenses other than Depreciation	61,334,705	325,065,225	3,676,471	390,076,401

* 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 surplus of Rs. 43,965,284 for the year ended March 31, 2004 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 1,042,244.

Segment wise Revenue, Results and Capital employed for the Year ended 31 March 2003

(a) Primary Segment : Business Segment

	Automotive	Investments and Others	Insurance *	Consolidated
	Rupees	Rupees	Rupees	Rupees
Revenue *				
External Sales and Other Income	43,239,153,122	1,486,822,883	1,928,460,195	46,654,436,200
Inter segment Sales and Other Income	—	301,333,504	—	301,333,504
Total Revenue	43,239,153,122	1,788,156,387	1,928,460,195	46,955,769,704
Segment Result				
Interest Expense	6,745,432,504	1,284,034,218	(69,703,949)	7,959,762,773
Income Taxes	11,219,434	1,701	—	11,221,135
				2,562,746,629
Net Profit	6,734,213,070	1,284,032,517	(69,703,949)	5,385,795,009
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
Total Assets	16,211,957,471	31,215,526,732	3,819,135,037	65,181,501,738
Segment Liabilities	4,949,036,534	202,645,201	1,899,272,318	7,050,954,053
Unallocated Corporate Liabilities				14,908,592,261
Total Liabilities	4,949,036,534	202,645,201	1,899,272,318	21,959,546,314
Capital Employed	11,262,920,937	31,012,881,531	1,919,862,719	43,221,955,423
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 deficit 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.

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

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

I	REGISTRATION DETAILS	
	Registration No.	4656
	State Code	11
	Balance Sheet date	31 March 2004
		Rupees in Thousands
II	CAPITAL RAISED DURING THE YEAR ENDED 31 March 2004	
	Public Issue	—
	Rights Issue	—
	Bonus Issue	—
	Private Placement	—
	Others	—
	TOTAL	—
III	POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS AS AT 31 March 2004	
	Total liabilities	48,221,729
	Total assets	48,221,729
	SOURCES OF FUNDS	
	Paid-up capital	1,011,835
	Reserves and surplus	35,924,423
	Unsecured loans	10,057,235
	Deferred Tax Adjustments	1,228,236
	TOTAL	48,221,729
	APPLICATION OF FUNDS	
	Net Fixed Assets	12,320,790
	Investments	38,554,406
	Net Current Assets	(2,730,200)
	Misc. Expenditure-Technical Know-how	76,733
	TOTAL	48,221,729
IV	PERFORMANCE OF THE COMPANY FOR THE YEAR ENDED 31 March 2004	
	i) Turnover (sale of products and other income)	52,702,614
	ii) Total Expenditure	43,098,413
	iii) Profit before tax and extraordinary items	9,604,201
	iv) Profit after tax	7,315,073
	v) Expenses for earlier years	(68,819)
	vi) Net Profit	7,383,892
	vii) Earning per share Rs. (See Note 2) (Face Value Rs.10/-)	72.98
	viii) Dividend Rate (%)	250

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, Autorikshaws, Motorcycles and Mopeds

Notes :

1. The above particulars should be read along with the balance sheet as at 31 March 2004, 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.

	Rahul Bajaj	Chairman & Managing Director
	Madhur Bajaj	
	Rajiv Bajaj	
	D.S. Mehta	
	Kantikumar R. Podar	
	Shekhar Bajaj	
J. Sridhar	D. J. Balaji Rao	Directors
Company Secretary	S.H. Khan	
	J.N. Godrej	
Mumbai : 19 May 2004	Suman Kirloskar	
	Naresh Chandra	
	Nanoo Pamnani	

CASH FLOW STATEMENT

	2003-2004		2002-2003
	Rupees	Rupees	Rupees
I. CASH FROM OPERATIONS:			
A) Profit before Taxation		9,604,201,352	7,886,195,635
B) Adjustments:			
Add:			
i) Depreciation	1,798,946,045		1,711,565,431
ii) Amount written off against Technical know-how	36,641,225		34,456,057
iii) Amount written off against Leasehold land	4,210,566		4,210,566
iv) Loss on Assets Sold, Demolished, Discarded and Scrapped	82,134,203		68,440,500
v) Provision for Diminution in Value of Investments	67,851,191		224,325,436
vi) Provision for Doubtful Debts, Advances & Investments	274,632,465		42,578,738
vii) Interest on cash credit	1,762,868		1,293,706
viii) Interest on Fixed Deposit	3,040,276		4,757,664
		2,269,218,839	2,091,628,098
		11,873,420,191	9,977,823,733
Less:			
i) Investment and Other Non-operating Income included in above:			
Dividends	261,128,969		127,159,800
Interest on Debenture and Bonds	690,447,613		407,715,378
Interest on Government Securities	491,977,119		405,081,386
Interest on Inter-Corporate Deposits and Others	130,696,382		248,275,989
Income from units of Mutual funds	579,507,021		43,928,580
Lease Rent	1,000		1,000
Profit/(Loss) on Sale of Investments, net	1,113,248,305		214,280,591
Surplus/(Loss) on Redemption of Treasury Bills, etc on maturity	(23,346,991)		(6,910,607)
Interest on Fixed Deposits	—		1,944,109
Bad debts written off	—		(17,394,733)
Bad debts recovered	—		1,500,000
Loss on conversion of investments	(25,325,577)		—
Misc. Receipts-Non-Operating	3,588,213		—
	3,221,922,054		1,425,581,493
ii) Surplus on Sale of Assets	45,833,799		39,339,915
iii) Expenses relating to earlier years	29,700,470		37,872,728
iv) Tax Credits in respect of earlier years	(98,519,795)		—
v) Income Tax, Wealth Tax and Dividend Tax paid	2,600,615,583		2,504,954,115
vi) Provision for Doubtful debts and Advances written back	1,014,161		1,696,385
		(5,800,566,272)	(4,009,444,636)
CASH FROM OPERATIONS		6,072,853,919	5,968,379,097
	Carried forward	6,072,853,919	5,968,379,097

CASH FLOW STATEMENT (Contd.)

	2003-2004		2002-2003
	Rupees	Rupees	Rupees
brought forward		6,072,853,919	5,968,379,097
C) (Increase)/Decrease in Current Assets			
i) Inventories	54,195,319		(288,833,284)
ii) Sundry Debtors	317,923,096		306,733,653
iii) Other Current Assets and Loans and Advances	(251,129,807)		(248,479,561)
	120,988,608		(230,579,192)
Increase/(Decrease) in Current Liabilities			
i) Liabilities	2,178,255,173		(3,991,908)
		2,299,243,781	(234,571,100)
NET CASH FROM OPERATIONS		8,372,097,700	5,733,807,997
II) INVESTMENT ACTIVITIES			
i) (Increase)/Decrease in Investment, net	(11,323,314,839)		(7,862,607,402)
ii) Capital Expenditure	(1,265,732,348)		(1,113,402,943)
iii) Sales Proceeds of Assets/Adjustment to Gross block	87,751,525		69,263,168
iv) Technical know-how	(6,555,499)		(8,721,720)
v) Lease Security Deposit	—		—
vi) (Increase)/Decrease in Deposits with Joint Stock Companies, Loan to Bajaj Auto Holdings Ltd and Bills purchased	1,145,600,000		978,400,000
	(11,362,251,161)		(7,937,068,897)
vii) Investment and other Non-operating			
Income included in above			
Dividends	261,128,969		127,159,800
Interest on Debenture and Bonds	690,447,613		407,715,378
Interest on Government Securities	491,977,119		405,081,386
Interest on Inter-Corporate Deposits and Others	130,696,382		248,275,989
Income from units of Mutual funds	579,507,021		43,928,580
Lease Rent	1,000		1,000
Profit/(Loss) on Sale of Investments, net	1,113,248,305		214,280,591
Surplus/(Loss) on Redemption of Treasury Bills, etc on maturity	(23,346,991)		(6,910,607)
Interest received on Fixed Deposits	—		1,944,109
Bad debts written off	—		(17,394,733)
Bad debts recovered	—		1,500,000
(Increase)/decrease in non-operating income receivable & dues	29,404,661		102,032,760
Loss on conversion of investments	(25,325,577)		—
Misc. Receipts-Non-Operating	3,588,213		—
	3,251,326,715		1,527,614,253
NET CASH FROM INVESTMENT ACTIVITIES		(8,110,924,446)	(6,409,454,644)
Carried forward		261,173,254	(675,646,647)

CASH FLOW STATEMENT (Contd.)

	2003-2004		2002-2003
	Rupees	Rupees	Rupees
brought forward		261,173,254	(675,646,647)
III) FINANCING ACTIVITIES			
i) Cash Credit from Banks	(539,117,444)		220,782,206
ii) Interest on cash credit	(1,762,868)		(1,293,706)
iii) Buy back of Share Capital	—		—
iv) Premium paid on buyback of Share Capital	—		—
v) Repayment of Fixed Deposits	(17,307,451)		(8,845,590)
vi) Interest on Fixed Deposit	(3,040,276)		(4,757,664)
vii) Increase in Unsecured Loans -Sales tax deferral liability	2,211,395,914		1,929,337,880
viii) Dividend Paid	(1,417,890,888)		(1,411,331,165)
NET CASH FROM FINANCING ACTIVITIES		232,276,987	723,891,961
NET CHANGE IN CASH & CASH EQUIVALENTS		493,450,241	48,245,314
Cash and Cash Equivalents as at 01.04.2003 [Opening Balance]		300,255,201	252,009,887
Cash and Cash Equivalents as at 31.03.2004 [Closing Balance]		793,705,442	300,255,201

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
Rajiv Bajaj
D.S. Mehta
Kantikumar R. Podar

Anish Amin
Partner

J. Sridhar
Company Secretary

Shekhar Bajaj
D. J. Balaji Rao
S.H. Khan
J.N. Godrej
Suman Kirloskar
Naresh Chandra
Nanoo Pamnani

Directors

Mumbai : 19 May 2004

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 2004	31 March 2004	31 March 2004
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. 4,652,664	Profit Rs. 160,502,043	Loss Rs. 198,415,617
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. 272,510,106	Profit Rs. 89,237	LossRs.312,254,546
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	
			Rajiv Bajaj	
			D.S. Mehta	
			Kantikumar R. Podar	
	J. Sridhar		Shekhar Bajaj	Directors
	Company Secretary		D. J. Balaji Rao	
			S.H. Khan	
			J.N. Godrej	
Mumbai : 19 May 2004			Suman Kirloskar	
			Naresh Chandra	
			Nanoo Pamnani	

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 31st March, 2004, 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. 416,612,770/-** (Previous Year Rs. 414,960,106/-) and total Revenues of **Rs. 68,973,792/-** (Previous Year Rs. 58,059,140/-). 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, viz. Bajaj Allianz General Insurance Company Limited and Allianz Bajaj Life Insurance Company Limited, whose financial statements reflect total assets of **Rs.1,380,430,467/-** (Previous Year Rs.1,091,482,923/-) and **Rs. 3,625,637,893/-** (Previous Year Rs.2,334,250,270/-) as at 31st March, 2004 respectively and a total revenue for the year of **Rs. 323,478,938/-** (Previous year (Rs.173,974,265/-)) and **Rs.135,933,909/-** (Previous year Rs.138,519,270/-) 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, whose financial statement reflect total assets of **Rs. 5,889,438,700/-** Previous Year Rs. 4,704,370,049/-) and revenues of **Rs.1,336,414,520/-** (Previous Year Rs.1,180,739,390/-)

However, the financial statements of a Joint Venture company viz. Maharashtra Scooters Limited, consolidated, whose financial statements reflect a total assets of **Rs.1,813,865,347/-** (Previous Year Rs. 1,762,899,075/-) and revenues of **Rs. 462,239,033/-** (Previous Year Rs. 631,595,086/-), 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, the Accounting Standard Interpretations and amendments issued thereto, to the extent applicable for the year ended 31st March, 2004 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 together 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 31st March, 2004; and
- b) the Consolidated Profit and Loss account read together 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 : 19th May, 2004.

ANISH AMIN
Partner
Membership No.40451

Consolidated Balance Sheet as at 31 March

		2004	2003
	Schedule	Rupees	Rupees
I. Sources of funds :			
1. Shareholders' Funds			
a) Capital	1	1,011,835,100	1,011,835,100
b) Reserves & Surplus	2	37,686,299,650	32,671,878,208
Share of fair value change account of joint ventures		49,515,240	(2,423,138)
			33,681,290,170
2. Share of Policy Liabilities of joint ventures		38,747,649,990	228,660,000
3. Share of Provision for Linked Liabilities of joint ventures		568,845,353	—
4. Share of Funds for future appropriation in Policyholders' Account of joint ventures	3	211,328,219	30,422,665
5. Loan Funds:			
a) Secured Loans	4	—	543,774,224
b) Unsecured Loans	5	10,077,548,181	7,881,458,093
			8,425,232,317
6. Deferred Tax liability (net)		10,077,548,181	1,724,107,919
		1,228,236,436	—
	Total	50,900,525,204	44,089,713,071
II. Application of Funds :			
1. Fixed Assets:			
a) Gross Block		27,713,471,459	26,688,364,508
b) Less: Depreciation		15,189,055,077	13,582,695,659
c) Net Block	6	12,524,416,382	13,105,668,849
d) Lease Adjustment Account - Plant and Machinery		175,000,000	175,000,000
		12,699,416,382	13,280,668,849
e) Capital Work in progress, expenditure to date (includes share of Capital Work in progress of joint ventures Rs.19,799,182 Previous Year Rs.10,120,097/-)		102,514,582	50,181,967
		12,801,930,964	13,330,850,816
2. Technical Know-how	7	76,732,915	106,818,641
3. Investments	8	41,582,938,512	29,221,533,789
4. Share of Policyholders' Investments of joint Ventures		635,762,378	259,082,666
5. Share of Assets held to cover linked liabilities of joint ventures		211,328,219	—
6. Share of deferred tax assets (net) of joint ventures		44,103,291	46,295,840
7. Current Assets, Loans and Advances :	9		
a) Inventories		2,036,624,189	2,088,231,836
b) Sundry Debtors		1,348,139,923	1,676,488,901
c) Cash and Bank Balances		1,434,039,999	649,355,358
d) Other Current Assets		784,115,947	787,018,949
e) Loans and Advances		16,229,181,542	17,062,120,781
		21,832,101,600	22,263,215,825
Less: Current Liabilities and Provisions :	10		
a) Liabilities		8,444,417,514	5,427,467,981
b) Provisions		17,851,820,641	15,729,221,444
		26,296,238,155	21,156,689,425
Net Current Assets		(4,464,136,555)	1,106,526,400
8. Miscellaneous expenditure to the extent not written off	11	11,865,480	18,604,919
	Total	50,900,525,204	44,089,713,071
Notes forming part of the Accounts	17		

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 : 19 May 2004

Rahul Bajaj Chairman & Managing Director

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

Directors

Consolidated Profit and Loss Account for the year ended 31 March

		2004	2003
	Schedule	Rupees	Rupees
Income:			
Sales including Excise Duty		54,184,903,870	47,443,447,856
Share of Sales including excise duty of joint ventures		93,011,970	149,935,672
		<u>54,277,915,840</u>	<u>47,593,383,528</u>
Less: Excise Duty		6,633,195,799	5,852,561,035
Share of Excise Duty of joint ventures		13,538,047	20,848,069
		<u>6,646,733,846</u>	<u>5,873,409,104</u>
Net Sales :		47,631,181,994	41,719,974,424
Wind power generated, captively consumed		263,800,661	301,333,504
Other Income	12	5,106,847,936	3,177,664,590
Share of operating result from insurance business	13	164,940,298	59,582,207
Share of contribution to the policyholder fund		(296,000,000)	(296,000,000)
Share of contribution to linked fund		(222)	—
		<u>52,870,770,667</u>	<u>44,962,554,725</u>
Expenditure:			
Materials	14	32,053,629,587	27,028,393,475
Other Expenses	15	8,971,600,621	8,130,947,408
Interest	16	9,409,651	11,221,135
Depreciation		1,798,976,585	1,711,593,999
Share of depreciation of joint ventures		3,423,101	3,588,325
		<u>42,837,039,545</u>	<u>36,885,744,342</u>
Less: Expenses, included in above items, capitalised		238,241,702	205,100,165
Share of expenses, included in above items, capitalised of joint ventures		26,166	56,607
		<u>238,267,868</u>	<u>205,156,772</u>
Compensation Paid Under Voluntary Retirement Scheme		42,598,771,677	36,680,587,570
Share of VRS amortised of joint ventures		234,842,310	460,899,353
Liability on settlement of labour dispute		3,062,969	3,062,967
		<u>415,484,092</u>	<u>—</u>
		<u>43,252,161,048</u>	<u>37,144,549,890</u>
Profit for the year before income from associates and taxation		9,618,609,619	7,818,004,835
Income from associates after tax		178,006,906	130,536,803
Profit before Provision for Taxation		<u>9,796,616,525</u>	<u>7,948,541,638</u>
Provision for Taxation [including Rs. 3,763,930 for Wealth tax (Previous year Rs. 3,735,683)]			
Current tax		2,785,020,000	2,685,260,000
Share of current tax of joint ventures		66,817,930	12,010,967
Deferred tax		(495,871,483)	(181,625,717)
Share of deferred tax of joint ventures		2,192,549	47,101,379
		<u>2,358,158,996</u>	<u>2,562,746,629</u>
Profit for the year		7,438,457,529	5,385,795,009
Tax credits pertaining to earlier years		98,519,795	—
Share of tax credits pertaining to earlier years of joint ventures		355,538	—
		<u>98,875,333</u>	<u>—</u>
Prior Period adjustments:			
Income		—	62,631
Share of prior period income of joint ventures		—	3,806,459
		<u>—</u>	<u>3,869,090</u>
Expenses		29,700,470	37,872,728
Share of prior period expenses of joint ventures		—	2,544,000
		<u>29,700,470</u>	<u>40,416,728</u>
Profits attributable to consolidated group		<u>7,507,632,392</u>	<u>5,349,247,371</u>
Transfer to Reserve fund in terms of Section 45-1C of the Reserve Bank of India Act, 1934		930,600	1,127,300
Transfer to General Reserve		4,653,010,612	3,750,053,010
Proposed Dividend		2,529,587,750	1,416,569,140
Corporate Dividend Tax thereon		324,103,430	181,497,921
Balance Carried to Balance Sheet		—	—
Notes forming part of the Accounts	17		
Basis and diluted Earnings Per Share (Rs.)		74.20	52.87
Nominal value per share (Rs.)		10	10
Net Profit (Rs.)		<u>7,507,632,392</u>	<u>5,349,247,371</u>
Weighted average number of shares		<u>101,183,510</u>	<u>101,183,510</u>

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

Anish Amin
Partner

J. Sridhar
Company Secretary

Directors

Mumbai : 19 May 2004

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, 2004

Schedule 1 - Share Capital

	As at 31 March 2003	
	Rupees	Rupees
Authorised :		
150,000,000 Equity Shares of Rs.10 each	1,500,000,000	1,500,000,000
Issued,Subscribed and Paid up :		
* 101,183,510 Equity Shares of Rs.10 each	1,011,835,100	1,011,835,100
Total	1,011,835,100	1,011,835,100

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 Outstanding GDR's as on 31/3/2004 were 4,658,411

Schedule 2 - Reserves and Surplus

	As at 31 March 2003			
	Rupees	Rupees	Rupees	Rupees
Capital redemption reserve :				
As per last account			182,073,040	182,073,040
Contingency Reserve :				
As per last account		—		17,500,000
Less: Transferred to General Reserve, as no longer required		—		17,500,000
			—	—
Share of share premium of joint venture				
As per last account		365,079,000		—
Received during the year		365,079,000		365,079,000
			730,158,000	365,079,000
Reserve Fund in terms of Section 45-1C of Reserve Bank of India Act, 1934				
As per last account		18,610,100		17,482,800
Set Aside this Year		930,600		1,127,300
			19,540,700	18,610,100
General Reserve:				
As per last account		32,081,087,505		27,522,754,026
Share of general reserve of subsidiaries classified as joint ventures in the current year as per last account		—		(187,625,025)
		32,081,087,505		27,335,129,001
Less:				
Dividend tax on distribution of reserve by Associate		(4,387,912)		—
Dividend tax on distribution of reserve by joint ventures		(210,858)		—
Transitional Adjustment for Share of general reserve of joint ventures	—			372,482,419
Transitional Adjustment for Share of accumulated Profits of Associate	—			605,923,075
				978,405,494
Add: Transferred from Contingency Reserve				17,500,000
Set aside this year	4,676,037,125			3,873,220,742
Share of profit /(loss) of joint ventures for the year	(23,026,513)			(123,167,732)
		4,653,010,612		3,750,053,010
			36,729,499,347	32,081,087,505
Capital Reserve arising on consolidation			25,028,563	25,028,563
Total			37,686,299,650	32,671,878,208

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

	As at 31 March 2003	
	Rupees	Rupees
Premiums Earned - Net		
(a) Premium	1,633,909,026	511,894,425
(b) Less: Reinsurance ceded	11,443,581	4,108,607
Sub-Total	1,622,465,445	507,785,818
Income from Investment		
(a) Interest, Dividend & Rent - Gross	23,545,407	8,645,058
(b) Profit on sale / redemption of investments	9,900,486	2,393,324
(c) Loss on sale / redemption of investments	(14,110)	(465)
Other Income		
Interest on overdue premium	2,415,635	418,166
Unit Linked Fund Administration / Management charges	91,280	—
Others	3,068,030	504,632
Contribution from the Shareholders Account	296,000,000	296,000,000
Excess provision written back	4,436,944	5,252,197
Sub-Total	339,443,672	313,212,912
Total (A)	1,961,909,117	820,998,730
Commission	373,273,626	91,928,148
Operating Expenses related to Insurance Business	979,550,451	493,710,893
Total (B)	1,352,824,077	585,639,041
Benefits Paid (Net)	20,589,195	2,697,646
Interim Bonuses Paid	69,462	9,167
Change in valuation of liability against life policies in force		
(a) Gross	340,185,353	203,416,064
(b) Fund Reserve	211,746,670	—
Total (C)	572,590,680	206,122,877
Surplus / (Deficit) (D) = (A) - (B) - (C)	36,494,360	29,236,812
Surplus as per Last Balance Sheet	30,422,665	1,185,853
Appropriations	—	—
Balance being funds for future appropriation	66,917,025	30,422,665
Total	66,917,025	30,422,665

Schedule 4 - Secured Loans

	As at 31 March 2003	
	Rupees	Rupees
From Banks, against hypothecation of Stores, Raw Materials, Finished Goods, Stock in Process and Book Debts		
Cash Credit	—	539,117,444
Share of cash credit of joint ventures	—	4,656,780
Total	—	543,774,224

Schedule 5 - Unsecured Loans

	As at 31 March 2003	
	Rupees	Rupees
Sales tax deferral Liability/ Loan under Package Scheme of Incentives 1983, 1988 and 1993	10,030,356,965	7,818,961,051
Share of sales tax deferral liability / loan of joint ventures	20,313,026	18,311,401
Fixed Deposits	26,878,190	44,185,641
Total	<u>10,077,548,181</u>	<u>7,881,458,093</u>

Schedule 6 - Fixed Assets

Particulars	Gross Block (a)				Depreciation				Net Block	
	As at 31 March 2003	Additions	Deductions and Adjustments	As at 31 March 2004	Upto 31 March 2003	Deductions and Adjustments	For the Year (c)	Upto 31 March 2004	As at 31 March 2004	As at 31 March 2003
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Land Freehold	86,024,579	—	—	86,024,579	—	—	—	—	86,024,579	86,024,579
Land Leasehold	367,997,688	—	4,212,082	363,785,606	—	—	—	—	363,785,606	367,997,688
Buildings (b) & (d)	2,216,861,446	123,635,142	2,796,473	2,337,700,115	657,289,009	1,146,218	59,979,115	716,121,906	1,621,578,209	1,559,572,437
Lease hold Improvements	55,418,672	44,638,976	9,299,171	90,758,477	14,310,579	6,524,720	22,809,359	30,595,218	60,163,259	41,108,093
Waterpumps, Reservoirs and Mains	52,223,644	264,306	(335,682)	52,823,632	24,727,467	(66,141)	2,493,681	27,287,289	25,536,343	27,496,177
Plant & Machinery	14,979,232,846	648,681,677	228,412,572	15,399,501,951	8,575,684,033	196,638,132	1,089,251,812	9,468,297,713	5,931,204,238	6,403,548,813
Dies & Jigs	2,950,250,348	233,987,133	143,979,875	3,040,257,606	1,480,514,848	64,980,252	296,944,731	1,712,479,327	1,327,778,279	1,469,735,500
Electric Installations	379,992,967	31,694,874	—	411,687,841	206,279,495	—	13,107,097	219,386,592	192,301,249	173,713,472
Factory Equipments	823,104,209	262,191,858	(7,556,425)	1,092,852,492	468,000,894	5,738,307	58,816,517	521,079,104	571,773,388	355,103,315
Furniture, Fixtures, Office equipment etc	420,993,575	68,426,737	32,253,642	457,166,670	244,189,999	14,144,933	36,294,232	266,339,298	190,827,372	176,803,576
Electric Fittings	93,611,579	7,351,225	—	100,962,804	59,322,990	—	3,827,859	63,150,849	37,811,955	34,288,589
Vehicles & Aircraft	331,483,361	38,206,721	20,909,990	348,780,092	125,909,827	8,705,939	26,445,009	143,648,897	205,131,195	205,573,534
Wind Energy Generators	2,839,220,000	—	—	2,839,220,000	635,598,164	—	293,575,348	929,173,512	1,910,046,488	2,203,621,836
Leased Assets :-										
Plant & Machinery	949,668,957	—	—	949,668,957	948,587,717	—	627,018	949,214,735	454,222	1,081,240
Dies & Moulds	142,280,637	—	—	142,280,637	142,280,637	—	—	142,280,637	—	—
As at 31st March, 2004 Total	26,688,364,508	1,459,078,649	433,971,698	27,713,471,459	13,582,695,659	297,812,360	1,904,171,778	15,189,055,077	12,524,416,382	13,105,668,849
Share of fixed assets of joint ventures as at 31st March, 2004	465,148,949	235,931,831	18,895,405	682,185,375	127,649,597	10,998,562	105,195,193	221,846,228	460,339,147	337,499,352
As at 31st March, 2003 Total	25,698,386,342	1,249,027,880	259,049,714	26,688,364,508	11,958,946,516	158,066,498	1,781,815,641	13,582,695,659	13,105,668,849	
Share of fixed assets of joint ventures as at 31st 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	

- 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. 117,595,506/- and cost of shares therein Rs. 750/-
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 3(b) 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 7 - Technical knowhow

	As at 31 March 2003	
	Rupees	Rupees
(I) Acquired by the company		
As per last account	106,818,641	128,017,678
Add : Cost of technical know-how acquired during the year	—	13,257,020
Less : Adjustments to cost on remittances in foreign currency	149,150	—
	<u>106,669,491</u>	<u>141,274,698</u>
Less : Written off	34,406,342	34,456,057
	<u>72,263,149</u>	<u>106,818,641</u>
(II) Developed by the company		
As per last account	—	—
Add : Expenses incurred during the year on know-how developed	6,704,649	—
	<u>6,704,649</u>	<u>—</u>
Less : Written off	2,234,883	—
	<u>4,469,766</u>	<u>—</u>
Total	<u>76,732,915</u>	<u>106,818,641</u>

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

	As at 31 March 2003		
	Rupees	Rupees	Rupees
In Government and Trust Securities	20,780,106,358		10,149,831,507
Share of joint ventures	<u>2,165,523,988</u>		<u>1,573,432,936</u>
		22,945,630,346	11,723,264,443
In fully Paid Preference Shares		743,703,690	981,742,000
In Equity Shares			
Long Term: Associate Company	1,181,095,580		991,707,379
Others	4,629,117,263		4,879,329,914
Share of joint ventures	<u>110,051,240</u>		<u>203,164,363</u>
		5,920,264,083	6,074,201,656
In Debentures, Bonds and Secured Premium Notes	9,048,041,982		8,084,553,648
Share of joint ventures	<u>1,918,712,968</u>		<u>1,276,748,545</u>
		10,966,754,950	9,361,302,193
In Mutual Fund Units	1,966,631,226		1,550,595,571
Share of joint ventures	<u>251,557,793</u>		<u>199,711,237</u>
		2,218,189,019	1,750,306,808
Total		<u>42,794,542,088</u>	<u>29,890,817,100</u>
Less : Provision for diminution in value of Investments		575,841,198	507,777,508
Share of provision for diminution in value of Investments of joint ventures		—	2,423,138
		<u>42,218,700,890</u>	<u>29,380,616,454</u>
Add : Application Money for investment in Shares and Bonds		—	100,000,000
Less : Proportionate share of investments to the extent of Policy Liabilities of joint ventures		635,762,378	259,082,665
Total		<u>41,582,938,512</u>	<u>29,221,533,789</u>

Schedule 9 - Current Assets, Loans and Advances

As at
31 March 2003

	Rupees	Rupees	Rupees	Rupees
(a) Inventories:				
Stores and spares, at cost *		37,405,440		33,268,118
Share of stores of joint ventures		163,517		264,537
Tools, at cost *		139,848,287		178,217,420
Share of tools of joint ventures		225,650		275,714
Stock-in-trade, at cost or market value whichever is lower :				
Raw Materials and Components		512,810,408		561,630,035
Share of raw materials and components of joint ventures		1,814,191		1,878,720
Work-in-progress [including factory made components Rs. 101,163,172 (Previous year Rs. 68,365,431)]		162,825,229		160,417,965
Share of work-in-progress of joint ventures		1,891,876		3,631,383
Finished Goods:				
Vehicles		921,153,357		862,179,319
Share of vehicles of joint ventures		6,911,964		2,369,172
Auto Spare parts, etc.		246,316,773		201,755,024
As valued and certified by Management		<u>2,031,366,692</u>		<u>2,005,887,407</u>
Goods in transit, at cost to date		5,257,497		82,344,429
			2,036,624,189	<u>2,088,231,836</u>
(b) Sundry Debtors, Unsecured:				
Outstanding for a period exceeding six months :				
Good	3,441,883			12,279,450
Share of good debtors of joint ventures	—			126,150
	<u>3,441,883</u>			<u>12,405,600</u>
Doubtful	19,833,189			6,837,892
Less : Provision	<u>19,833,189</u>			<u>6,837,892</u>
	—			—
		3,441,883		12,405,600
Other, Good		1,336,039,301		1,658,120,128
Share of other debts of joint ventures		<u>8,658,739</u>		<u>5,963,173</u>
			1,348,139,923	<u>1,676,488,901</u>
(c) Cash and Bank Balances :				
Cash on hand [including cheques on hand Rs. 140,195,693 (Previous year Rs. 9,575,313)]		142,246,974		10,677,052
Share of cash on hand of joint ventures [including cheques on hand Rs. 211,364,668 (Previous year Rs. 83,053,601)]		255,851,679		97,930,893
Remittances in Transit		285,000		3,020,500
		<u>398,383,653</u>		<u>111,628,445</u>
Carried over			3,384,764,112	<u>3,764,720,737</u>

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

		As at 31 March 2003			
		Rupees	Rupees	Rupees	Rupees
	Brought over			3,384,764,112	3,764,720,737
(c)	Cash and Bank				
	Balances : (Contd.)		398,383,653		111,628,445
	Bank Balances :				
	With scheduled banks :				
	** In current account	641,525,008			274,612,871
	Share of current bank account of joint ventures	121,079,084			121,230,754
	In margin deposits	10,030,000			10,010,000
	Share of margin deposits of joint ventures	—			592,000
	In fixed deposits	500,000			2,565,000
	Share of fixed deposits of joint ventures	262,320,455			128,415,283
	Interest accrued on fixed deposits	9,623			71,616
	Others	—			—
			1,035,464,170		537,497,524
	With Other Banks:		192,176		229,389
	In current account Standard Chartered Bank, Dubai (maximum balance outstanding during the year Rs. 1,807,146 Previous Year Rs. 1,537,698)			1,434,039,999	649,355,358
(d)	Other Current Assets, good: (Unless otherwise stated)				
	Dividend and Interest receivable on Investments				
	Good	21,893,297			66,973,693
	Share of income accrued on investments of joint ventures	117,561,171			81,160,415
		139,454,468			148,134,108
	Doubtful	51,081,603			1,286,102
	Less: Provision	51,081,603			1,286,102
		—			—
			139,454,468		148,134,108
	Share of Outstanding Premiums of joint ventures		91,220,951		33,820,463
	Interest receivable on Loans etc:	9,951,602			169,804,897
	Doubtful	109,027,509			—
	Less : Provision	109,027,509			—
		—			—
			9,951,602		40,989,196
	Lease Rent Receivable		10,989,196		275,843,105
	Export Incentives Receivable		346,203,024		75,253,611
	Credit receivable for Windpower generated		65,927,629		3,476,140
	Share of Agent's Balances of joint ventures		13,336,095		—
	Share of Dues from other entities carrying on insurance business of joint ventures		107,032,982		39,697,429
				784,115,947	787,018,949
	Carried over			5,602,920,058	5,201,095,044

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

	As at 31 March 2003		
	Rupees	Rupees	Rupees
Brought over			5,602,920,058
(e) Loans and Advances, unsecured, good : (Unless otherwise stated)			5,201,095,044
*** Loan to Bajaj Auto Finance Limited - an associate company		—	920,000,000
Loan to Bajaj Electricals Limited - a company in which Directors are interested		—	94,000,000
Loan to Mukand Ltd - a company in which Directors are interested		32,595,435	66,595,435
Loan to others		50,043,532	65,807,306
Deposits with Joint Stock Companies: (Including Rs. 68,596,340 against pledge of Securities Previous Year Rs. 417,833,532)			
Good	604,500,000		949,100,000
Less : Provision	<u>166,303,660</u>		<u>240,000,000</u>
		438,196,340	709,100,000
Advances Recoverable in Cash or in kind or for value to be received:			
@ Others, Good	1,303,154,855		953,387,169
Share of advances recoverable of joint ventures	<u>40,891,192</u>		<u>43,020,228</u>
	<u>1,344,046,047</u>		<u>996,407,397</u>
Doubtful	36,539,980		33,380,118
Less: Provision	<u>36,539,980</u>		<u>33,380,118</u>
		1,344,046,047	996,407,397
Balances with Customs and Central Excise Departments		45,585,270	38,745,996
Share of balances with excise departments of joint ventures		310,900	436,068
Sundry Deposits		134,870,216	117,680,463
Share of sundry deposits of joint ventures		49,232,814	33,365,352
Share of deposits with ceding companies		1,205,650	1,205,650
Share of deposit pursuant to Section 7 of Insurance Act, 1938 of joint ventures		15,869,055	7,273,407
Tax paid in Advance		13,948,839,260	13,886,235,148
Share of taxes paid in advance of joint ventures		167,271,398	124,150,309
Others (Deposit with IDBI)		<u>1,115,625</u>	<u>1,118,250</u>
		16,229,181,542	17,062,120,781
Total		<u>21,832,101,600</u>	<u>22,263,215,825</u>

* Except obsolete and slow moving inventory at estimated realisable value

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

*** No stipulations as to repayment of principal amounts

@ Includes amount due from an Officer of the Company Rs. 127,500 (Previous Year Rs. 142,500)
Maximum balance outstanding during the year Rs. 142,500 (Previous Year Rs. 157,500)

Schedule 10 - Current Liabilities and Provisions

	As at 31 March 2003		
	Rupees	Rupees	Rupees
(a) Liabilities:			
Acceptances		—	2,531,415
Sundry Creditors:			
Due to Small Scale Industrial Undertakings	—		207,827,170
Other	6,242,149,427		3,940,352,253
Share of other creditors of joint ventures	486,287,713		274,625,486
		6,728,437,140	4,422,804,909
Advances against Orders		192,974,542	150,138,950
Share of advance against orders of joint ventures		27,571,080	27,688,440
Investor Education Protection Fund		23,981	47,291
Unclaimed Dividends		27,240,961	28,562,709
Share of unclaimed dividends of joint ventures		720,566	684,594
Deposit from Dealers and others		230,860,055	227,526,060
Share of deposits from dealers and others of joint ventures		1,219,858	1,129,618
Unclaimed amount of Sale proceeds of Fractional coupons of Bonus Shares		5,595	5,595
Unclaimed amount on Debentures redeemed		1,971,636	3,353,735
Interest accrued but not due on loans		427,817	808,927
		7,211,453,231	4,865,282,243
Share of Agent's Balances of joint ventures	53,955,706		24,148,398
Share of Balances due to other insurance companies of joint ventures	159,319,921		113,024,945
Share of Premiums received in advance of joint ventures	28,498,340		18,542,771
Share of Unallocated Premiums of joint ventures	128,431,344		61,631,586
Share of Claims outstanding (Net) of joint ventures	403,166,523		148,040,890
Share of Claims incurred but not reported and not enough reported (Net) of joint ventures	248,472,110		131,407,461
Share of Solatium Fund of joint ventures	36,337,351		19,906,000
Share of Premium Deficiency of joint ventures	13,845,400		3,996,000
Temporary overdraft as per books of accounts only	40,762,987		—
Share of temporary overdraft as per books of accounts only of joint ventures	39,502,194		107,760
Share of Premium and other deposits of joint ventures	80,672,407		41,379,927
		1,232,964,283	562,185,738
		8,444,417,514	5,427,467,981
(b) Provisions:			
Provision for Taxation	13,683,320,000		13,262,100,000
Share of provision for taxation of joint ventures	155,421,463		122,389,896
Proposed Dividend	2,529,587,750		1,416,569,140
Corporate Dividend Tax thereon	324,103,430		181,497,921
Share of Reserve for unexpired risk of joint ventures	1,159,387,998		746,664,487
		17,851,820,641	15,729,221,444
Total		<u>26,296,238,155</u>	<u>21,156,689,425</u>

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

		As at 31 March 2003
	Rupees	Rupees
Preliminary expenses	7,352,930	11,029,401
Unamortised VRS amount	4,512,550	7,575,518
Total	<u>11,865,480</u>	<u>18,604,919</u>

Schedule 12 - Other Income

		As at 31 March 2003
	Rupees	Rupees
Workshop Receipts	3,657,149	4,936,028
Technical Know-how	6,040,148	10,030,883
Dividends:		
From Trade Investments	—	23,864,948
Other	239,363,683	117,085,426
Share of dividend on investments of joint ventures	<u>13,972,444</u>	<u>13,521,576</u>
	253,336,127	154,471,950
Interest		
On Government Securities	491,977,119	405,081,386
On Debentures and Bonds	690,465,234	407,715,378
Other	249,285,610	433,815,444
Share of interest of joint ventures	<u>133,935,073</u>	<u>137,168,664</u>
	1,565,663,036	1,383,780,872
Income From Units of Mutual Funds	579,507,021	43,928,580
Lease Rent	1,000	42,007
Share of lease rent of joint ventures	<u>282,691</u>	<u>988,517</u>
	283,691	1,030,524
Rent	17,289,482	21,415,557
Insurance Claims	130,868	8,808,222
Export Incentives	799,556,879	533,952,123
Miscellaneous Receipts	439,449,046	353,035,500
Share of Miscellaneous receipts of joint ventures	3,326,810	584,086
Surplus on Sale of Assets	45,833,799	39,339,915
Share of surplus on sale of assets of joint ventures	45,989	13,467
Profit on Sale of Investments, net	1,159,437,339	233,485,307
Share of profit on sale/redemption of investments of joint ventures (net)	54,009,947	36,850,466
Bad Debts Recovered	476,201	1,500,000
Sundry Credit balances appropriated	7,922,996	25,064,023
Provisions for Doubtful Debts and Advances written back	1,263,271	24,284,219
Less : Written back on account of amounts written off during the year, as per contra	<u>249,110</u>	<u>22,587,834</u>
	1,014,161	1,696,385
Provision for diminution in value of investment written back	112,499	—
Provisions no longer required	168,839,049	321,808,039
Share of provision no longer required of joint ventures	915,699	1,932,663
Total	<u>5,106,847,936</u>	<u>3,177,664,590</u>

Schedule 13 - Revenue Account for the period ended March 31, 2004
(Share of Revenue Account of joint ventures)

		Previous Year
	Rupees	Rupees
Premiums earned - (net)	1,706,727,747	1,140,418,107
Profit /Loss on sale/redemption of Investments	32,836,143	11,322,562
Other Income	2,160,843	2,007,956
Provision no longer required	14,042,783	—
Exchange rate difference gain	1,587,671	4,917,845
Interest, Dividend & Rent-Gross	106,086,952	73,131,986
	<u>1,863,442,139</u>	<u>1,231,798,456</u>
Claims incurred (Net)	1,114,492,962	769,465,706
Contribution to Solatium Fund	16,431,351	19,906,000
Commission	(170,734,444)	(114,659,142)
Change in Premium Deficiency	9,849,400	3,996,000
Operating Expenses related to Insurance Business	728,462,572	493,507,685
	<u>1,698,501,841</u>	<u>1,172,216,249</u>
Operating Profit/(Loss) from Insurance Business	<u>164,940,298</u>	<u>59,582,207</u>
Balance carried to Profit and Loss Account	164,940,298	59,582,207

Schedule 14 - Materials

			Previous Year
	Rupees	Rupees	Rupees
(a) Raw materials and components consumed:	30,881,395,594		26,383,825,752
Share of raw material and components consumed of joint ventures	63,482,491		104,334,906
		30,944,878,085	26,488,160,658
(b) Finished Goods purchases:			
Two Wheelers	91,974		176,971
Auto Spare Parts	1,043,255,337		758,217,370
		1,043,347,311	758,394,341
(c) Excise duty on year end inventory of Finished Goods	173,420,258		111,038,205
Share of Excise duty on year end inventory of Finished Goods of joint ventures	730,269		—
		174,150,527	111,038,205
(d) (Increase)/Decrease in Stocks:			
Stocks at close:			
Work in progress (including factory made components Rs. 101,163,172 - Previous Year Rs. 68,365,431)	162,825,229		160,417,965
Share of work in progress of joint ventures	1,891,876		3,631,383
Finished Goods	921,153,357		862,179,319
Share of finished goods of joint ventures	6,911,964		2,369,172
Auto Spare Parts	246,316,773		201,755,024
	1,339,099,199		1,230,352,863
Less: Stocks at commencement:			
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 ventures	3,631,383		2,282,550
Finished Goods	862,179,319		540,328,043
Share of finished goods of joint ventures	2,369,172		248,159
Auto Spare Parts	201,755,024		195,712,417
	1,230,352,863		901,153,134
		(108,746,336)	(329,199,729)
Total		32,053,629,587	27,028,393,475

Schedule 15 - Other Expenses

			Previous Year
	Rupees	Rupees	Rupees
Stores,spares and tools consumed		588,023,541	649,217,909
Share of stores & tools consumed of joint ventures		425,594	680,545
Power,fuel and water		625,066,127	611,155,343
Share of power, fuel and water of joint ventures		2,974,027	3,784,116
Repairs:			
Buildings and Roads	76,161,649		61,148,112
Share of building repairs of joint ventures	293,999		55,356
Machinery	333,705,161		240,951,042
Share of machinery repairs of joint ventures	94,908		406,450
Other	25,072,254		26,386,088
Share of other repairs of joint ventures	253,431		240,834
		435,581,402	329,187,882
Employees' Emoluments:			
Salaries,wages,bonus etc.	1,951,776,643		1,899,080,585
Share of salaries, wages, bonus etc. of joint ventures	18,637,038		18,043,263
Contribution to Provident and other funds and schemes	225,203,145		246,542,709
Share of contribution to funds and schemes of joint ventures	2,499,781		2,047,013
Welfare expenses	228,376,355		231,882,306
Share of welfare expenses of joint ventures	1,208,035		1,257,593
		2,427,700,997	2,398,853,469
Rent		27,661,965	21,529,155
Share of rent of joint ventures		162,727	276,480
Rates and taxes		17,373,455	9,525,219
Share of rates and taxes of joint ventures		236,482	120,771
Insurance		35,325,711	42,565,282
Share of insurance of joint ventures		213,146	229,610
Auditors' Remuneration		4,853,372	5,137,224
Share of auditors' remuneration of joint ventures		114,228	107,100
Directors' fees and travelling expenses		1,084,139	355,133
Share of directors' fees and travelling expenses of joint ventures		26,175	31,255
Managing Director's remuneration			
Salary	3,000,000		1,296,774
Commission	4,200,000		2,496,774
		7,200,000	3,793,548
Wholtime Directors' remuneration			
Salary	2,640,000		3,986,976
Commission	2,400,000		4,103,226
		5,040,000	8,090,202
Commission to Non Executive Directors		1,240,000	1,140,000
Miscellaneous expenses		761,298,817	606,491,784
Share of miscellaneous expenses of joint ventures		6,122,116	2,272,990
Electricity service connection charges written off		—	2,260,000
Packing,forwarding etc.		615,046,683	442,284,608
Share of packing, forwarding etc. of joint ventures		2,157,632	2,489,650
Carried over		5,564,928,336	5,141,579,275

Schedule 15 - Other Expenses (Contd.)

			Previous Year
	Rupees	Rupees	Rupees
Brought over		5,564,928,336	5,141,579,275
Advertisement		1,293,220,710	1,290,661,325
Share of advertisement of joint ventures		129,040	179,564
Vehicle service charges and other expenses		748,708,182	753,360,045
Share of vehicle service charges and other expenses of joint ventures		1,327,300	2,731,942
Commission and Discount		129,272,167	108,635,539
Incentives & Sales Promotion		327,512,445	180,242,430
Royalty		267,151,337	203,363,846
Donations		51,180,083	19,387,000
Contribution to political parties			
All India Congress Committee	10,000,000		—
Bharatiya Janata Party	10,000,000		—
Shiv Sena	5,000,000		—
		25,000,000	—
Bad debts and other irrecoverable debit balances written off	554,246		41,198,286
Share of bad debts etc. of joint ventures	9,561		—
Less : Provisions made in earlier years in respect of amounts written off during the year, adjusted as per contra	249,110		22,587,834
		314,697	18,610,452
Sundry credit balances previously appropriated,now paid		15,000	720,668
Loss on assets sold,demolished,discarded and scrapped		82,134,203	68,440,500
Share of loss on assets sold etc. of joint ventures		783,483	365,569
Loss on conversion of investments		25,325,577	—
Loss on redemption of securities		23,346,991	6,910,607
Provision for Doubtful Debts and Advances		318,545,101	42,578,738
Provision for Diminution in Value of Investments		68,176,191	248,287,484
Amount written off against technical know-how		36,641,225	34,456,057
Share of technical know-how fees of joint ventures		—	2,547,819
Amount written off against leasehold land		4,210,566	4,210,566
Share of lease write off of joint ventures		1,516	1,515
Share of Preliminary expenses written off of joint ventures		3,676,471	3,676,467
Total		8,971,600,621	8,130,947,408

Schedule 16 - Interest

			Previous Year
		Rupees	Rupees
Interest:			
Fixed Loans		3,040,276	4,759,365
Others		6,311,220	6,420,323
Share of other interest of joint ventures		58,155	41,447
Total		9,409,651	11,221,135

Schedule 17 - Notes forming part of the Accounts

1. a) The Consolidated Financial Statements include results of all the subsidiaries, associates and Joint Ventures of Bajaj Auto Ltd. The two insurance companies, although subsidiaries, have been consolidated as Joint Ventures in accordance with Accounting Standard 27- Financial reporting of interests in Joint Ventures as applicable for the year. 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

- (b) Considering that the accounts of the two Insurance Joint Ventures have been prepared in accordance with and in the manner prescribed by the regulations of the Insurance Regulatory & Development Authority and the lack of homogeneity of the business, the 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 7 of schedule 14).

Allianz Bajaj Life Insurance Company Limited

1. Significant Accounting Policies followed by the Company

The accompanying financial statements have been prepared and presented under the historical cost convention, on the accrual basis of accounting, in compliance with the accounting standards issued by the Institute of Chartered Accountants of India ('ICAI'), to the extent applicable, and in accordance with the provisions of the Insurance Act, 1938, the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002 ('the Regulations'), and the Companies Act, 1956 to the extent applicable.

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

a) Revenue Recognition

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

Premium Income

Premium is recognised as income when due. For linked business, premium is recognised when the associated units are allotted.

Top up premiums paid by policyholders, in case of linked business only, which are entirely unitised is considered as single

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

Note no. 4 (Contd.)

Allianz Bajaj Life Insurance Company Limited (Contd.)

premium and recognised when associated units are allotted.

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

Income earned on investments

Interest/Dividend income is recognised on an accrual basis.

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

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

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

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

The realised gains or losses on Linked assets is the difference between the net sale consideration and the book value as on the date of sale.

b) Reinsurance Ceded

Reinsurance costs are recognised as they are incurred in accordance with the terms and conditions of the relevant reinsurance treaties. Any subsequent revisions to or cancellations of premium are recognised in the year in which they occur.

c) Benefits Paid (Including Claims)

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

d) Acquisition Costs

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

e) Liability for Life policies in force

(i) The company provides for liabilities in respect of all "in force" policies based on actuarial valuation done by Appointed Actuary as per gross premium method in accordance with accepted actuarial practices, requirements of IRDA and Actuarial Society of India.

(ii) Linked liabilities comprises of unit liability representing the fund value of policies and non-unit liability for meeting death claims etc which are based on actuarial valuation done by the Appointed Actuary.

f) Investments

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

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

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

Note no. 4 (Contd.)

Allianz Bajaj Life Insurance Company Limited (Contd.)

i) **Classification**

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

ii) **Valuation – Shareholder’s investments and non-linked policyholder’s investments**

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

Listed equity shares and mutual fund units are stated at fair value, in accordance with IRDA Investment (Amendment) Regulations 2001. Fair value for listed equity shares is the lowest last quoted closing price on the stock exchanges where the securities are listed. Fair value for mutual fund units is the net asset value on the balance sheet. Unrealised gains/losses are taken to the Fair Value Change account and carried forward in the balance sheet.

iii) **Valuation – linked business**

All investments related to linked business are valued at fair value in accordance with IRDA Investment (Amendment) Regulations 2001. Unrealised gains and losses are recognised in the scheme’s revenue account.

Transfer of investments

The Authority vide its circular dated 29th October 2003 advised transfer of assets (investments) from shareholders’ account to the policyholders’ account to meet the deficit in the policyholders’ account at the lower of cost or market price. However, where the policyholders’ fund size does not exceed Rs. 50 crores, such transfer should be carried out at market price and only in ‘approved category’. Prior to the receipt of the circular, the Company had not carried out any such transfers. Subsequent to the receipt of the above circular, the Company has transferred investments from the shareholders account to the policyholders unit linked funds at market values.

g) **Retirement and other benefits**

The Company makes a contribution to the recognised Provident Fund at the prescribed rates. During the year, the Company has received necessary approval from the Income Tax department to transfer the Provident Fund to the Bajaj Auto Employees Provident Fund. The Company has now applied to the Provident Fund department to approve and transfer the same to the Bajaj Auto Employees Provident Fund.

During the year the Company has received necessary approvals for joining Bajaj Auto Employee Superannuation Scheme, a defined contribution scheme, for its eligible employees at fixed rates and accordingly contributions to the fund till March 31, 2004, including those provided in the previous years have been transferred to Bajaj Auto Employees Superannuation Scheme.

The Company makes a contribution towards Employees Group Gratuity cum Life Assurance (Cash Accumulation) Scheme of LIC. The Company provides for Gratuity based on actuarial valuation done as at the year end by the Life Insurance Corporation of India (‘LIC’).

Privilege Leave entitlements, as part of retirement benefits is encashable on separation. Provision has been made for the accumulated leave credited to each employee at the close of the year on the basis of current eligible emoluments.

h) **Taxation**

Income Tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the income-tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between the accounting income and taxable income for the period).

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

Note no. 4 (Contd.)

Allianz Bajaj Life Insurance Company Limited (Contd.)

The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written up to reflect the amount that is reasonably/ virtually certain (as the case may be) to be realised.

i) Preliminary Expenses

Preliminary expenses incurred are written off to the Profit and Loss account in five equal instalments 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.

j) Advertisement Expenses

All advertisement expenses are expensed in the year in which they are incurred

k) 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.

l) Interim Bonus

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

Bajaj Allianz General Insurance Company Limited

1. Significant Accounting Policies followed by the Company

(a) Basis of Preparation of Financial Statements

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

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

(b) 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 recognised for in the year in which they occur. Reinstatement premiums are netted off against claims incurred.

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

Note no. 4 (Contd.)

Bajaj Allianz General Insurance Company Limited

Interest / Dividend income

Interest / Dividend income is recognised on accrual basis.

Premium / discount on Purchase of Investments

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

Profit / loss on sale of securities

Profit or Loss on sale/redemption of securities is recognised on trade date and includes effects of accumulated fair value changes, previously recognised, for specific investments sold/redeemed during the year.

Commission on Reinsurance Ceded

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

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

(c) Reinsurance ceded

Reinsurance cost, in respect of proportional reinsurance, is accrued at policy inception. Non-proportional reinsurance cost (net of no claim bonus) is recognised when incurred. Any subsequent revision to or cancellations of premiums are recognised in the year in which they occur.

(d) Acquisition costs

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

(e) Premium received in Advance

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

(f) Reserve for unexpired risk

Represents that part of the net premium (i.e. premium net of reinsurance ceded) 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 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.

Premium Deficiency

Premium deficiency is recognised if the amount 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. Maintenance costs are considered by the Company as relevant costs incurred for ensuring that claim handling operations continue at optimum efficiency levels. The determination of the said amount is certified by the Actuary appointed for the purpose and accordingly endorsed as adequate.

(g) Claims incurred

Claims are registered as and when reported. Claims paid (net of Salvage and other recoveries) are charged to the respective revenue account when approved for payment. Provision is made for estimated value of outstanding claims at the balance sheet date net of reinsurance, salvage and other recoveries. Such provision is made on the basis of the ultimate amounts that are likely to be paid on each claim, established by the management in light of past experience and modified for changes as appropriate.

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

Note no. 4 (Contd.)

Bajaj Allianz General Insurance Company Limited

Amounts received/receivable from the re-insurers, under the terms of the reinsurance arrangement, are recognised together with the recognition of the claim.

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

Claims paid are accounted for net of reinstatement premium.

(h) 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 IBNR provision also includes provision, if any, required for Claims reported but not enough reported (IBNER). The said liability has been determined by an actuary appointed for the purpose. The methodology and assumptions on the basis of which the liability has been determined has also been certified by him to be appropriate, in accordance with guidelines and norms issued by the Actuarial Society of India in concurrence with the authority and accordingly liability determined and certified as adequate.

(i) Income from investments and other income

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

(j) Investments

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

Classification:

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

Valuation:

Debt Securities

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

The realised gain or loss on the securities is the difference between the sale consideration and the amortised cost in the books of the Company as on the date of sale determined on a **First In First Out** cost basis.

Equities (Listed & Actively Traded):

Listed & Actively Traded Equities are stated at the lowest of the last quoted closing prices. Unrealised valuation gains or losses are credited/(debited) to the Fair Value Change Account.

The realised gain or loss on the Listed & Actively Traded Equities is the difference between the sale consideration and the cost as on the date of sale determined on a **First In First Out** cost basis.

Mutual Fund Units

Mutual Funds Units are stated at their Net Asset Value (NAV) as at balance sheet date. Unrealised valuation gains or losses are credited/(debited) to the Fair Value Change Account.

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

Note no. 4 (Contd.)

Bajaj Allianz General Insurance Company Limited

The realised gain or loss on Mutual Funds Units is the difference between the sale consideration and the cost as on the date of sale determined on a First In First Out cost basis.

Fair Value Change account represents unrealised valuation gains or losses in respect of investments outstanding at the close of the year. The balance in the account is considered as component of shareholders' equity though not available for distribution as dividend.

(k) Retirement benefits recognised in Revenue Accounts

Provident Fund

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

Super Annuation

The Company contributes to the Bajaj Auto Employees' Superannuation Fund, at fixed rates for eligible employees under a defined contribution plan, for which necessary approvals have been obtained.

Gratuity

The Company provides for Gratuity based on actuarial valuation done by the Life Insurance Corporation of India ('LIC'). The Company makes a contribution towards Employees' Group Gratuity cum Life Assurance (Cash Accumulation) Scheme of LIC. The difference between the actuarial liability and the funded amount adjusted for subsequent payments is provided as liability. The actuarial valuation for gratuity has been assessed at 1st December each year in accordance with the scheme date as specified by LIC.

Employees' Pension Scheme

Contributions to Employees' Pension Scheme 1995 are made to Regional Provident Fund Authority at the prescribed rates.

Leave Encashment

Provision has been made for the accumulated leave credited to each employee at the close of the year on the basis of current eligible emoluments. However, as per the scheme balance credit of accumulated leave can be encashed only on retirement/separation.

(l) Preliminary 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.

(m) Contributions to Terrorism Pool

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

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 confirmation received from GIC. Accordingly, reinsurance accepted on account of the Terrorism Pool has been recorded only upto 31st December 2003 as per the last confirmation received. Entire amount of reinsurance accepted in respect of Terrorism Pool has been carried forward to the subsequent accounting period as 'Unexpired Risk Reserve' for subsequent risks, if any, to be borne by the Company.

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

Note no. 4 (Contd.)

Bajaj Allianz General Insurance Company Limited

(n) Contributions to Solatium Fund

In accordance with the requirements of an IRDA circular dated 18th March 2003, the Company has provided towards Contribution to Solatium Fund established by the Central Government. This has been provided at 1% of gross written premium for all motor policies written during the year, pending prescription of rates by the IRDA. Implementing regulations for the management of this fund are also awaited.

(o) Provision for Taxation

The Company provides for income tax in accordance with the provisions of the Income Tax Act, 1961.

The Company accrues taxes on income in the same period as the revenue and expenses to which they relate. As the taxable income is different from the reported income due to timing differences, there arises a necessity to create a deferred tax asset or deferred tax liability, as the case may be. Deferred tax asset is recognised and carried forward to the extent that there is reasonable certainty that the same will be reversed in the subsequent periods. Where there is unabsorbed depreciation or carry forward of losses under tax laws, deferred tax asset is recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised. In respect of deferred tax liability, liability is accrued and carried forward when it arises.

(p) Service Tax

Service tax collected is considered liability against which service tax paid for eligible services is adjusted and the net liability is remitted to the appropriate authority as stipulated.

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

1) Actuarial Valuation

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

Non-linked business is reserved using a prospective gross premium method of valuation. The non-linked business is predominantly participating and reserves are established having regard to assumptions as to future experience, including the interest that will be earned on premiums not yet received, together with associated bonus rates. Regular premium participating business is reserved using an interest rate of 7% per annum which is 1% per annum less than the rate used at 31 March 2003.

Single premium participating business is reserved using an interest rate of 5.75% 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 the interest rate assumptions. Provision has been made for a bonus distribution in respect of business in force at the valuation date on a basis considered appropriate by the Appointed Actuary having taken into account the reasonable expectations of policyholders.

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

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

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

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

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

Note no. 5 (Contd.)

Allianz Bajaj Life Insurance Company Limited (contd.)

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 4% per annum. An additional reserve of Rs 50 million has been included to allow for possible adverse deviations in experience in excess of offsetting adjustments in bonus rates and to allow for the contingency of closure to new business as is required by guidance notes (GN1) issued by the Actuarial Society of India.

There is a small amount of Group 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. Furthermore, it would be inappropriate to reduce reserves and anticipate any profits from reinsurance. All reserves have therefore been calculated using gross exposure and gross office premiums.

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

2. Expenses charged to the Shareholders Account are expenses directly attributable to shareholders account.
3. At the year end the Shareholders transferred funds to Policyholder's Account, which made good the deficit, which existed in the Policyholders Account. The transfer by the shareholders is irreversible in nature and shall not be recouped to the shareholders at any point of time in future. The necessary approvals of the shareholders for the said transfer will be taken at the ensuing General Meeting of the shareholders.
4. The Reinsurance treaties for Group Insurances remain to be officially executed by the Company. Reinsurance has been agreed to be in place on lives where cover is in excess of the Company's retention limit and this has been reflected in Accounts.
5. 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 on a monthly basis 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.
6. The Company introduced its Pension and Linked Insurance products for the first time during the year

Bajaj Allianz General Insurance Company Limited

1. a) The appointed actuary has certified actuarial estimates for IBNR (including IBNER) in compliance with the standards laid down by the Actuarial Society of India and in conformity with the terms of the IRDA regulations.

Where sufficient data is available, the actuary has chosen to adopt the chain ladder method. The chain ladder method has accordingly been applied to such lines of business, which constitute over 95% of the Company's total business. For other lines of business the percentage of premium method has been used to arrive at the estimate of IBNR. In the previous year the chain ladder method was applied only to the motor line of business while the percentage of premium method was applied for all the other lines of business to arrive at IBNR estimates.

In respect of long-term policies, which have an insurance tenure of more than 4 years the modified percentage of premium income, has been applied.

- b) Allowances have been made for reinsurance recoveries by the Company, based on average retention for each class of business.

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

Note no. 5 (Contd.)

Bajaj Allianz General Insurance Company Limited

6. Consolidated Contingent Liability:

Particulars	As at 31st March, 2004 (Rupees)	As at 31st March, 2003 (Rupees)
(i) Sales Bills Discounted	66,111,187	64,784,749
(ii) Claims against the Company not acknowledged as debts [Including Rs. 3,350,761/- (previous year Rs 45,964,478/-) being share of Joint Ventures and Associates]	2,314,669,500	2,001,840,673
(iii) Guarantees given by the Company to HDFC - for loans to Employees [Including Rs. 8,428/- (previous year Rs 41,852/-) being share of Joint Ventures]	43,213,214	70,736,205
(iv) Taxes, duties and other sums due [Including Rs. 14,598,135/- (previous year Rs 14,190,239/-) being share of Joint Ventures]	2,338,937,405	2,241,832,692
(v) Claims: [Estimated amounts] arising from labour dispute.	365,493,665	807,102,187
(vi) Uncalled liability on Partly Paid Investments	17,500,000	17,500,000

7.

Particulars	As at 31st March, 2004 (Rupees)	As at 31st March, 2003 (Rupees)
Capital Commitments to the extent not provided for , net of advances [including Rs. 28,862,597/- (previous year Rs 18,035,889/-) being share of Joint Ventures and Associates]	414,470,606	369,465,378

8. Deferred Taxes

Particulars	As at 31st March, 2004 (Rupees)	As at 31st March, 2003 (Rupees)
Liabilities [including Rs. 7,865,221/- (previous year Rs 8,048,961/-) being share of Joint Ventures]	2,398,267,042	2,412,778,368
Assets [including Rs. 51,968,512/- (previous year Rs 54,344,801/- being share of Joint ventures)]	1,214,133,897	734,966,289
Net	1,184,133,145	1,677,812,079

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 2003-04 Rupees	For 2002-03 Rupees
From Operating Activities	9,728,540,387	6,116,698,764
From Investment Activities	(9,533,922,023)	(6,962,663,509)
From Financing Activities	590,066,277	1,035,399,023
Net Change	784,684,641	189,434,278
Cash & Cash Flow Equivalents at the beginning of the year	649,355,358	459,921,080
Cash & Cash Flow Equivalents at the end of the year	1,434,039,999	649,355,358

10. Disclosure of transactions with Related Parties, as required by Accounting Standard 18 'Related Party Disclosures' has been set out in a separate statement annexed to this Schedule. Related parties as defined under clause 3 of the Accounting Standard have been identified on the basis of representations made by key managerial personnel and information available with the Company.

Signature to Schedules "1" to "17"

As per our attached report of even date		Rahul Bajaj	Chairman & Managing Director
For and on behalf of Dalal and Shah Chartered Accountants		Madhur Bajaj Rajiv Bajaj D.S. Mehta Kantikumar R. Podar	
Anish Amin Partner	J. Sridhar Company Secretary	Shekhar Bajaj D. J. Balaji Rao S.H. Khan J.N. Godrej	Directors
Mumbai : 19 May 2004		Suman Kirloskar Naresh Chandra Nanoo Pamnani	

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

Name of related party and Nature of relationship	Nature of transaction	2003-04		2002-03	
		Transaction Value (Rs.)	Outstanding amounts carried in the Balance Sheet (Rs.)	Transaction Value (Rs.)	Outstanding amounts carried in the Balance Sheet (Rs.)
[a] Subsidiaries:					
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] Associates and Joint Ventures:					
Maharashtra Scooters Ltd. (MSL) (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	139,486,355	—	228,013,433	—
	Technical know-how fees received	6,153,528	—	10,615,911	—
	Purchase of dies	28,008,811	—	13,946,072	—
	Services received	244,676	—	58,836	—
	Services rendered	3,747,004	—	3,298,189	—
	Warranty paid	1,868,845	—	3,238,190	—
	Other debits	224,604	7,586,905	(760,983)	10,289,695
Bajaj Allianz General Insurance Co. Ltd. (BAGICL) (74 % shares held by Bajaj Auto Ltd.) [Includes transactions with companies other than Bajaj Auto Ltd., the holding company]	Revenue & capital expenditure incurred on behalf of BAGICL by ABLICL	21,672,121	—	32,328,355	—
	Revenue & capital expenditure incurred by BAGICL on behalf of ABLICL	19,667,517	8,375,817	13,435,021	371,582
	Insurance premia paid to ABLICL	813,074	—	465,424	—
	Insurance premia received from ABLICL	1,600,016	—	314,825	56,217
	Insurance service charges paid to BAFL	25,519,593	(8,410,080)	43,034,602	5,314,283
	Insurance Claims paid to ABLICL	515,194	—	—	—
	Insurance premium received from BAFL	361,287	—	160,367	—
	Insurance claims paid to BAFL	278,250	—	—	—
Allianz Bajaj Life Insurance Co. Ltd. ABLICL (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	21,672,121	(8,375,817)	32,328,355	(371,582)
	Revenue & Capital expenditure incurred on behalf of ABLICL by BAGICL	19,667,517	—	13,435,021	—
	Insurance premia received from BAGICL	813,074	—	532,392	—
	Insurance premia paid to BAGICL	1,413,899	—	565,424	—
Bajaj Auto Finance Ltd. (BAFL) (46.15 % shares held by Bajaj Auto Ltd. and its subsidiaries)	Loan refunded	2,050,000,000	—	823,500,000	920,000,000
	Loan taken	1,130,000,000	—	—	—
	Interest received	39,916,775	—	90,669,810	14,853,425
	Subvention charges paid for finance scheme	88,585,587	4,699,736	66,628,821	—
	Services rendered	1,746,831	—	9,601,323	—
	Service incentive received	1,216,301	—	1,101,881	—
	Service charges received from BAGICL	19,137,015	4,465,066	42,891,651	7,615,825
	Other debits	1,000,551	690,612	1,876,225	10,269,120
Allianz AG - Germany	Contribution to Equity of ABLICL	493,435,800	—	493,435,800	—
	Development & training fees for Opus	6,868,108	(318,600)	26,043,442	(9,745,673)
	Licence fees for Opus	732,333	—	13,901,126	(7,917,782)
	Billable expenses incurred on behalf of Allianz AG	204,985	474	—	—
Allianz Versicherungs - AG - Germany	Reinsurance premium paid / payable	14,477,393	11,445,771	25,573,178	(495,897)
	Commission on reinsurance received/receivable	723,870	—	1,278,659	—
	Claims recovery on reinsurance	14,715,444	—	18,830	—
Allianz AG India Liaison Office	Amounts received from Allianz AG for payments	701,332	—	100,000	—
	Payment by BAGICL on behalf of AL ILO	701,332	—	406,242	—
	Revenue expenditure incurred on behalf of AL ILO	823,025	—	—	—

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	2003-04		2002-03	
		Transaction Value (Rs.)	Outstanding amounts carried in the Balance Sheet (Rs.)	Transaction Value (Rs.)	Outstanding amounts carried in the Balance Sheet (Rs.)
Allianz CP General Ins Co. Ltd.	Reinsurance premium paid / payable	172,140	—	—	—
	Commission on reinsurance received/receivable	12,911	—	—	—
	Software Consultancy Fees	2,347,652	(1,502,357)	—	—
Allianz AG Reinsurance Branch Asia Pacific	Reinsurance Premium payable	478,921,000	(12,365,546)	323,729,228	(34,978,265)
	Reinsurance commission receivable	203,221,291	819,016	91,642,068	559,676
	Claims recovery on reinsurance	94,643,391	2,026,680	28,917,867	844,036
	Expenditure incurred on behalf of ABLICL	—	—	16,972	—
Allianz Insurance Management Asia Pacific Pte. Ltd.	Revenue expenditure incurred pm behalf of Allianz Insurance Management Asia Pacific Pte. Ltd.	8,219,140	(9,958,629)	10,574,176	(7,427,770)
	Reimbursement of CEO, COO and Chief Actuary's salary	10,749,999	—	12,259,333	—
Assurances Generales de France (M/s AGF)	Reinsurance premium paid / payable	6,932,169	(5,275,463)	3,754,797	(76,335)
	Commission on reinsurance	1,733,042	—	938,699	—
Euler Hermes UK Plc	Reinsurance premium paid/payable	16,917,469	(148,314)	16,444,483	(238,662)
	Commission on reinsurance received/receivable	1,087,793	—	1,012,044	—
	Claims recovery on reinsurance	10,034,660	—	3,946,634	—
Euler Hermes Cr Uwr (Hong Kong)	Reinsurance premium paid/payable	608,000	—	—	—
	Commission on reinsurance received/receivable	45,600	—	—	—
Allianz Marine and Aviation Versicherungs AG	Reinsurance premium paid/payable	4,825,758	(1,930,818)	—	—
	Commission on reinsurance received/receivable	1,005,478	—	—	—
Allianz AG Branch Asia Pacific	Billable expenses incurred on behalf of AZAP	533,410	621,596	—	—
	BMC Training Charges	61,555	—	—	—
Allianz Insurance Company- Guangzhou Branch, China	Software Consultancy Fees	1,010,455	—	—	—
	Billable expenses incurred on behalf of Allianz China	86,786	140,766	—	—
Western Maharashtra Development Corporation	Nil	—	—	—	—
[c] Directors & Relatives:					
Mr. Rahul Bajaj - Managing Director (Also key management personnel)	Remuneration	3,441,765	—	3,455,544	—
	Commission	2,400,000	—	2,400,000	—
	Rent paid for premises	146,410	—	131,000	—
	Deposit paid against premises taken on lease	—	4,250,000	—	4,250,000
Mr. Madhur Bajaj - Wholetime Director (Also key management personnel)	Remuneration	2,550,084	—	2,430,594	—
	Commission	2,400,000	—	2,400,000	—
	Rent paid for premises	141,086	—	126,280	—
	Deposit paid against premises taken on lease	—	4,100,000	—	4,100,000
Mr. Rajiv Bajaj - Joint Managing Director (Also key management personnel)	Remuneration	2,764,106	—	2,910,244	—
	Commission	1,800,000	—	1,800,000	—
	Rent paid for premises	146,410	—	131,000	—
	Deposit paid against premises taken on lease	—	4,250,000	—	4,250,000
Mr. Sanjiv Bajaj - E.D.	Remuneration	3,579,405	—	2,010,865	—

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	2003-04		2002-03	
		Transaction Value (Rs.)	Outstanding amounts carried in the Balance Sheet (Rs.)	Transaction Value (Rs.)	Outstanding amounts carried in the Balance Sheet (Rs.)
Rahul Kumar Bajaj (HUF)	Rent paid for premises	146,410	—	131,000	—
	Deposit paid against premises taken on lease	—	4,250,000	—	4,250,000
Kamal Nayan Bajaj (HUF)	Rent paid for premises	146,410	—	131,000	—
	Deposit paid against premises taken on lease	—	4,250,000	—	4,250,000
Shekhar Bajaj - Non Executive Director	Commission	100,000	—	60,000	60,000
	Sitting fees	25,000	—	6,000	—
	Rent paid for premises	141,086	—	126,280	—
	Deposit paid against premises taken on lease	—	4,100,000	—	4,100,000
Shekhar Bajaj (HUF)	Rent paid for premises	141,086	—	126,280	—
	Deposit paid against premises taken on lease	—	4,100,000	—	4,100,000
Ram Krishna Bajaj (HUF)	Rent paid for premises	141,086	—	126,280	—
	Deposit paid against premises taken on lease	—	4,100,000	—	4,100,000
Niraj Bajaj (HUF)	Rent paid for premises	141,086	—	126,280	—
	Deposit paid against premises taken on lease	—	4,100,000	—	4,100,000
[d] Key Management Personnel :					
Mr. D. S. Mehta - Whole time Director (Key management personnel)	Remuneration	1,645,544	—	1,245,476	—
Mr. Dipak Poddar (Managing Director - BAFL)	Remuneration	1,632,754	300,000	1,656,429	300,000
	Fixed Deposit received	—	—	250,000	250,000
	Fixed Deposit repaid	—	—	600,000	—
	Interest paid on fixed deposit	3,855	—	64,649	—
Mr. C. S. Ravindran (President - BAFL)	Remuneration	3,894,246	—	3,301,640	—
	Staff loan recovery - principal	636,715	819,968	153,324	1,456,683
	Interest recovered on staff loan	81,173	—	99,720	—
Mr. Sam Ghosh (CEO)	Remuneration	5,375,000	(2,084,682)	4,796,514	3,369,463
Mr. Kamesh Goyal (CEO)	Remuneration	1,250,000	(13,153)	—	—
[e] Enterprise over which any person described in (c) or (d) above is able to exercise significant influence :					
Mukand Ltd.	Contribution to Equity [2,785,027 shares (Previous year 980,853 shares) of Rs. 10 each]	3,427,170	86,308,837	—	82,881,667
	0.01% Redeemable Preference Shares (196,169 shares of Rs. 10 each)	1,961,690	1,961,690	—	—
	14.5% Secured Redeemable Non Convertible Debentures	—	14,794,225	—	14,794,225
	Recovery of advances	34,000,000	32,595,435	12,208,281	66,595,435
	Advance taken and refunded	110,000,000	—	—	—
	Interest on Debentures	—	—	1,515,827	—
	Interest received - others	9,766,608	—	11,409,939	—
	Services rendered	417,726	—	660,400	—
	Purchases of project material	1,016,232	—	—	—
	Scrap Sale	2,852,700	—	—	—

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	2003-04		2002-03	
		Transaction Value (Rs.)	Outstanding amounts carried in the Balance Sheet (Rs.)	Transaction Value (Rs.)	Outstanding amounts carried in the Balance Sheet (Rs.)
	Insurance Premium received by BAGICL	11,160,984	—	8,339,788	—
	Insurance Claims paid	1,047,416	—	—	—
	Other credits	—	1,291,396	427,320	835,930
Bajaj Electricals Ltd.	Contribution to Equity [1,719,676 shares (Previous year 859,838 shares) of Rs. 10 each]	21,495,950	132,351,170	—	110,855,220
	11 % Cumulative Non-participating Redeemable Preference Shares	—	30,000,000	—	30,000,000
	(3,000,000 shares of Rs. 10 each)	—	—	—	—
	Inter Corporate Deposits (ICDs) given	—	—	54,000,000	94,000,000
	Inter Corporate Deposits (ICDs) refunded	94,000,000	—	—	—
	Interest received on ICD	8,753,423	—	6,355,067	—
	Purchase of Sales Tax Entitlement	—	—	850,208	—
	Purchase / Processing of material	1,824,775	—	18,540,949	—
	Other credits	6,563	(95,431)	1,543,000	(854,966)
	Insurance Premium received by BAGICL	3,970,751	—	3,723,856	—
	Insurance Claims paid	1,047,416	—	—	—
	Other debits	248,614	—	647,782	—
Hind Musafir Agency Pvt. Ltd.	Services received	16,039,562	(996,747)	10,147,344	—
	Other Credits	—	—	47,823	(78,213)
Kamalnayana 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	—
Jamnmalal 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	—
Rahul Securities Pvt. Ltd.	Nil	Nil	—	Nil	—

Independent Accountants' Review Report

The Board of Directors
Bajaj Auto Limited

We have reviewed the accompanying Reconciliation of Significant Differences in Consolidated Shareholders' Equity and Consolidated Net Income Between Indian Generally Accepted Accounting Principles ("Indian GAAP"), US Generally Accepted Accounting Principles ("US GAAP") and International Accounting Standards ("IAS") of Bajaj Auto Limited and its subsidiary ("the Company") as of March 31, 2004 and 2003 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 and International Standard on Auditing applicable to review engagements. 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.

As mentioned in note 2 to the Reconciliation, the Company has restated in the Reconciliation the Consolidated Shareholders' Equity as at March 31, 2003 as per Indian GAAP, US GAAP and IAS. This restatement did not have any impact on the Consolidated Net Income and earnings per share data for the year ended March 31, 2003.

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 : 19 May 2004

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

	Notes	(Rs in millions)		(US \$ in thousands)*
		As at March 31,		
		2003	2004	2004
1 Reconciliation of consolidated shareholders' equity				
Consolidated shareholders' equity in conformity with Indian GAAP	1 & 2	33,681	38,747	888,489
US GAAP adjustments increasing/(decreasing) to consolidated shareholders' equity in conformity with Indian GAAP				
Equity method of accounting	3	357	426	9,768
Amortisation of investment in debt securities	4	10	(18)	(413)
Unrealised investment gains/(losses), net of tax effect	4	756	5,324	122,082
Impairment of investments	4	(1,214)	(873)	(20,018)
Fixed assets and depreciation	5	(516)	(523)	(11,993)
Non-monetary exchange of asset	6	(81)	(80)	(1,834)
Deferral of premium on insurance venture	7	(1,014)	(936)	(21,463)
Deferred income taxes	8	382	(157)	(3,600)
Proposed dividend (including dividend tax thereon)	9	1,598	2,854	65,444
Consolidated shareholders' equity in conformity US GAAP		33,959	44,764	1,026,462
IAS adjustments increasing/(decreasing) to consolidated shareholders' equity in conformity with US GAAP		—	—	—
Consolidated shareholders' equity in conformity with IAS		33,959	44,764	1,026,462

* Solely for the convenience of the reader and without any representation on rates used, the reconciliation as of March 31, 2004 have been translated into United States dollars at \$ 1 = Rs 43.61 which is the TT selling rate of commercial banks in India.

See accompanying notes to the above Reconciliation.

See Independent Accountants' review report attached

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

	Notes	(Rs in millions)		(US \$ in thousands)*	
		As at March 31,			
		2003	2004	2004	
2	Reconciliation of consolidated net income				
	Consolidated net income in conformity with Indian GAAP	1	5,349	7,508	172,162
	US GAAP adjustments increasing/(decreasing) consolidated net income in conformity with Indian GAAP				
	Equity method of accounting	3	215	70	1,605
	Amortisation of investment in debt securities	4	(9)	(28)	(642)
	Impairment of investments	4	244	341	7,819
	Fixed assets and depreciation	5 & 6	(101)	(6)	(138)
	Deferral of premium on insurance venture	7	78	78	1,789
	Deferred income taxes	8	(408)	(539)	(12,360)
	Consolidated net income in conformity with US GAAP		5,368	7,424	170,235
	IAS adjustments increasing/(decreasing) consolidated net income in conformity with US GAAP		—	—	—
	Consolidated net income in conformity with IAS		5,368	7,424	170,235
3	Basic and diluted earnings per share		(Rs.)	(Rs.)	(US \$)
	Based on consolidated net income in conformity with US GAAP	10	53.04	73.37	1.68
	Based on consolidated net income in conformity with IAS	10	53.04	73.37	1.68
	Weighted average equity shares outstanding during the year		101,183,510	101,183,510	101,183,510

* Solely for the convenience of the reader and without any representation on rates used, the Reconciliation for the year ended March 31, 2004 have been translated into United States dollars \$ 1 = Rs 43.61 which is the TT selling rate of commercial banks in India.

See accompanying notes to the above Reconciliation.

See Independent Accountants' review report attached

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 consolidated shareholders' equity as at 31 March 2004 and 2003 and consolidated 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. Restatement

As at 31 March 2003, the consolidated shareholders' equity under Indian GAAP was Rs 33,681 million. However, in the Reconciliation, this amount was presented as Rs.35,279 million i.e. before deducting proposed dividend (including dividend tax thereon) aggregating Rs 1,598 million. For the purposes of arriving at the US GAAP and IAS consolidated shareholders' equity in the Reconciliation as at 31 March 2003, the amount of proposed dividend (including dividend tax thereon) aggregating Rs.1,598 million was again added back as a reconciling item.

The restated consolidated shareholders' equity as at 31 March 2003 under US GAAP and IAS has now been presented in the Reconciliation after considering the correct consolidated shareholders' equity under Indian GAAP.

3. Equity method of accounting

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

BAFL

Under Indian GAAP, the Company's 46% equity stake (fiscal 2003: 46%) in BAFL has been accounted as per the 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.

MSL

Under Indian GAAP, the Company's 24% equity stake (fiscal 2003: 24%) 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. Under US GAAP these investments have been accounted as per equity method of accounting. Under IAS, the Company has a choice to adopt proportionate consolidation or equity method accounting for a joint venture; the Company has elected to account for this investment under equity method. The difference in method of accounting under Indian GAAP, US GAAP and IAS does not require any further reconciliation adjustment in the consolidated net income or the consolidated shareholders' equity of the Company.

BAGICL and ABLICL

Under Indian GAAP, the Company's 74% equity stake (fiscal 2003: 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. Under US GAAP these investments have been accounted as per equity method of accounting. Under IAS, the Company has a choice to adopt proportionate consolidation or equity method accounting for joint ventures; 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 2004 and 2003 does not require any further reconciliation adjustment in the consolidated net income or the consolidated shareholders' equity.

The International Accounting Standards Board ('IASB') issued IFRS 4 Insurance Contracts on 31 March 2004. IFRS 4 applies to insurance contracts (including reinsurance contracts) that an entity issues and to reinsurance contracts that it holds as well as for financial instruments that it issues with a discretionary participation feature, except for specified contracts covered by other IFRSs. It does not apply to other assets and liabilities of an insurer, e.g. financial assets and financial liabilities within the scope of IAS 39 Financial Instruments: Recognition and Measurement. Furthermore, it does not address accounting by policyholders. It is applicable for periods beginning on or after 1 January 2005. 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 included in the Reconciliation are described below:

Insurance premium and claims

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

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

over the current and expected renewal periods of the contracts. In case of unit linked products (where the contracts are essentially investment contracts), amounts received as payments for such contracts are recorded as liabilities and accounted for in a manner consistent with the accounting for interest-bearing or other financial instruments.

Acquisition costs

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

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

4. 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 consolidated shareholders' equity until realised. Premiums and discounts are amortised or accreted over the related available-for-sale security as an adjustment to yield using the effective interest method.

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.

5. Fixed assets and depreciation

Under US GAAP and IAS, fixed assets are recorded at historical cost and depreciated on a systematic basis over their estimated useful lives. Under Indian 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.

6. Non-monetary exchange of asset

Under US GAAP and IAS, the exchange of a non-monetary asset for a similar non-monetary asset used in the earnings process is recorded at the carrying value of the asset surrendered. During 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.

7. 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 recognised 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 recognised and amortised over an estimated period of 15 years.

8. Deferred taxation

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

future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets are reassessed for the appropriateness of their respective carrying values at each balance sheet date.

Under US GAAP and IAS deferred tax assets and liabilities are recognised for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and carry forward losses. Under US GAAP, deferred tax assets and liabilities are measured using enacted tax rates. Under IAS, deferred tax assets and liabilities are measured using the tax rates that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax assets under US GAAP is reduced, if necessary, by a valuation allowance for tax benefits whose future realisation is uncertain. Under IAS, a deferred tax asset is recognised for all deductible differences and carry forward losses to the extent it is probable that taxable profit will be available against which the deductible temporary differences and carry forward losses can be utilised.

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, for purposes of US GAAP and IAS Reconciliation, such dividends have been credited to consolidated shareholders' equity.

10. Earnings per share

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

11. Derivative contracts

The Company has entered into derivative contracts in relation to certain unquoted investments. The fair value of these derivatives cannot be reliably measured and are therefore recorded at cost, which is zero.

12. Consolidation of Variable Interest Entities

In December 2003, the FASB issued Financial Interpretation No. 46R, 'Consolidation of Variable Interest Entities' (FIN 46R), which addresses how a business enterprise should evaluate whether it has a controlling financial interest in an entity through means other than voting rights and accordingly should consolidate the entity. FIN 46R revises and replaces Financial Interpretation No. 46, 'Consolidation of Variable Interest Entities' (FIN 46), issued by the FASB in January 2003. FIN 46R applies to the accounting for certain entities, the investors in which are identified as not possessing the normal characteristics of a controlled financial interest, or which lack sufficient equity to finance its activities without additional support from other parties. Such entities are referred to in FIN 46R as Variable Interest Entities ('VIE') and refer to parties with equity, certain contractual or other financial interest as variable interest holders. FIN 46R establishes a framework for defining a prime beneficiary and requires consolidation of VIEs in which the Company is the prime beneficiary. FIN 46R also requires specific disclosures about VIEs in which the Company is the prime beneficiary or in which it holds a significant variable interest. Accounting requirements of FIN 46 were immediately applicable to any VIE created after January 31, 2003 and this provision was unchanged by FIN 46R. For all others VIE with which the company holds a variable interest, the company is required to evaluate each entity's structure to determine whether it is reasonably likely that the Company would be required to consolidate or disclose information about each VIE's nature, purpose, size and activities, together with the Company's maximum exposure to loss. For those VIEs created prior to February 1, 2003, the Company will be required to adopt the accounting provisions of FIN 46R commencing April 1, 2004 although earlier adoption is allowed. The Company has evaluated the provisions of FIN 46R and has concluded that its involvement with other entities would not be sufficient to result in the Company being the prime beneficiary in a Variable Interest Entity as defined in FIN 46R. Accordingly, provisions of FIN 46R did not have an impact on the Company's Consolidated net income and shareholders' equity.

