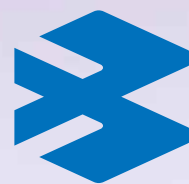


SIXTIETH ANNUAL REPORT 2004 - 05



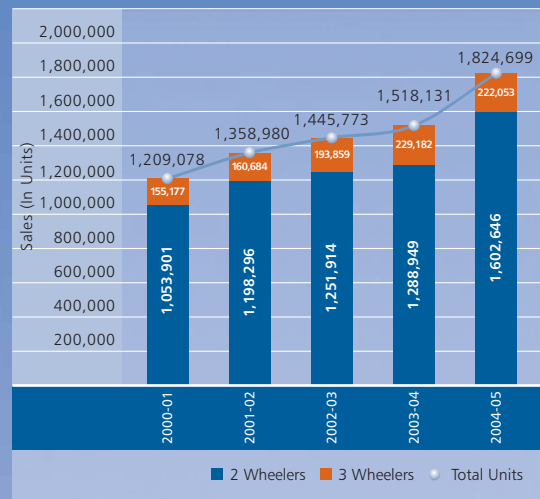
BAJAJ



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



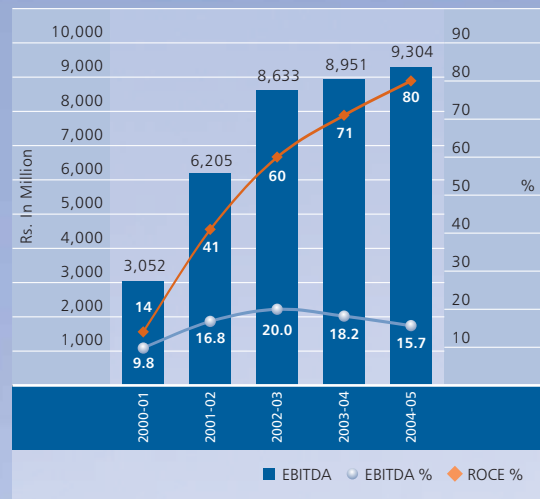
Sales (In units)



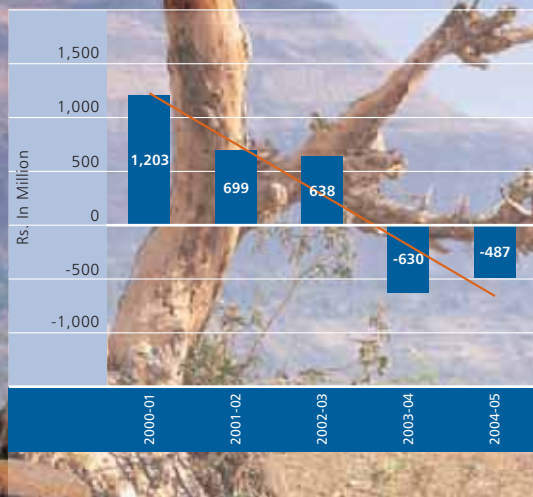
Exports



Operating EBITDA & Pre Tax Operating ROCE



Operating Working Capital



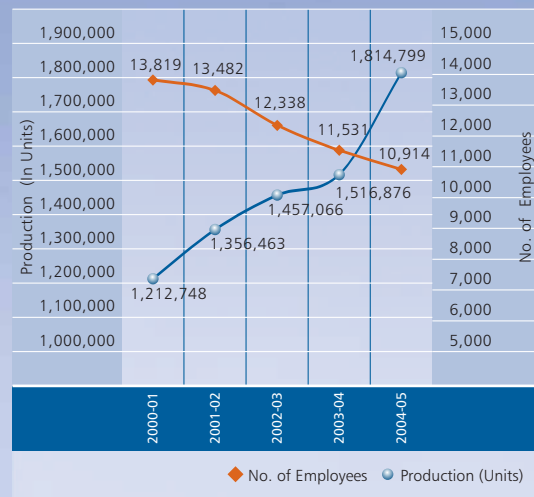
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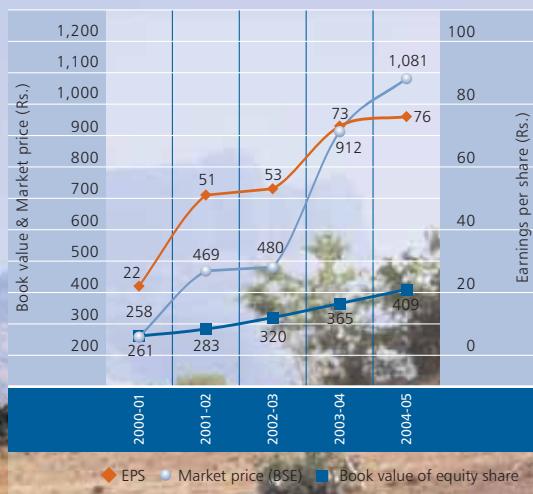
Net Fixed Assets vis-a-vis Net Sales



Production vis-a-vis Employee Strength



Book value, Market price & Earnings per share



Dividend Payout





CHAIRMAN'S LETTER



Dear Shareholder,

2004-05 has been a good year for your company in more ways than one. Last year, I had shared with you my desire to hand over the day-to-day running of Bajaj Auto to a younger team who have been groomed for leadership of your company. This transition has been completed. As of 1st April 2005, I have stepped down from being the Managing Director of your company—a post that I held for 35 years. That mantle has been handed over to Rajiv Bajaj, who now leads a younger and energised team of persons, along with the newly appointed Board member and Executive Director, Sanjiv Bajaj.

I am confident that this change of guard will further invigorate your company's employees, vendors and dealers and motivate them to continuously redefine standards of excellence.

The Vice Chairman of your company, Madhur Bajaj, who has been by my side in serving your company for almost 20 years,

and I, will now be involved in wider strategic issues and together we will play the role of mentoring and offering guidance whenever it is necessary.

I am also happy to share with you the company's operational performance. Sales have increased by almost 21 per cent to exceed Rs 65.4 billion—which is yet another record for Bajaj Auto. Gross operating profits now stand at Rs 9.3 billion, and happen to be the highest in the history of the company. Profits after tax are close to Rs 7.7 billion, and pre-tax return on operating capital is now at an impressive 80 per cent. These are creditable figures, and show that Bajaj Auto is now confidently on the move.

The strength of a company such as ours depends on the quality of its products, excellence in engineering and design, and the ability to delight customers. Here, too, I am more than satisfied by Bajaj Auto's performance. The Pulsar continues to dominate the premium segment of the motorcycle market and I believe that its new variant introduced in November 2004 will help in maintaining market superiority. The new 125 cc

Discover DTSi—which in my previous letter I had referred to as model K 60—was introduced in the ‘value’ segment of the motorcycle market. It is truly a best-in-class bike, which incorporates a high degree of power combined with riding comfort, and yet offers the fuel efficiency of a 100 cc motorcycle. Discover has sold over 150,000 units between September 2004 and March 2005. It has been well appreciated by consumers, and I hope that this motorcycle and its future variants will substantially redefine our position in this market segment.

I am, similarly, extremely happy with the performance of the CT 100 in the ‘price’ segment of the motorcycle market. Your company was traditionally the market leader in this category until it lost that position in 2003-04. I am delighted that we have not only bounced back with an excellently engineered model that has captured the hearts of the customers, but also, in the process, regained our top position in this segment. With this, Bajaj Auto is again the market leader at the top as well as at the bottom.

Your company’s export performance has also been good. 2004-05 saw a 45 per cent growth in two-wheeler exports, which now touch 131,000 units or 8 per cent of the total sale of two-wheelers. Three-wheeler exports volumes are over 65,000 units and constitute 30 per cent of the total sale of three-wheelers. We are the largest exporters in the industry. However, we still have a long way to go.

I believe that sustained growth for your company in the next decade—if not in the next five years—will have to come from

abroad. It is estimated that the global market for motorcycles of less than 250 cc is around 30 million and growing. Of this, India accounts for about 6 million.

Today, Bajaj Auto has proven expertise in motorcycles; and it is rapidly building its R&D, production processes, supply chain and distribution channels to further enhance its competitive advantage. Clearly, exports have to be the engine of future growth. I am sure that we will leverage this opportunity through direct exports as well as by building and acquiring capacities and brands abroad.

These are some of the good news that I want to share with you. But, as in the past, I also want to discuss a couple of concerns. The first has to do with the unabated rise in raw material prices, especially steel and aluminium. No doubt, it has affected all players in the industry; and I dare say, with our obsession for efficiency and cost control, we have dealt with it suitably. My concern is how long these high prices will continue. As I write, there seems to be little or no respite. The challenge for your company and its vendors will be to further improve efficiencies, take out every inch of slack and deal with this on a war footing.

My second concern is the decline, though marginal, in the domestic three-wheeler market. This has entirely to do with state and municipal laws and regulations that are preventing the growth of autorikshaws as a mode of urban transport. I have a problem with these laws. Your company has the most technologically advanced, environmentally friendly three-wheelers in India and perhaps even the world. Prevent pollution

by all means. But do not prevent the introduction of clean autorikshaws by painting everyone with the same brush.

Let me also take this opportunity to share with you the performance of our two insurance companies—Bajaj Allianz General Insurance Company Ltd and Bajaj Allianz Life Insurance Company Ltd. Both now rank second among the private players in their segments and both are poised for further growth. In other words, your company's foray in this sector has paid dividends. I would like to convey my congratulations to the insurance teams with the hope that, in the years ahead, they would deliver even better performance.

Talking of finance invariably leads to the topic of the free cash in your company. In the next five years Bajaj Auto will have to launch multiple initiatives: to deal with greater competition in all segments of the domestic market; spend more on R&D and product development; make larger investments in plant and equipment; and, most significantly, execute a series of global forays that will require setting up of plants, acquisition of companies, vendor and distribution networks, and brand building to compete with renowned global players.

None of this comes for free. So, I maintain my earlier position that we should all think of this free cash as the fuel for growth. Many companies come to mind who are universally recognised as great companies. Each of them has substantial cash reserves—and for the same reasons.

The Indian economy has gained resilience. Despite poor agricultural growth last year, economic growth in 2004-05 is expected to be almost 7 per cent. Consequently the growth in demand for two-wheelers during 2004-05 has been almost 17 per cent. I believe similar levels of both economic and sectoral growth are likely to continue. However, sharp increases in international oil prices over the last two years and the possibility of their continuing over USD 40 per barrel can act as a damper, especially if the resultant higher inflation feeds through to interest rates.

Your company has deep-rooted tradition of philanthropy. Through the Jamnalal Bajaj foundation, Jankidevi Bajaj Gram Vikas Sanstha and other charitable trusts, we have been supporting constructive work, largely in rural areas. We have also been supporting a number of other initiatives, including the Kamalnayan Bajaj Hospital at Aurangabad. Bajaj is not just about making and delivering products, nor just about profits and turnovers. Bajaj is about touching every Indian, one way or the other, every day of his/her life.

Please join me in offering our best wishes to the new team that is going to lead your company in the future. I am confident that these young people will propel Bajaj Auto on to a new growth trajectory. With your good wishes, support and blessings, they most certainly will.



Rahul Bajaj
Chairman

Board of Directors

Rahul Bajaj
Chairman

Madhur Bajaj
Vice Chairman

Rajiv Bajaj
Managing Director

Sanjiv Bajaj
Executive Director

D S Mehta
Whole-time Director

Kantikumar R Podar

Shekhar Bajaj

D J Balaji Rao

J N Godrej

S H Khan

Suman Kirloskar

Naresh Chandra

Nanoo Pamnani

Tarun Das

Manish Kejriwal

Management

Rahul Bajaj
Chairman

Madhur Bajaj
Vice Chairman

Rajiv Bajaj
Managing Director

Sanjiv Bajaj
Executive Director

Ranjit Gupta
Vice President (Insurance)

C P Tripathi
Vice President (Operations)

N H Hingorani
Vice President (Materials)

Kevin D'sa
Vice President (Finance)

Pradeep Shrivastava
Vice President (Engineering)

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

V S Raghavan
Vice President (Corporate Finance)

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 Office

Mumbai-Pune Road
Akurdi, Pune 411 035

Registered under the Indian
Companies Act, 1913

Works

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



From right to left: Rahul Bajaj, Madhur Bajaj, Rajiv Bajaj, Sanjiv Bajaj, N H Hingorani, C P Tripathi, Pradeep Srivastava, Ranjit Gupta, S Sridhar, Kevin D'sa, V S Raghavan

MANAGEMENT DISCUSSION AND ANALYSIS

The process of “change” that Bajaj Auto initiated few years ago spans many dimensions—all of which have involved re-examining and changing the ways of doing business. This has led to:

- continuously focusing on the evolving needs of markets;
- creating leaner and more efficient production systems;
- optimising the manner in which the company sources components;
- giving primacy to quality;
- making R&D and product design central to every model that it launches;
- creating a corporate brand that inspires confidence due to its values and transparency;
- consistently delivering products that delight its buyers and generates greater customer excitement because of their style and engineering excellence.

Customer excitement through engineering, product and service excellence is what the company is striving to attain in everything it does; and excellence is the ever increasing standard that will define its space in the industry—both in India and elsewhere in the world.

When excellence starts to deliver results, it translates to better financial performance. It is useful to highlight some of Bajaj Auto’s results for 2004-05 to underscore this point.

- Sales increased from Rs.54.18 billion in 2003-04 to Rs.65.42 billion in 2004-05. This is the company’s highest ever sales—almost 21 per cent higher than its previous high in 2003-04.
- Total turnover also grew by 20 per cent, from Rs.52.7 billion in 2003-04 to Rs.63.4 billion in 2004-05—also the highest ever for the company.
- Operating EBITDA (earnings before interest, taxes, depreciation and amortisation), prior to extraordinary items, increased from Rs. 8.95 billion in 2003-04 to Rs.9.30 billion in 2004-05, which is also the highest operating profit. This translates to an operating EBITDA margin of 15.7 per cent of operating income.
- Profit before tax (PBT) rose from Rs.9.60 billion in 2003-04 to Rs.10.86 billion in 2004-05—a growth of 13 per cent.
- Despite higher incidence of taxes, profit after tax (PAT) increased from Rs.7.32 billion in 2003-04 to Rs.7.67 billion in 2004-05.



As before, this chapter is in three segments. The first, analyses markets and sales across the various product segments; the second, focuses on operations; and the third, on the financials. But, before going into the details, it is necessary to touch upon reduction in the operating EBITDA margin from 18.2 per cent in 2003-04 to 15.7 per cent in 2004-05. Three things need to be clearly recognised, and these relate not just to Bajaj Auto, but to the industry as a whole. First, the year has seen considerable increase in raw material prices, especially steel, which has affected all user industries—and auto manufacturers are no exception. Second, as has been mentioned in previous annual reports, a significant shift in favour of motorcycles and away from three-wheelers increases raw material and components cost as a percentage of sales. Third, and most important, the competitive scenario is such that operating margins of 18-19 per cent appear to be things of the past.

Equally, it may be noted that despite a 2.5 percentage points fall in the margin, the company still earns by far the highest EBITDA margin in the industry.

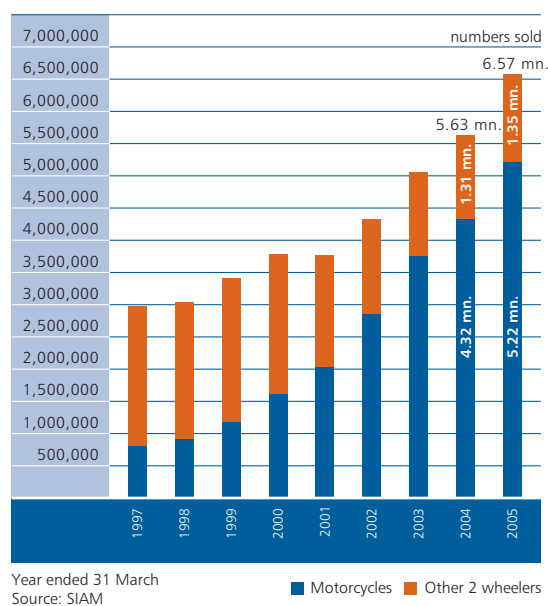
Markets

Two wheelers

Between 2003-04 and 2004-05, the industry's overall sales of two-wheelers grew by 16.7 per cent, from 5.63 million to 6.57 million.

Motorcycles, which constitutes by far the most dominant category, showed increase in the volume of sales by 20.9 per cent, from around 4.32 million to almost 5.22 million. As a result, the share of motorcycles to two-wheeler sales rose from 76.7 per cent in 2003-04 to 79.4 per cent in 2004-05. Chart A depicts the trend.

CHART A: Industry's sale of two wheelers



Motorcycles

Motorcycles dominate two-wheelers. And it is worthy of note that, through very rapid growth in sales and market penetration, Bajaj Auto has steadily increased its market share in this category. See Table 1.

TABLE 1: Bajaj Auto’s growth in market share for motorcycles

Year ended 31 March	Market (nos.)	Market growth	BAL (nos.)	BAL’s growth	BAL’s market share
2001	2,033,196	—	422,016	—	20.8%
2002	2,861,375	40.7%	656,018	55.4%	22.9%
2003	3,757,125	31.3%	868,138	32.3%	23.1%
2004	4,316,777	14.9%	1,023,551	17.9%	23.7%
2005	5,217,996	20.9%	1,449,710	41.6%	27.8%

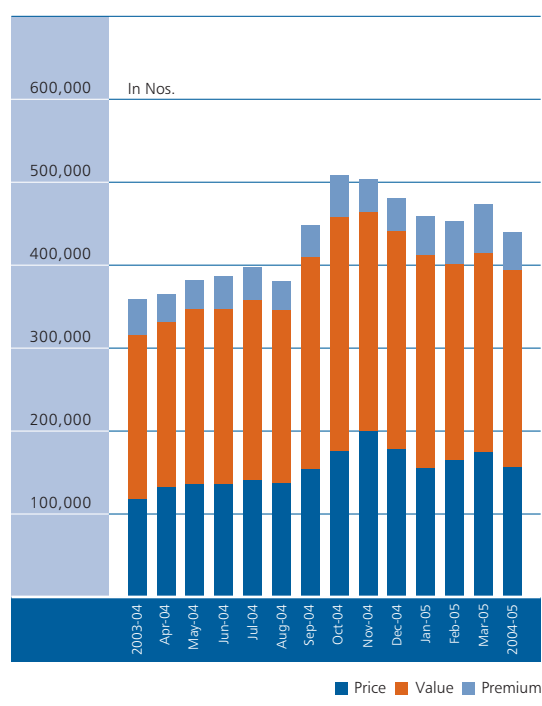
Source: SIAM

The motorcycle market is divided into three segments:

- ‘Entry level’ or the ‘price’ category— which in the context of 2004-05 relate to models priced between Rs.30,000 and Rs. 37,000, ex showroom. Here, Bajaj Auto is the market leader with its CT 100. It is an executive-level bike which is technologically designed to give all the benefits of the next segment, but at an entry-level price.
- The ‘value’ or ‘executive’ category— which refer to models priced between Rs.38,000 and Rs.45,000. Bajaj Auto is present in this segment with its new offering, the 125 cc Discover.
- ‘Premium’ or ‘performance’ category— models priced above Rs.45,000. Here, again, Bajaj Auto is the clear market leader with its Pulsar twins—the 150 cc and 180 cc variants. The company’s position will be further strengthened at the higher end of this category in July 2005 with the launch of a competitively priced 180 cc cruiser bike called Avenger.

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

CHART B: Monthly sale of motorcycles, according to segments

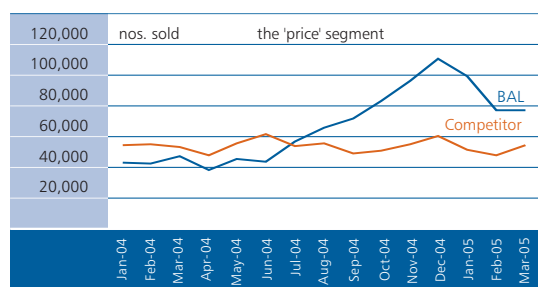


In the ‘entry’ or ‘price’ segment, Bajaj Auto accounted for 32 per cent of the motorcycles sold in 2003-04 through its basic product, the Boxer. However, by the end of the last financial year, the company’s traditional primacy in this segment was challenged by a competitor who, for the first time,

sold more motorcycles than Bajaj Auto in this category. In last year's Management Discussion and Analysis, it was written that, "Bajaj Auto proposes to deal with this competition by introducing a new model called the CT 100... 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."

This is exactly what has happened. In January 2004, Bajaj Auto's share of this market was 34.7 per cent, while the competitor's was 43.8 per cent. May 2004 saw the introduction of the CT 100. By July 2004, the company's share had risen to equal that of the competitor's. Thereafter, on the strength and popularity of the CT 100, Bajaj Auto has again regained the leadership position in this segment. Chart C depicts the change. For 2004-05, the company's market share in this segment was almost 49 per cent, versus 35 per cent of the competitor's. The chart also shows how competitive the market is—and the need for Bajaj to improve upon its sales of CT 100 to always maintain a clear leadership position.

CHART C: How CT 100 got Bajaj Auto back to leadership in the 'price' segment



In the premium or performance segment, despite competition, Bajaj Auto remains the market leader with its Pulsar DTSi. In 2004-05, the company accounted for over 55 per cent of this market category and, in quantitative terms, has been able to hold its own despite fairly severe competition in the second half of the year. The Pulsar 150 ES-DTSi is powerful enough to beat larger displacements and also gives fuel efficiency of a 125 cc motorcycle. An upgraded version of the Pulsar was launched in November 2004 with additional features such as ExhaustTEC, Bajaj Auto's in-house technology, to boost low to mid range power while achieving excellent top end performance, Nitrox gas shock absorbers for better riding comfort, and alloy wheels. We believe notwithstanding growing competition, that the new Pulsar will help Bajaj Auto to maintain its leadership position in this category.

Substantive quantitative gains for the industry are in the 'value' or 'executive' segment of the motorcycle market, which accounted for 55 per cent of all models sold in 2004-05 and grew by almost 20 per cent in the course of the year. Bajaj Auto now has an excellent model in this category—the 125 cc Discover, whose engine has the highest power and torque in its class with the fuel economy of a 100 cc bike. The model has been awarded "Bike of the Year, 2005" and "Best Indigenous Design of the Year 2005" by Overdrive magazine.

Discover was introduced in September 2004, and sold over 150,000 units up to 31 March 2005. This is a difficult market segment, where the key competitor has enjoyed a long presence with



associated brand equity. Equally, Bajaj Auto now believes that it has a model which ranks among the best-in-class and can deliver the best price-value configuration in this category. As more and more consumers experience the ride quality and fuel efficiency of the Discover, it is hoped that the model's engineering and design superiority will speak for themselves—and allow the company to garner larger market shares in the future.

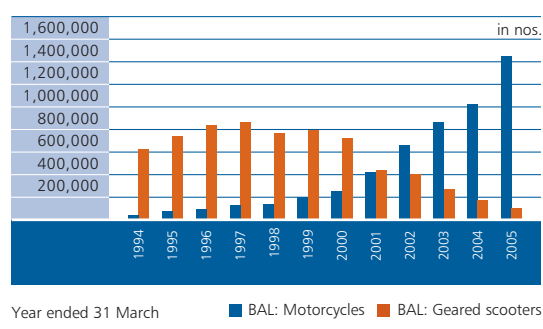
Other Two-Wheelers

Compared to motorcycles, other two-wheelers are suffering in India. Sales of geared scooters have continued to fall in volumes—as it has every year since 1999-2000. In 2004-05, total sales were a little over 240,000 vehicles, which happened to be almost 17 per cent less than what it was in 2003-04. The company's sales in 2004-05 was 102,779 units, versus 178,187 geared scooters in 2003-04—a decline of 42 per cent. The market is shrinking and it is difficult to predict when it will bottom out.

On the positive side, the ungeared scooter segment has grown by 13 per cent during the year to touch 742,000 units in 2004-05. The company's presence in this segment was only the Spirit 70 cc, which sold 30,566 units. In March 2005, Bajaj Auto introduced a new ungeared 110 cc scooter called Wave, which was designed by the same team which built the Pulsar and Discover. The engine is powered by DTSi; it has ExhaustEC for improving low speed drivability; and it has good manoeuvrability with more than adequate performance, power and fuel economy. It is too early to say how the Wave will fare in the market; but it is hoped that it will help the company re-position itself in the ungeared scooter segment.

The change in the company's two-wheeler strategy shows up in Chart D. Historically known as the producer of scooters, the company today is predominantly a manufacturer of motorcycles.

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



Three-wheelers

This is a segment where there is cause for concern. Various state and urban-level legislations are restraining the use of three-wheeler passenger vehicles. For instance, there is a cap on the number of permits to be granted for autorickshaws in Delhi, Hyderabad, Bangalore, Kolkata, Mumbai and 34 other large cities. Right now, in these major markets, the only scope for growth is through replacement of older vehicles by newer ones that use clean fuels. Consequently, passenger three-wheeler sales for the industry as a whole declined by 1.8 per cent in 2004-05, to 229,845 vehicles.

Bajaj Auto continues to be the clear market leader in this category and, during the year under review, accounted for 82 per cent of industry's sales. However, there has been some competition at the margin, with newer entrants trying to create bridgeheads in this legislatively enforced stagnant market. Consequently, the company's sales have fallen by 7 per cent from

203,639 vehicles in 2003-04 to 188,572 in 2004-05. While it is recognised that market leaders are targets in stagnant or declining markets, Bajaj Auto is putting in place a strategy to reverse this decline.

The three-wheeler goods carrier market has continued to grow over the year. Industry-wide sales for 2004-05 were 128,554 units—29 per cent more than what it was in 2003-04. Moreover, with a sale of 33,481 vehicles, Bajaj has grown slightly faster than the segment, and has marginally increased its share in this market to 26 per cent. However, from the company's point of view, it needs to be realised that goods carrier vehicles account for only 15 per cent of Bajaj Auto's three-wheeler portfolio. Going forward, therefore, the company will not only have to implement a strategy to regain its market share in the passenger segment, but also increase its presence in the goods carrier category. Table 2 gives the data.

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

	2004-05	2003-04
Passenger vehicles		
3-seater		
Industry sales	219,151	221,831
Bajaj Auto sales	188,572	203,639
Bajaj Auto market share	86.0%	91.8%
6-seater		
Industry sales	10,694	12,245
Bajaj Auto sales	NA	NA
Total passenger vehicles		
Industry sales	229,845	234,076
Bajaj Auto sales	188,572	203,639
Bajaj Auto market share	82.0%	87.0%
Goods carriers		
Industry sales	128,554	99,625
Bajaj Auto sales	33,481	25,543
Bajaj Auto market share	26.0%	25.6%
Total 3-wheelers		
Industry sales	358,399	333,701
Bajaj Auto sales	222,053	229,182
Bajaj Auto market share	61.9%	68.7%

Exports

Bajaj Auto continued to be India's largest exporter of two and three wheelers. During 2004-05, it exported 196,710 two and three-wheelers—which represented a growth of 26 per cent over 2003-04. Exports now constitute 11 per cent in volume terms and 12 per cent of its value of net sales. Table 3 summarises the product-wise exports.

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

Product	2004-05	2003-04	Growth
Motorcycles	123,946	82,314	51%
Total two-wheelers	130,945	90,210	45%
Three-wheelers	65,765	65,797	—
Total vehicles	196,710	156,007	26%

Bajaj Auto is the market leader in Sri Lanka and Bangladesh in two-wheelers; and in Colombia and Guatemala, Bajaj motorcycles are one of the leading brands. In addition to an office in Dubai that was set up in 2003 for exploring African markets, during 2004-05 a representative office was opened in Indonesia. Plans are on the anvil to set up a joint venture in Indonesia with a local partner for foraying into the three-wheeler market of that country.

Over time, exports will have to be a focus area for the company. The reasoning is clear. Two-wheelers with engine capacity of 250 cc or less constitute over 90 per cent of the global market. This happens to be Bajaj Auto's area of core competency: the company has proven product development skills, design capabilities, production techniques and processes, cost competitiveness and an understanding of different consumer psyches in the

various strata of the sub-250 cc markets. By an appropriate combination of direct exports from India and setting up of manufacturing/ assembly operations abroad, Bajaj Auto plans to increase its global thrust in the years to come.

Operations

Research and development

The company recognises that being a world class player in the two and three-wheeler markets requires skills in design and development of new models. Therefore, over the past three years, the company has been in the process of building a completely integrated R&D facility at its Akurdi works. In 2004-05, Bajaj Auto began the process of implementing the second phase of an advanced materials laboratory and an advanced prototyping shop. This world-class facility will enable R&D to quickly and independently create new models.

During the year, the company's R&D efforts fructified in some notable product launches—the CT 100, Discover-DTSi, upgrades of Pulsar and Wave. As mentioned in the last year's annual report, Bajaj Auto's R&D had unveiled a path-breaking technology called DTSi (Digital Twin Spark Ignition) for small displacement engines. This technology has resulted in improving fuel efficiency, while providing higher power and lower emissions, and was first introduced in the Pulsar. During 2004-05, this DTSi technology was extended to the Discover and the Wave. In addition, Bajaj Auto's R&D unveiled ExhaustTEC, a technology which boosts the low end and mid range performance while still achieving excellent top end performance. This enables very good low speed driveability and reduced gear shifting, and has been incorporated in the

Pulsar, Discover and Wave. In 2004-05, Bajaj Auto's R&D efforts in product development were recognised by Overdrive magazine, which awarded Discover DTSi the distinction of "Bike of the Year, 2005" and the "Best Indigenous Design of the Year 2005".

Plants

During 2004-05, Bajaj Auto's three plants produced a total of 1,814,799 two and three-wheelers. The distribution of product range across the plants is given in Table 4. It needs to be noted that in addition to the geared, ungeared and the step-thru ranges of two-wheelers which are manufactured at Akurdi, the plant reaped benefits of its flexible manufacturing processes to produce CT 100 motorcycles.

TABLE 4: Distribution of products across plants

Plant	Products
Akurdi	Geared scooters, ungeared scooters, step thrus and CT 100
Waluj	Bajaj - Kawasaki range of motorcycles and three-wheelers
Chakan	Bajaj motorcycles - Pulsar and Discover

Table 5 gives the distribution of production capacities across the three plants over the past and current year.

TABLE 5: Plant wise capacities

Plant	2004-05	2003-04
Akurdi	720,000	720,000
Waluj	1,260,000	1,200,000
Chakan	720,000	600,000
Total	2,700,000	2,520,000



During the year, there was a marginal increase in the capacity at Waluj, while that of Chakan was enhanced by 120,000 vehicles. Plans are on the anvil to increase the overall motorcycle capacity to 2.4 million vehicles by March 2006.

The TPM movement in the company's plants at Waluj and Akurdi continued during the current year. 2004-05 saw significant gains in the Akurdi plant in Overall Equipment Effectiveness (OEE) in minimisation of break downs, in reducing in-process component defects, reducing matured warranty costs and cutting down variable conversion costs. Application of TPM at Waluj enabled improvements in productivity and reduction in manpower costs.

At Chakan, a crankshaft line has been fully automated by the use of nine FANUC robots. These robots are currently deployed for component loading, unloading from machines, signalling start times, transferring of components from one machine to another, and for detecting and signalling the state of operation of machines. This has resulted in eliminating component rejections and has also helped to deploy cell members for more value-added activities.

People

Rapid changes in systems, processes and the methods of working over the past years have enabled Bajaj Auto achieve a production of 1.8 million vehicles in 2004-05 with a manpower of 10,914—compared to 1.5 million vehicles and 11,531 employees in 2003-04. Table 6 highlights

how productivity has improved from 67.7 vehicles per employee in 1996-97 to 166.3 vehicles in 2004-05.

TABLE 6: Growing employment productivity at Bajaj Auto

On 31st 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
2005	1,814,799	10,914	166.3

During the year, 714 employees of the Akurdi plant accepted the voluntary retirement scheme of the company. Moreover, not a single day of work has been lost due to any form of strikes or labour unrest.

Information Technology

During the year, an upgrade of ERP system (SAP) was undertaken. This has enhanced system capacity in terms of improved response times. Implementation of a Business Information Warehouse enabled the company to track its key performance indices, or KPI's.

Significant improvements were also made during the year in the 'order-to-despatch cycle', which has enabled plants to better align their production schedules with the dealers' orders. Moreover, as part

of the company's efforts to standardise and improve processes across various dealerships, a mini-ERP package is currently under installation at all dealerships.

Supply chain

Dealers

The company has a network of 479 dealers and over 1,300 service dealers across the country. During the current year, contracts with 22 dealers were terminated, while 52 new dealers were appointed. This addition of 52 dealers is the largest network expansion in the automobile sector during the year under review.

Around 1,250 rural outlets were created in towns with population of 25,000 and below. The current dealer network is servicing these outlets. In addition to bring in awareness in villages for Bajaj's products, around 500 rural melas were conducted throughout India. These were carried out across 11,500 villages across the country, and facilitated the sale of over 50,000 vehicles in 2004-05.

Sales and service processes were redefined using TPM methods. This has been structured as Sales 5P and Service 5P. Over the next three years this will be fully implemented across the entire supply chain.

Increased presence of Bajaj vehicles throughout the country has created a growing need for providing service infrastructures closer to the customers' homes or offices. To this end, the

company unveiled a new concept called 'YES'—the Young Engineers Service. These are small and exclusive service centres manned by young engineers at various neighbourhoods. Around 100 outlets are already in operation at various locations. In the coming years, this concept will be fully extended across the country.

In June 2004 a dealer conference was organised in Zurich, Switzerland to unveil the new motorcycle – "Discover". The conference also showcased best practices of select dealers in the areas of sales and marketing to other dealers.

Vendors

In the past, Bajaj Auto used to manufacture over 50 per cent of its components in-house. Today, the company manufactures only around 15 per cent—and those are core components like crankshafts, camshafts, crankcases and primary gears. While steadily increasing out-sourcing, the company has also paid considerable attention to rationalising its vendor base. Even as late as April 2000, there were over 800 vendors. Today, there are only 210 vendors who supply more than 85 per cent of the components. This combination of out-sourcing and rationalisation has not only enabled Bajaj Auto reduce its average cost, but also offered economies of scale to its vendors.

The company encourages its vendors to set up their manufacturing locations around its plants, which enables them to closely align their production to that of the company's. Plans are on

the anvil by various vendors to invest over Rs.2 billion in fresh capacities. Moreover, to enhance the capabilities of its vendors, Bajaj Auto has been arranging technology tie-ups with international auto component manufacturers. With active support and guidance of the company's resources and through external consultants, TPM activities have been extended to a large number of vendors, with the objectives of achieving zero break downs, zero rejections and zero accidents.

To re-emphasise its commitment to all stake-holders, Bajaj Auto organised a vendor conference at Dubai in May 2005 where its strategy and future plans were shared with vendors.

Financials

2004-05 was a difficult year for the automobile industry. Continuous rises in input raw materials especially steel and aluminium prices put pressure on profit margins. Passing these costs on to customers is not something that efficient manufacturers wish to do. It is not an option that Bajaj Auto likes to consider.

Anticipating margin pressures, the company placed even greater emphasis on cost reduction through better purchase and inventory management, and greater production efficiencies. In fact, it was a combination of these factors that enabled the company to limit the rise in unit costs.

Sales for 2004-05 stood at Rs.65.42 billion as against Rs.54.18 billion in 2003-04—an increase of 21 per cent. Included in this sales figure is the turnover from exports of Rs.7.19 billion for 2004-05—which formed 12 per cent of net sales, versus Rs.5.56 billion, or 12 per cent in 2003-04.

Total turnover (net of excise duty) increased from Rs. 52.7 billion in 2003-04 to Rs.63.4 billion in 2004-05—an increase of 20 per cent.

EBITDA margin on operations for 2004-05 was 15.7 per cent compared to 18.2 per cent in 2003-04. Profit before tax increased from Rs.9.60 billion to Rs.10.86 billion—an increase of 13 per cent. Table 7 gives the summarised profit and loss account.



TABLE 7: Summarised profit and loss account, 2004-05

In Rs Million	2004-05	2003-04
Operations		
Sales	65,416	54,185
Less: excise duty	8,053	6,633
Net sales	57,363	47,552
Other operating income	1,907	1,616
Total operating income	59,270	49,168
Cost of materials consumed, net of expenses capitalised	40,822	31,754
Share of material cost	68.9%	64.6%
Stores and tools	630	588
Share of stores and tools	1.1%	1.2%
Labour cost	2,491	2,405
Share of labour cost	4.2%	4.9%
Factory and administrative expenses	2,470	2,200
Share of factory and administrative expenses	4.1%	4.5%
Sales and after sales expenses	3,553	3,270
Share of sales and after sales expenses	6.0%	6.6%
Total expenditure	49,966	40,217
Operating profit	9,304	8,951
Operating profit as a share of total operating income	15.7%	18.2%
Voluntary Retirement Scheme	490	235
Labour settlement provision	—	415
Revised operating profit	8,814	8,301
Revised operating profit as a share of total income	14.9%	16.9%
Interest	7	9
Depreciation	1,559	1,504
Net operating profit	7,248	6,788
Non-operating income		
Income	3,832	3,271
Expenses	80	374
Non-operating income, net	3,752	2,897
Windfarm operations		
Income	249	264
Expenses	91	50
Depreciation	294	295
Windfarm operations, net	-136	-81
Profit before taxation	10,864	9,604
Provision for taxation	3,196	2,289
Profit after taxation	7,668	7,315

TABLE 8: Break-up of sales (in units and in Rs. million)

Product	2004-05		2003-04		% of total units		% of total value	
	Units	Value	Units	Value	2004-05	2003-04	2004-05	2003-04
Motorcycles	1,449,710	44,170	1,023,551	31,852	79.4%	67.4%	67.5%	58.8%
Scooters geared	102,779	2,161	178,187	3,653	5.6%	11.8%	3.3%	6.7%
Scooters ungeared	30,959	629	54,709	1,040	1.7%	3.6%	1.0%	1.9%
Step-thrus	19,198	356	32,502	573	1.1%	2.1%	0.5%	1.1%
Total two-wheelers	1,602,646	47,316	1,288,949	37,118	87.8%	84.9%	72.3%	68.5%
Three wheelers	222,053	14,717	229,182	14,427	12.2%	15.1%	22.5%	26.6%
Total vehicles	1,824,699	62,033	1,518,131	51,545	100.0%	100.0%	94.8%	95.1%
Spare parts & Others	—	3,383	—	2,640	—	—	5.2%	4.9%
Total sales	1,824,699	65,416	1,518,131	54,185	—	—	100.0%	100.0%

Analysis of sales

Analysis of sales across product groups is given in Table 8. In 2004-05, motorcycles continued to dominate the product portfolio, with growth rates higher than the industry average—42 per cent increase in volume and 39 per cent growth in sales value over 2003-04. Overall, two and three-wheeler sales contributed to a top-line growth of 21 per cent.

Materials, stores and tools

During 2004-05, the share of materials to net sales and other operating income increased from 64.6 per cent to 68.9 per cent. This is a result of two factors: continuous rise in the price of steel throughout 2004-05; and the increase in the number of motorcycles sold—with its relatively high bought-out material content. The share of stores and tools has shown a marginal decrease at 1.1 per cent as against 1.2 per cent in 2003-04.

Labour, factory and administration costs

Labour costs as a share of net sales and other operating income has reduced from 4.9 per cent in the previous year to 4.2 per cent in 2004-05. This is due to further rationalisation of manpower and growing productivity in the plants, despite an increase in employees' remuneration. Factory and administration costs have also decreased marginally to 4.1 per cent of net sales and other operating income, versus 4.5 per cent in 2003-04.

Sales and after sales expenses

In spite of intense competition in the two-wheeler market, the company has been able to contain its sales and after sales expenses for 2004-05 at 6 per cent of net sales and other operating income, compared to 6.6 per cent in the previous year. This is thanks to a focused rationalisation of expenditure on product and brand advertisements. The increase in ad spends was only 11 per cent

compared to the top-line growth of 21 per cent. Improvements in product quality by Bajaj Auto and its vendors has also resulted in a reduction in warranty cost per vehicle—this in spite of an increased warranty of two years on its motorcycles.

Operating margins

Operating earnings before interest, taxation, depreciation and amortisation (EBITDA) prior to extraordinary items, as a share of net sales and other operating income is 15.7 per cent as against 18.2 per cent in 2003-04. As mentioned before, this is largely on account of increase in prices of steel and aluminium. It bears repetition that even with this fall, Bajaj Auto has the best operating margin in the industry.

Operating working capital

The company's efforts to improve efficiencies in this area have resulted in a negative net operating working capital as of 31 March 2005. This is given in Table 9.

TABLE 9: Operating working capital (Rs. million)

	As at 31 March 2005	As at 31 March 2004
Current assets		
Inventories	2,242	2,026
Sundry debtors	1,763	1,340
Cash and bank balances	1,077	784
Other current assets	2,234	1,759
Sub-total	7,316	5,909
Less: Current liabilities		
Sundry creditors	7,339	6,226
Advance against orders	229	193
Other current liabilities	235	120
Sub-total	7,803	6,539
Working capital	-487	-630

Return on operating capital employed

Table 10 gives the company's pre-tax return on operating capital. As it shows, the company's pre-tax return on operating capital employed has increased by 9 percentage points—from 71 per cent for 2003-04 to 80 per cent for 2004-05.

TABLE 10: Return on operating capital (Rs. million)

	As at 31 March 2005	As at 31 March 2004
Fixed assets	9,517	10,134
Technical know-how	40	77
Working capital	-487	-630
Total	9,070	9,581
Operating profit after interest and depreciation	7,248	6,788
Pre-tax return on operating capital employed	80%	71%

Treasury operations

The guiding principle of the company's investment strategy has been that of prudence. Accretions to surplus funds during the year were invested largely in secured and fixed investment securities like G-Sec and T-Bills. During the year, the company also made selective purchases of equities to capitalise on the opportunities that this segment offered. 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 11 gives the non-operating income earned by Bajaj Auto by different investment categories.

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

	2004-05	2003-04
Dividends	330	261
Interest on debentures and bonds	606	690
Interest on government securities	1,281	492
Interest on inter-corporate deposits and others	104	126
Income from mutual fund units	24	580
Profit on sale of investments	1,457	1,113
Others	30	9
Total Non-operating income	3,832	3,271
Non-operating expenses	80	374
Net non-operating income	3,752	2,897

The composition of Bajaj Auto's investment profile is given in Table 12. The market value of the portfolio is higher than the cost by Rs.7,417 million at Rs. 53.3 billion. This includes Rs. 12.2 billion of interest free sales tax loan from the government which is to be paid back in future years.

TABLE 12: Investment of surplus funds (Rs. million)

	As at 31 March 2005	% to total	As at 31 March 2004	% to total
Government securities and bank deposits	25,609	55.8	19,861	50.8
Mutual funds including UTI	935	2.0	1,568	4.0
Debentures and bonds	9,849	21.5	9,268	23.7
Preference shares	421	0.9	567	1.5
Inter-corporate deposits	228	0.5	381	1.0
Loan to Bajaj Auto Holdings Ltd.	48	0.1	137	0.4
Fixed income investments	37,090	80.8	31,782	81.4
Equity shares and equity share based mutual funds	8,792	19.2	7,290	18.6
Total cost	45,882	100.0	39,072	100.0
Market Value	53,299	—	45,108	—

Summarised cash-flow

The summarised cash flow during the current year is given in Table 13.

TABLE 13: Summarised cash-flow (Rs. million)

	Operations	Treasury	Windmill	Total
Sources				
Profits	7,248	3,752	(136)	10,864
Less: Prior period adjustments	(18)	—	—	(18)
Add: Non cash charges				
Depreciation and amortisation	1,559	—	294	1,853
Write off of technical know-how fees	36	—	—	36
Leasehold land amortisation	4	—	—	4
Diminution in value of Investments	—	43	—	43
Provision for doubtful advances	9	—	—	9
Sub Total	8,838	3,795	158	12,791
Other inflows/outflows				
SICOM Incentives	1,705	—	518	2,223
Total Cash Generated	10,543	3,795	676	15,014
Current assets, loans and advances				
Inventories (increase)/decrease	(216)	—	—	(216)
Debtors (increase)/decrease	(426)	—	—	(426)
Other current assets, Loans and advances (increase)/decrease	(476)	75	4	(397)
Loans and ICDs (increase)/decrease	—	241	—	241
Current liabilities increase/(decrease)	1,260	7	—	1,267
Net cash generated	10,685	4,118	680	15,483
Applications				
Repayment of fixed deposits	9	—	—	9
Investments made	—	7,094	—	7,094
Capital expenditure	963	—	—	963
Sub-total	972	7,094	—	8,066
Balance	9,713	(2,976)	680	7,417
Less:				
Income taxes paid				4,606
Dividends paid				2,518
Balance representing change in cash				293

Wind power project

A total of 138 windmills were set up by the company. These have an installed capacity of 65.2 MW, and generated 112 million units of power during 2004-2005, valued at Rs.249 million.

This project, with a total capital expenditure of Rs.2.94 billion, entitles the company to avail sales tax incentives to the tune of Rs.518 million per year. This benefit will be available for another three 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.

Joint venture: insurance

Bajaj Auto's two insurance joint ventures have done exceedingly well in the current year. While Bajaj Allianz General Insurance Company Limited continues to retain its number two slot amongst the private players in this segment, Bajaj Allianz Life Insurance Company Limited has moved from the number sixth position to be the number two player in terms of premium income, amongst private life insurance companies.

The general insurance venture recorded a Gross Written Premium of Rs. 8.5 billion, which is a 78 per cent growth over the previous year. The operating profit for the year was Rs. 666 million as against Rs. 223 million in the previous year.

The life insurance venture wrote a premium in excess of Rs. 10 billion during the year, which is a 354 per cent growth over the previous year's

premium of Rs. 2.2 billion. In March 2005, the partners infused fresh funds totalling Rs. 190 million in this venture.

Consolidation of accounts and segment reporting

The company also consolidated its financial statements with 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 14.

TABLE 14: Segment revenue and segment results (Rs. million)

Segment Revenue		Segment Results Profit/(loss) from each segment before interest and tax	
Automotive	59,339	Automotive	7,233
Insurance	14,325	Insurance	402
Investment and others	4,095	Investment and others	3,878
Total	77,759	Total	11,513
Less: Inter segment revenue	290	Less: Interest	6
Total	77,469	Profit before tax	11,507

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's commitment to good corporate governance practices predates the laws and mandates of the Securities and Exchange Board of India (SEBI) and the stock exchanges through Clause 49 of their listing agreements. Transparency, fairness, disclosure and accountability have been central to the working of the company, its management and its board of directors. The standing that the company enjoys in the 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 2004-05. As will be seen, Bajaj Auto's corporate governance practices and disclosures go well beyond complying with the statutory and regulatory requirements.

Board of directors

Recognising the importance of having a strong and broad-based board, the company is currently in the process of enhancing the limit on the number of directors from 15 to 18 by amending its Articles of Association, and presently awaits

approval from the shareholders and the central government. Bajaj Auto had earlier enhanced the limit on the number of directors on the board from 12 to 15.

Three new directors were appointed during 2004-05. Two of them are non-executive: Tarun Das (who is also an independent director), and Manish Kejriwal; the third, Sanjiv Bajaj, is an executive director. Their appointments are to be approved by the shareholders in the company's ensuing annual general meeting.

Composition

The board of Bajaj Auto currently consists of 15 directors, of whom 10 are non-executive, and five are whole-time executives. Eight out of the 10 non-executive directors are independent. According to Clause 49, if the chairman is an executive, at least half of the board should consist of non-executive, independent directors. This provision is more than adequately met at Bajaj Auto.

With effect from 1 April 2005, the board appointed Rahul Bajaj as the Chairman of the company, and elevated Rajiv Bajaj to the position



of Managing Director. The other three executive directors comprise Madhur Bajaj, Vice-Chairman, Sanjiv Bajaj, Executive Director, and Dhirubhai Mehta, a whole-time director. The board has no institutional nominee 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. Ten out of the 15 directors in Bajaj Auto are retiring directors. On this occasion, the retiring directors are Suman Kirloskar, D J Balaji Rao and S H Khan 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 2004-05, the board of directors met six times on the following dates: 19 May 2004, 31 July 2004, 15 September 2004, 20 October 2004, 19 January 2005 and 9 March 2005. The gap between any two meetings has been less than three 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 the directors at the six board meetings held during 2004-05, as well as at the last annual general meeting.

TABLE 1: Composition of the board and attendance record of directors for 2004-05

Name of Director	Category	Meetings attended	Whether attended last AGM on 31 July 2004
Rahul Bajaj	Chairman, executive	6/6	Yes
Madhur Bajaj	Vice Chairman, executive	6/6	Yes
Rajiv Bajaj	Managing Director, executive	6/6	Yes
Sanjiv Bajaj*	Executive director, executive	4/4	Not applicable
D S Mehta	Whole-time director, executive	5/6	No
Kantikumar R Podar	Non-executive, independent	4/6	Yes
Shekhar Bajaj	Non-executive	4/6	No
D J Balaji Rao	Non-executive, independent	6/6	Yes
J N Godrej	Non-executive, independent	4/6	No
S H Khan	Non-executive, independent	6/6	Yes
Suman Kirloskar	Non-executive, independent	5/6	Yes
Naresh Chandra	Non-executive, independent	6/6	Yes
Nanoo Pamnani	Non-executive, independent	5/6	Yes
Tarun Das*	Non-executive, independent	3/4	Not applicable
Manish Kejriwal*	Non-executive	3/4	Not applicable

*: Appointed as additional director by the board effective from 15 September 2004.

Information supplied to the board

The board of Bajaj Auto is presented with all the relevant information well in advance before each meeting on various matters affecting the working of the company, as well as those that require deliberation at the highest level. Directors have separate and independent access to senior management at all times.

In addition to items which are required to be placed before the board for its noting and/or approval under the statutes or regulations, information is also provided for the periodic review/information on various items, such as:

- production, sales and capital expenditure budgets and updates
- sales, operations, investments and financial performance
- review of plant-wise/segment-wise businesses

- financial results
- domestic and international market reviews
- staff matters, including senior appointments and extensions
- labour matters and human resource issues
- legal proceedings by or against the company
- legal compliance reports
- insider trading disclosures
- share transfer and demat compliance
- significant developments in subsidiary/ associate companies
- IT strategies and related investments
- donations and
- other significant 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 2005

Name of Director	In listed Companies	In Unlisted Public Limited Companies	As chairman/member of Board Committees of listed companies
Rahul Bajaj	3	2	0
Madhur Bajaj	3	5	1
Rajiv Bajaj	1	1	0
Sanjiv Bajaj	1	2	0
D S Mehta	4	3	8
Kantikumar R Podar	3	2	0
Shekhar Bajaj	2	6	2
D J Balaji Rao	5	1	7
J N Godrej	4	9	2
S H Khan	1	4	3
Suman Kirloskar	0	2	0
Naresh Chandra	5	2	6
Nanoo Pamnani	2	0	0
Tarun Das	1	4	1
Manish Kejriwal	0	1	0

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 and shareholders' grievance committee are considered for the purpose of committee positions as per listing agreement.

None of the directors was a member in more than ten 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 2005, amounted to Rs.0.1 million and Rs.0.6 million respectively.
2. 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.26 million.
3. 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 to bring about greater effectiveness and to comply with various requirements under the Companies Act, 1956 as well as 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 and are "financially literate". S H Khan, D J Balaji Rao and Nanoo Pamnani have a strong financial and



accounting background and can be considered as having accounting or related financial management expertise.

Meetings, attendance and topics discussed

During 2004-05, the audit committee met five times—on 19 May 2004, 31 July 2004, 15 September 2004, 20 October 2004 and 19 January 2005. 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, D J Balaji Rao and Naresh Chandra were present at each of the five meetings. J N Godrej and Nanoo Pamnani were present at four meetings.

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 un-audited 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 its composition 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

Meetings, attendance and topics discussed

The committee met once during the year on 9 March 2005. All the members of the committee were present at the meeting. The company secretary was in attendance.

The committee discussed and approved the remuneration payable to the whole-time directors of the company within the limits laid down by the

Companies Act, 1956, taking into account the report/comments of an independent professional firm engaged for the purpose. It also discussed the remuneration policy for the senior management of the company, and provided suggestions for necessary action.

Shareholders' and investors' grievance committee

The board of directors of Bajaj Auto constituted the shareholders' and investors' grievance committee of the directors in 2000. This committee specifically looks into the shareholders' and investors' complaints on matters relating to transfer of shares, non-receipt of annual report, non-receipt of dividend etc. In addition, the committee also looks into matters that can facilitate better investor services and relations.

The present committee consists of the following non-executive independent directors:

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

Meetings, attendance and topics discussed

During the year under review, the committee met on 9 March 2005 to review the status of investors' services rendered. All the members of the committee were present at the meeting. The secretarial auditor as well as the company secretary (who is the compliance officer for looking into shareholders' grievances on a day-to-

day basis), were also present. The committee focused its attention on various topics, such as :

- investors' queries and complaints regarding transfer, dividend, annual reports, etc
- complaints of investors routed by SEBI/Stock Exchanges
- electronic clearing service for dividend payment
- amounts transferable to Investor Education and Protection Fund
- profile of investors
- transfer, transmission, dematerialisation and rematerialisation of shares
- new common seal and new share certificates with the changed corporate identity
- global depository receipts, and
- secretarial audits.

All physical transfers as well as 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 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, phone or E-mail. No query/complaint received during the year under review remained unattended.

More details have been furnished in the chapter on *Additional Shareholder Information*.

Remuneration of directors

Non-executive directors

Non-executive directors were paid a sitting fee of Rs.20,000 for every meeting of the board or committee attended by them. Based on their attendance at the board and the committee meetings, the non-executive directors are paid upto an aggregate amount not exceeding 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

The remuneration payable to Rahul Bajaj, Madhur Bajaj, Rajiv Bajaj and Sanjiv Bajaj was reviewed by the remuneration committee at its meeting held on 9 March 2005, and confirmed by the board on that day. The revised remuneration payable to these executive directors will come into effect from 1 April 2005. There was no change in the terms of remuneration of Rahul Bajaj, Madhur Bajaj, Rajiv Bajaj and D S Mehta for the year under review. Sanjiv Bajaj, who was inducted into the

board on 15 September 2004, was paid remuneration with effect from 15 September 2004 upto 31 March 2005, which was by and large similar to his remuneration prior to such induction.

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 2004-05, 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 2004-05.



TABLE 3: Remuneration paid/payable to directors during 2004-05

Name of director	Relationship with other directors	Sitting fees Rs.	Salary & perquisites Rs.	Commission Rs.	Total Rs.
Rahul Bajaj	Father of Rajiv Bajaj, Sanjiv Bajaj, cousin of Madhur and Shekhar Bajaj, father-in-law of Manish Kejriwal	—	8,074,887	2,400,000	10,474,887
Madhur Bajaj	Cousin of Rahul Bajaj, brother of Shekhar Bajaj	—	2,591,037	2,400,000	4,991,037
Rajiv Bajaj	Son of Rahul Bajaj, brother of Sanjiv Bajaj, brother-in-law of Manish Kejriwal	—	2,680,756	1,800,000	4,480,756
Sanjiv Bajaj	Son of Rahul Bajaj, brother of Rajiv Bajaj, brother-in-law of Manish Kejriwal	—	3,402,168	—	3,402,168*
D S Mehta	—	—	1,645,264	—	1,645,264
Kantikumar R Podar	—	80,000	—	80,000	160,000
Shekhar Bajaj	Cousin of Rahul Bajaj, brother of Madhur Bajaj	80,000	—	80,000	160,000
D J Balaji Rao	—	260,000	—	260,000	520,000
J N Godrej	—	160,000	—	160,000	320,000
S H Khan	—	240,000	—	240,000	480,000
Suman Kirloskar	—	100,000	—	100,000	200,000
Naresh Chandra	—	260,000	—	260,000	520,000
Nanoo Pamnani	—	180,000	—	180,000	360,000
Tarun Das	—	60,000	—	60,000	120,000
Manish Kejriwal	Son-in-law of Rahul Bajaj, brother-in-law of Rajiv Bajaj and Sanjiv Bajaj	60,000	—	60,000	120,000

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 not exceeding five years from the date of appointment.

* as director with effect from 15 September 2004

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 helps in ensuring compliance with the amended regulations.

Shareholders

Disclosure regarding appointment and/or re-appointment of directors

As stated earlier, Rahul Bajaj, Madhur Bajaj and Rajiv Bajaj have been re-appointed by the board of directors for a further term of five years effective from 1 April 2005. Sanjiv Bajaj has been appointed as executive director for the term commencing on 15 September 2004 and ending on 31 March 2009. Tarun Das and Manish Kejriwal have been appointed as additional directors with effect from 15 September 2004.

The appointment or re-appointment of Rahul Bajaj, Madhur Bajaj, Rajiv Bajaj, Sanjiv Bajaj, Tarun Das and Manish Kejriwal will come up for the approval of the shareholders at the ensuing annual general meeting. Necessary disclosures in respect of these directors have been given in the explanatory statement annexed to the notice of the annual general meeting.

Suman Kirloskar, S H Khan and D J Balaji Rao are retiring by rotation and are eligible for re-appointment. Their brief profiles are given below :

Suman Kirloskar (born on 22 April 1935) is a science graduate. A well-known social worker, Ms Kirloskar is actively involved in the welfare of women and children. She is associated with the Mahila Seva Mandal (a rescue home for women and their children) and Empress Garden as chairperson. She is also the chairperson of the 40-year-old women's industrial enterprise, Mahila Udyog Ltd, which manufactures thin walled bearings. She is a trustee of the Ravi Kirloskar Quality Prize Trust and the Sanjeevan Vidyalaya Trust.

Directorships:

Bajaj Auto Ltd
Hematic Motors Ltd.
Inex Engine Valves Ltd.
Mahila Udyog Ltd.

Committee positions:

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

S. H. Khan (born on 1 July, 1938) holds a masters degree in commerce from the University of Bihar with two gold medals. He is also an alumnus of the International Management Institute, Geneva. He is a past chairman of the Industrial Development Bank of India (IDBI).

He served IDBI with distinction for over thirty years in various capacities until June, 1998. He has also served as a director on the boards of a number of important institutions such as LIC, GIC, Exim Bank, UTI, Air India, Indian Airlines and IFCL.

Directorships:

- Bajaj Auto Ltd
- BHW Birla Home Finance Ltd
- Feedback First Urban Infrastructural Development Co Ltd
- Infrastructure Development Finance Co Ltd
- National Stock Exchange of India Ltd
- Shipping Corporation of India Ltd

Committee positions:

- BHW Birla Home Finance Ltd (1)
- Infrastructure Development Finance Co Ltd (1)
- Shipping Corporation of India Ltd (1)

D. J. Balaji Rao (born on 15 December 1939), is a mechanical engineer from the University of Madras and holds a post-graduate diploma in industrial engineering from Bombay University. He attended the advanced management programme at the European Institute of Business Administration (INSEAD) at Fontainbleu, France, in 1990.

He has had extensive experience in major engineering companies such as Kamani Engineering Corporation Ltd. and

Associated Cement Companies Ltd. He had a long career in various positions in ICICI, including as deputy managing director.

He was Managing Director of the Infrastructure Development Finance Company Ltd. and Vice-Chairman and Managing Director, SCICI Ltd. He has served with distinction on the boards of many renowned companies, including Ashok Leyland Ltd., MICO Ltd., Wipro Ltd. and Bharat Forge Ltd.

Directorships:

- Bajaj Auto Ltd.
- 3M India Ltd.
- Ashok Leyland Ltd.
- Ennore Foundries Ltd.
- Graphite India Ltd.
- Prudential ICICI Trust Ltd.
- South East Asia Marine Engg. & Construction Ltd.

Committee positions:

- 3M India Ltd. (2)
- Ashok Leyland Ltd. (2)
- Ennore Foundries Ltd.
- South East Asia Marine Engg. & Construction Ltd. (2)

The attendance record of these directors in the board/general meetings during the year under review is given in Table 1.

Communication to shareholders

Quarterly, half-yearly and annual financial results are published in numerous leading dailies, such as Hindustan Times, Times of India,



The Economic Times, Sakal, Kesari, Financial Express, Hindu Businessline and Business Standard along with the official press release. In addition, the half-yearly and annual financial results are published in the Financial Times, UK. The company also sends the half-yearly financial results, along with a detailed write-up, to each household of shareholders.

Bajaj Auto has its own web-site, www.bajajauto.com, 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 on-line 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 on-line on the approved website of London Stock Exchange information on financial statements and other matters as specified by it.

Information on general body meetings

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

57 AGM	27 July, 2002	at 11.30 a.m.
58 AGM	26 July, 2003	at 11.30 a.m.
59 AGM	31 July, 2004	at 11.30 a.m.

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

Material disclosure and compliance

Material transactions entered into with related parties have been already disclosed in this chapter. None of these transactions have 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 Additional Shareholder Information.

Report on corporate governance

This chapter, read together with the information given in the chapters titled Management Discussion and Analysis and Additional Share-holder Information, constitute the compliance report on corporate governance during 2004-05.

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 2004-05, and will be sent to the stock exchanges along with the annual return to be filed by the company.

Combined code of governance of the London Stock Exchange

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

ADDITIONAL SHAREHOLDER INFORMATION

Annual general meeting

Date :	16 July 2005
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

- Mid May

Mailing of annual reports

- Second half of June

Annual general meeting

- Mid/Second half of July

Unaudited first quarter financial results

- Mid/Second half of July

Unaudited second quarter financial results

- Mid/Second half of October

Unaudited third quarter financial results

- Mid/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 2005, subject to approval by the shareholders of the company at the annual general meeting.

Dividend paid in the previous year was Rs.25 per equity share (250 per cent).

Dates of book closure

The register of members and share transfer books of the company will remain closed from Friday, 1 July 2005 to Saturday, 16 July 2005, 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 20 July 2005:

- 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 Thursday, 30 June 2005 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 Thursday, 30 June 2005.

Payment of dividend

Dividend will be paid by account payee/ non-negotiable instruments or through the electronic clearing service (ECS) as notified by the SEBI through the stock exchanges. In view of the significant advantages and the convenience, the company will continue to pay, as per applicable guidelines, dividend upto an amount of Rs.500,000 through ECS, in select cities. 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 are welcome to contact the registered office of 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 dividends for the years 1995-96 and 1996-97 were transferred by the company to the said fund in 2003 and 2004 respectively. No claims shall lie against the fund or the company in respect of such amounts so transferred.

Unpaid / unclaimed dividend for the year 1997-98 shall become transferable to the fund in the month of October 2005, 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 so transferred. Shareholders are therefore requested to verify their records and send claims, if any, for the relevant years from 1997-98 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

Share transfers received by the company are registered within 15 days from the date of receipt, provided the documents are complete in all respects.

Total number of shares transferred in physical category during 2004-05 was 543,234 compared to 1,030,408 shares during 2003-04.

Dematerialisation of shares

During 2004-05, 8,632,204 shares were dematerialised - compared to 2,102,447 shares during 2003-04. The distribution of shares in physical and electronic mode as on 31 March 2005 and 31 March 2004 is given in Table 1.

Global depository receipts (GDRs)

Bajaj Auto issued Global Depository Receipts (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 2005, 3,235,879 GDRs were outstanding, and represented an equal number of underlying equity shares.

In view of the RBI Notification issued in 2001, these GDRs are eligible for the operation of limited two-way fungibility. 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 plus any subsequent bonus issues added thereto.

TABLE 1: Shares held in physical and electronic mode

Categories	Position as on 31 March 2005		Position as on 31 March 2004		Net change during 2004-05	
	No. of Shares	% to total shareholding	No. of shares	% to total shareholding	No. of shares	% to total shareholding
Physical	43,560,377	43.05	52,192,581	51.58	(8,632,204)	-8.53
Demat:						
NSDL	56,646,288	55.98	48,313,371	47.75	8,332,917	8.23
CDSL	976,845	0.97	677,558	0.67	299,287	0.30
Sub Total	57,623,133	56.95	48,990,929	48.42	8,632,204	8.53
Total	101,183,510	100.00	101,183,510	100.00	—	—

Stock code

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

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 2004-05, the listing fees payable to each of the above stock exchanges have been paid in full by the company.

Market price data

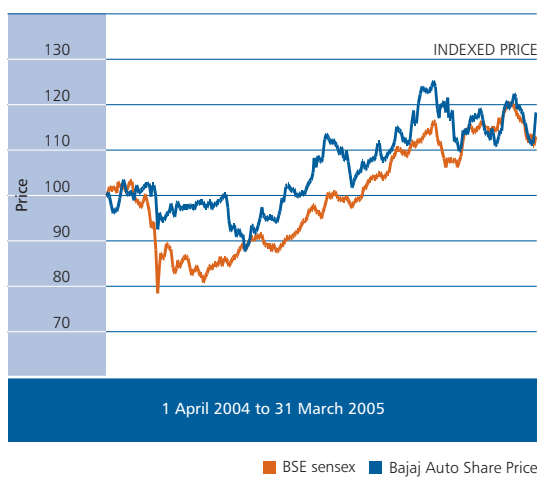
Table 2 gives the monthly highs and lows of Bajaj Auto's shares on the Bombay Stock Exchange (BSE), the National Stock Exchange (NSE) and for the GDRs, on the London Stock Exchange.

TABLE 2: Monthly highs and lows of Bajaj Auto's shares during 2004-05 (Rs.)

Month	B S E		N S E		LONDON SE(GDRs)	
	High	Low	High	Low	High	Low
Apr-04	966.95	862.00	967.90	860.15	995.09	902.21
May-04	974.80	800.00	960.00	765.10	989.07	989.07
Jun-04	916.95	809.90	924.00	860.00	925.40	859.63
Jul-04	920.00	795.00	920.00	795.00	965.20	801.69
Aug-04	942.50	822.00	943.00	822.00	931.84	816.10
Sep-04	1032.00	901.00	1035.00	900.10	1018.20	900.80
Oct-04	1056.00	918.30	1059.95	917.10	923.40	923.40
Nov-04	1031.00	951.25	1034.80	921.20	1026.66	956.65
Dec-04	1148.00	990.00	1160.00	1001.10	1202.44	1006.02
Jan-05	1160.00	985.00	1159.80	985.00	1147.02	990.94
Feb-05	1097.50	990.00	1106.00	1002.25	1090.37	1022.23
Mar-05	1125.00	1010.00	1132.00	1010.00	1115.01	1001.85

CHART A depicts the comparable movements of Bajaj Auto's shares against the BSE Sensex, during the year ended 31 March 2005.

CHART A: Bajaj Auto vs BSE Sensex, indexed to 100 on 1 April 2004



Distribution of shareholdings

Table 3 gives details about the pattern of shareholdings among various categories as on 31 March 2005, while Table 4 gives the data according to size classes.

TABLE 3: Distribution of shareholdings across categories

Categories	31 March 2005		31 March 2004	
	No. of shares	% to total capital	No. of shares	% to total capital
Promoters & persons acting in concert	30,148,017	29.80	29,530,432	29.19
Friends and associates of promoters	17,149,606	16.95	17,297,994	17.09
GDRs*	3,235,879	3.20	4,658,411	4.60
Foreign Institutional Investors	16,927,506	16.73	17,351,097	17.15
Public Financial Institutions	7,405,160	7.32	5,627,842	5.56
Mutual Funds	1,658,413	1.64	1,273,210	1.26
Nationalised & other banks	232,237	0.23	129,151	0.13
NRIs & OCBs	517,743	0.51	576,673	0.57
Others	23,908,949	23.62	24,738,700	24.45
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 2005

No of shares	No of shareholders		Shares held in each class	
	Number	%	Number	%
1 to 100	13,270	53.24	580,700	0.57
101 to 200	3,554	14.26	550,942	0.55
201 to 500	3,239	12.99	1,074,946	1.06
501 to 1000	1,656	6.64	1,200,543	1.19
1001 to 5000	2,138	8.58	4,825,770	4.77
5001 to 10000	446	1.79	3,134,444	3.10
10001 to 100000	482	1.93	14,764,333	14.59
100001 and above	141	0.57	75,051,832	74.17
Total	24,926	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 related to non-receipt of dividend by warrants as well as through electronic clearing service, non-receipt of annual report, non-receipt of transferred shares and change of address and/or bank particulars. There was nothing pending to be addressed or resolved.

During the year under review, letters were received from SEBI concerning 26 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 410 501
Dist. Pune (Maharashtra)

Address for correspondence

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

Bajaj Auto Limited

Mumbai-Pune Road, Akurdi, Pune 411 035.

Tel : (020) 27406063, 27472851

Fax : (020) 27407380

e-mail : investors@bajajauto.co.in

Web-site : www.bajajauto.com

DIRECTORS' REPORT

Introduction

The directors present their sixtieth annual report and the audited statements of accounts for the year ended 31 March 2005.

Operations

Sales	2004-05 (Nos)	2003-04 (Nos)
Motorcycle	1,449,710	1,023,551
Other two-wheelers	152,936	265,398
Total Two wheeler	1,602,646	1,288,949
Three wheeler	222,053	229,182
Total Two & Three wheeler	1,824,699	1,518,131
Of the above, exports were		
Two wheelers	130,945	90,210
Three wheelers	65,765	65,797
Total Exports	196,710	156,007

Financial results

	2004-05 Rs. million	2003-04 Rs. million
Net sales & other income	63,352	52,703
Gross profit before interest & depreciation	12,725	11,412
Interest	7	9
Depreciation	1,854	1,799
Profit before taxation	10,864	9,604
Provision for taxation	3,196	2,289
Profit after tax	7,668	7,315
Prior period adjustment	(18)	69
Adjustment on account of write-down of deferred tax assets	(358)	—
Disposable surplus	7,292	7,384
Proposed dividend (inclusive of dividend tax)	2,884	2,854
Balance carried to general reserve	4,408	4,530
Earnings per share (Rs)	75.60	72.98

The operations and financial results of the company are elaborated in the annexed Management Discussion and Analysis Report.

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 2005. The amount of dividend and the tax thereon aggregates to Rs. 2,884 million.

Dividend paid for the year ended 31 March 2004 was Rs.25 per share (250 per cent). The amount of dividend and the tax thereon aggregated to Rs.2,854 million.

Research & development and technology absorption

The company's R & D efforts during the year remained focused on:

- Introduction of new products.
- Upgrading of current products for improved performance and reliability.
- Launching of variants in the current products for meeting specific customer needs.
- Developments in engine and vehicle aggregates to meet new motor vehicle regulations and tightening emission norms.

During the year, the R & D efforts culminated in significant new product successes for the company.

In May 2004, the company launched its CT 100 - a bike that is technologically designed to give the benefits of the value segment, but at an entry level price. The CT 100 with its improved performance, reliability and features enabled the company to regain its leadership position in the price segment.

In November 2004, the company launched upgraded versions of both Pulsar 150 and 180, with additional features such as ExhaustTEC, alloywheels and Nitrox Gas Shock Absorber. With this, the company has maintained its leadership position in the premium segment, notwithstanding growing competition in this category.

Further, in September 2004, a totally new model, the 125 cc 'Discover' was launched in the 'value' segment. The Discover has been awarded "Bike of the Year, 2005" and "Best Indigenous Design of the Year 2005" by Overdrive magazine.

The year also saw the launch of a new ungeared 110 cc scooter powered by a DTSi engine called 'Wave'. The scooter has been launched in Maharashtra in March 2005 and will go national by July 2005. 'Wave' will help the company to reposition itself in the ungeared scooter market.

In the three-wheeler segment, the company launched a larger diesel passenger vehicle 'Mega'. The company also launched a variant of the Pick-up version with Hi-Deck tray.

All vehicles manufactured by the company meet the 2005 pollution norms and the Central Motor Vehicle Regulations (CMVR).

The expenditure on research and development during 2004-05 and in the previous year was:

	2004-05 Rs. million	2003-04 Rs. million
i. Capital (including technical know-how)	274.5	269.2
ii. Recurring	395.1	381.0
iii. Total research and development expenditure as a percentage of sales, net of excise duty	1.17	1.37

Conservation of energy

The company continued to benefit in the area of energy conservation through its wind power project. During the year, energy of 112 million units of power were generated as against 109 million units in the previous year.

As a part of the continuing efforts to conserve resources:

- Electrical energy saving was achieved by installation of energy efficient lighting with optimisation of illumination levels, use of electronic ballast in various production shops and offices, installation of Variable Frequency Drives (VFD) for rotating machines, control of compressed air leakages & regulating compressor running.

- Water saving was achieved by rain water harvesting, reuse of treated water from Tertiary Treatment Plant (TTP) in place of fresh water for processes & increased use of drip irrigation system for gardening.
- LPG saving was achieved by installation of precise temperature controlling devices and process modifications.
- Heat recovery was improved from the waste paint sludge incinerator.

Compared to an investment of Rs.11.5 million made during the previous year, investment of Rs.15.8 million was made during the year to reduce the use of energy and water consumption.

Due to various initiatives taken for conservation and optimum utilisation of energy and natural resources, including LPG, fuel, etc., the company witnessed in 2004-05, a reduction in the consumption of electrical energy and water by 17.9 per cent and 26.5 per cent, respectively, despite production having gone up by 19.6 per cent.

Foreign exchange earning & outgo

The company continued to be a net foreign exchange earner during the year.

Total foreign exchange earned by the company during the year under review was Rs.7,291 million, compared to Rs.5,645 million during the previous year.

Total foreign exchange outflow during the year under review was Rs. 2,081 million, as against Rs. 1,373 million during the previous year.



Industrial relations

The wage settlement covering the workmen at Waluj Plant expired on 31 March 2004. Presently, there are two unions, namely Bhartiya Kamgar Sena (BKS), which is a recognised union, and Bajaj Auto Limited Employees' Union (BALEU), which has the majority membership among the workmen. Both the unions have submitted their charter of demands. The management is in discussions with BALEU for the wage settlement.

The company announced a voluntary retirement scheme for the workmen at its Akurdi plant. 714 workmen opted for the same.

Relations with staff and workmen at Akurdi, Waluj and Chakan plants continue to be cordial.

Joint ventures

- **Bajaj Allianz General Insurance Company Ltd.**, the general insurance subsidiary of Bajaj Auto in joint venture with Allianz AG, Germany, recorded a gross written premium of Rs. 8,561 million during the financial year 2004-05, registering an increase of 78 per cent over the previous year. Net earned premium grew by 61 per cent to Rs.3,709 million, while operating profits from general insurance business increased to Rs. 666 million from Rs. 223 million in the previous year.

The company has its presence in 42 locations with a total staff strength of 924 employees as on 31st March 2005.

The company continued its No.2 position in the private sector in the general insurance area.

- **Bajaj Allianz Life Insurance Company Ltd.**, the life insurance subsidiary of Bajaj Auto in joint venture with Allianz AG, Germany, leap-frogged to the second position from the sixth position in the last year in terms of the premium income among private life insurers. The premium written for the financial year 2004-05 was Rs.10,016 million, compared to Rs. 2,207 million in the previous year, with an increase of 354 per cent. In the previous year, the company also changed its name from Allianz Bajaj Life Insurance Co Ltd to Bajaj Allianz Life Insurance Co Ltd. Additional funds by way of Share Capital and Share premium of Rs.190 million were infused in March 2005 to fund the growth plans of the company, taking the total funds infused by the share-holders in the company to Rs.2,677 million.

Maharashtra Scooters Ltd

As regards Maharashtra Scooters Ltd. (MSL), a company jointly promoted by Bajaj Auto and Western Maharashtra Development Corporation Ltd. (WMDC), WMDC has offered to sell its 27 per cent shareholding in MSL and Bajaj Auto has confirmed its willingness to purchase these shares. The price at which the shares are to be sold, 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 activities in Pune and Aurangabad districts of Maharashtra through Jankidevi Bajaj Gram Vikas Sanstha (JBGVS).

During the year, JBGVS conducted a number of rural and community development activities in the areas of rural education; awareness programme on prevention and treatment of HIV/AIDS; watershed development, lift irrigation and development of sanitation facilities in villages.

JBGVS contributed towards women's empowerment by setting up 114 self-help groups in 30 villages and also co-sponsored a micro-credit organisation DISHA, which has currently 761 groups comprising 3,802 women who have availed of micro-credit loans.

Directors

- Rahul Bajaj, who had been the Managing Director of the company from 1 April 1970 and Chairman and Managing Director from 26 July 1972, has been appointed as the Chairman of the company for a period of five years with effect from 1 April 2005.
- Madhur Bajaj has been re-appointed as Vice Chairman of the company for a period of five years with effect from 1 April 2005.
- Rajiv Bajaj, who was the Joint Managing Director of the company since 12 March 2003, has been appointed as the Managing Director of the company for a period of five years with effect from 1 April 2005.
- Sanjiv Bajaj was appointed as an additional director and a whole-time director with the designation of Executive Director with effect from 15 September 2004. His term as whole-time director will be valid upto 31 March 2009.

The resolutions for the appointment of and remuneration payable to Rahul Bajaj,

Madhur Bajaj, Rajiv Bajaj and Sanjiv Bajaj are subject to the approval of the shareholders in the ensuing annual general meeting.

- The board of directors appointed Tarun Das and Manish Kejriwal as additional directors with effect from 15 September 2004. They hold office till the date of the ensuing annual general meeting and are to be considered for being appointed by shareholders as directors in that meeting.
- Smt Suman Kirloskar, D J Balaji Rao and S H Khan retire from the board by rotation and being eligible, offer themselves for re-appointment.
- As per the current provisions of the articles of association of the company, the number of directors on the board shall not be more than fifteen and the company has at present fifteen directors on the board. In order to enable the company to have a larger and stronger board to meet the new challenges in the business environment and growing competition and international operations, the board of directors has decided to increase the present limit to 18, subject to the approvals of the shareholders and the central government. A resolution for this purpose is proposed for shareholders' approval in the ensuing annual general meeting.

Directors' responsibility statement

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

- that in the preparation of annual accounts, the applicable accounting standards have been

followed along with proper explanation relating to material departures.

- that the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period.
- that the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- that the annual accounts have been prepared on a going concern basis.

Consolidated financial statement

The directors also present, 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(8) 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 2004-05. The accounts of the subsidiary companies will be made available for inspection by any member of the company at its registered office and also at the registered office of the concerned subsidiary. The accounts of the subsidiary companies and detailed information will be made available to the members upon receipt of request from them. The summary of the key financials of the company's subsidiaries is included in this annual report.

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 2004-05 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 Additional Shareholder Information.

Reconciliation of accounts under US GAAP

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

Keeping in mind the trend towards convergence of accounting standards across the world, a similar review in accordance with International Accounting Standards (IAS) was not felt necessary.

A statement of reconciliation of significant differences in shareholders' equity and net income as at and for the year ended on 31 March 2005 and 2004 between Indian Generally Accepted Accounting Principles (GAAP) and US GAAP, notes to reconciliation and an independent accountants' review report are set out in this annual report.

Auditors' report

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

Auditors

The members are requested to appoint 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 ended 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



Rahul Bajaj

Chairman

11 May 2005

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 2005

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	52,86,037	B Com, MBA	52	25	21-06-1986	Bajaj International Pvt Ltd.	Chief Executive
2	Bajaj Rahul	Chairman	1,03,74,887	B A (Hons), LLB, MBA (Harvard)	67	45	01-04-1970 Stationed as Director-Managing Agents at Pune from 01-01-1965	Bajaj Tempo Limited	Dy Gen Manager
3	Bajaj Rajiv	Managing Director	47,13,256	B E (Mech), M Sc (M S E)	38	14	19-12-1990	—	—
4	Bajaj Sanjiv	Executive Director	45,86,515	B E (Mech), M Sc (M S E), MBA (Harvard)	35	10	01-08-1994	—	—
5	Chander K P	General Manager (Machine Tool Division)	30,74,084	B Tech	50	28	19-01-2000	Widia India Ltd. Bangalore	General Manager (SPM)
6	D'sa K P	Vice President (Finance)	43,06,995	B Com, ACA, AICWA	51	26	05-09-1978	—	—
7	Gupta Arvind	General Manager (Akurdi)	27,48,240	B E (Mech), D I M	58	34	30-04-1991	Telco, Pune	Dy.Divisional Manager (Projects)
8	Gupta Ranjit	Vice President (Insurance)	42,71,578	Inter Sc, MIME, AMIPE, FIEE	62	39	19-03-1988	Maruti Udyog Ltd	General Manager
9	Hingorani N H	Vice President (Materials)	48,08,565	B E (Mech)	56	33	01-03-1997	LML Ltd.	Executive Director (Commercial)
10	Khopkar A G	General Manager (Management Information System)	33,19,671	B E (Mech), PGDM	50	23	29-03-1994	AI Information Technology Ltd.	Systems Manager
11	Laddha G B	Chief Investment Officer	50,20,903	B Com, AICWA	61	41	18-08-1969	Bajaj Tempo Ltd	Costing Officer
12	Marathe S R	General Manager (Product Engg.- 3 Wheelers)	29,17,033	M E (Mech)	55	32	15-06-1990	TVS Suzuki Ltd	Member Research & Development
13	Mengane N G	General Manager (Waluj-Motorcycle Division)	30,88,434	D M E	60	38	16-05-1980	David Brown Greaves Ltd	Shift Engineer
14	Menon P B	Vice President (Projects)	44,44,128	B Sc (Mech Engg), M E (Mech)	60	28	12-07-2000	Apollo Tyres Ltd	Head-Limda Plant
15	Raghavan V S	Vice President (Corporate Finance)	35,83,116	B Sc, ACA, MACI	52	25	09-03-1984	Self Employed	Chartered Accountant
16	Rao C K	General Manager (Mktg 3 Wheelers)	29,80,104	B E (Mech), PGD (Int Trade)	51	27	02-07-2000	Hindustan Motors Ltd	Vice President (Marketing)
17	Rath P K	General Manager (Learning Centre)	28,82,553	B Sc (Hons), B Sc (Engg)	58	36	25-09-1996	STI India Ltd.	Vice President
18	Ravichandran R L	Vice President (Business Development & Marketing)	56,07,924	B Com, PGDBM	55	35	27-01-1998	TVS-Suzuki Ltd.	Vice-President (Marketing & Sales)

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	
19	Ravikumar S	General Manager (Business Development)	27,30,743	B Com, C A	47	24	18-06-1984	Enfield India Ltd	Financial Accountant
20	S Narayan Prasad	General Manager (3 Wheelers Waluj)	24,22,450	B E (Elec.)	61	41	30-08-1998	BPL Refrigerations, Bangalore	General Manager
21	Saxena Ashok	General Manager (West Asia & Africa)	26,29,512	B E (Mech)	54	31	02-03-1991	Kinetic Engg Ltd	Purchase Manager
22	Sharma D K	General Manager (TPM)	25,82,891	D M E	64	43	09-03-1975	Tata Exports	Plant Manager Maint
23	Shrivastava Pradeep	Vice President (Engineering)	36,89,737	B Tech, PGDM	45	19	25-04-1986	Tata Engineering & Locomotive Co Ltd	Asst Engineer
24	Sridhar S	Vice President (Mktg & Sales 2 Wheelers)	29,51,631	B E (Agri Engg)	43	19	21-03-2001	TVS Suzuki Ltd	General Manager (Sales)
25	Srinivas K	General Manager (Human Resource Development)	27,49,519	B E (Elect), DMS	43	22	07-01-2000	Gilbert Tweed Mgmt Group Pvt Ltd	Chief Executive Officer
26	Tripathi C P	Vice President (Operations)	53,34,941	B Sc, B Tech, DIIP	63	39	22-01-1996	Escorts Ltd.	Chief General Manager (Material & Production)
(B) Employed for part of the financial year.									
*1	Govind R V	General Manager (Product Engg.- 2 Wheelers)	22,82,875	B Tech (Mech)	49	28	25-08-2000	Kinetic Engg Ltd	General Manager
2	Grihapathy K S	General Manager (Mktg 2 Wheelers)	24,85,157	B E (E&C), PGDM	38	13	29-04-2004	ICI (India) Ltd.	General Manager (Sales)
*3	Rao S P	Dy Gen Manager (Product Engg.- 3 Wheelers)	25,56,551	B E (Mech) M S (Engg)	57	33	01-01-1993	Telco	Manager (Development)
*4	Rege S R	General Manager (Maharashtra Scooters Ltd)	16,42,901	B E (Mech) M Tech, MMS, MIE, MIS, ME	66	41	14-01-1985	Godrej & Boyce Mfg Co Pvt Ltd	Asst Plant Manager

* These employees are no more with the company.

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, superannuation fund and other funds.
- All employees have adequate experience to discharge the responsibilities assigned to them.
- The nature of employment in all cases is contractual. Appointment of Rahul Bajaj is for a period of five years with effect from 1 April 2000. Appointment of Madhur Bajaj is for a period of five years with effect from 6 November 2000. Appointment of Rajiv Bajaj is for a period of five years with effect from 5 March 2002. Appointment of Sanjiv Bajaj is from 15 September 2004 to 31 March 2009.
- The services of all the above employees, who were on the rolls of the company as on 31 March 2005, 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 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, 2005.

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
Membership No. 40451
Partner

Mumbai: 11th May, 2005

Report of the Auditors to the Members

We have audited the attached Balance Sheet of **BAJAJ AUTO LIMITED**, as at 31st March 2005 and also the annexed Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our Audit.

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

(2) As required by the Companies (Auditor's Report) Order, 2003 (CARO, 2003), issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, we annexe hereto a Statement on the matters specified in paragraphs 4 of the said Order;

(3) Further to our comments in Annexure referred to in paragraph 2 above, we report that:

(a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

(b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the Books of the Company;

(c) The Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by the report are in agreement with the Books of Account of the Company;

(d) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt

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

(e) On the basis of the written representations received from the Directors as at 31st March, 2005, and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on 31st March, 2005 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, 2005,

(ii) In the case of the Profit and Loss Account, of the Profit for the year ended on that date, and

(iii) In the case of the Cash Flow statement, of the cash flows of the company for the year ended on that date.

For and on behalf of
DALAL & SHAH
Chartered Accountants

Anish Amin
Partner
Membership No: 40451

MUMBAI:11th May, 2005.

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, 2005.

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, which in our opinion were adequately maintained, the discrepancies noticed on physical verification of inventories referred to above, as compared to book records, though not material, have been properly dealt with in the books of account;
- iii) (a) As per the information and explanation given to us and the records produced to us for our verification, the company had not granted loans, secured or unsecured, to any Company, Firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956 .
- (b) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- iv) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to the purchase of inventory and fixed assets and also for the sale of goods and services, if any. As per the information given to us, no major weaknesses in the internal controls have been identified by the management or the internal audit department of the company during the year. During the course of our audit, nothing had come to our notice that may suggest a major weakness in the internal control systems of the company;
- v) (a) On the basis of the audit procedures performed by us and according to the information and explanations given to us on our enquiries on this behalf and the records produced to us for our verification, the particulars of contracts and arrangements required to be entered into the register in pursuance of section 301 of the Companies Act, 1956 have been so entered.
- (b) The transactions effected in pursuance of such contracts and arrangements, as the case may be, aggregating in excess of Rs.500,000/- in respect of each party during the year, have been, in our opinion, as per the information and explanation given to us, made at prices which are reasonable having regard to prevailing market prices as available with the Company for such transactions or prices at which transactions, if any, for similar goods have been made with other parties at the relevant time;
- vi) In our opinion, the Company has complied with the directives issued by the Reserve Bank of India and the provisions of Section 58A of the Companies Act, 1956, other relevant provisions of the said Act including the Companies (Acceptance of Deposits) Rules, 1975, where applicable, with regard to the

Annexure to the Auditors' Report (Contd.)

deposits accepted by it from the public. Since the Company has not defaulted in repayments of deposits, compliance of Section 58AA or obtaining any order from the Company Law Board, National Company Law Tribunal or Reserve Bank of India or any other Court or Tribunal, does not arise;

vii) On the basis of the internal audit reports broadly reviewed by us, we are of the opinion that, the Company has an adequate internal audit system commensurate with the size and nature of its business;

viii) We have broadly reviewed the Books of Account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of Cost Records under Section 209(1)(d) of the Companies Act, 1956, and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determine whether they are accurate;

ix) (a) According to the records of the Company, the company has been regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise duty, Cess and other Statutory dues with the appropriate authorities;

(b) According to the records of the Company and the information and explanations given to us upon our enquiries in this regards, disputed dues in respect of Sales Tax, Income-tax, Wealth-tax, Service Tax, Customs Duty, Excise Duty and Cess unpaid as at the last day of the financial year, are as follows

Statutes	FORUMS BEFORE WHOM PENDING				
	Commissioner Appeals	Tribunal	High Court	Supreme Court	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
1. Sales Tax	52,640,947	1,435,610	16,550,330	—	70,626,887
2. Income Tax	306,495,430	—	—	—	306,495,430
3. Wealth Tax	468,504	—	—	—	468,504
4. Service Tax	—	—	—	—	—
4. Custom Duty	—	—	38,451,545	—	38,451,545
5. Excise Duty	653,312	51,036,104	—	—	51,689,416

x) The Company has not defaulted in repayment of dues to banks. The company has not borrowed any sums from Financial Institutions nor through debentures;

xi) The Company has, in our opinion, maintained adequate documents and records in respect of loans and advances granted on the basis of security by way of pledge of shares, debentures and other investments;

xii) The Company 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;

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

For and on behalf of
DALAL & SHAH
Chartered Accountants

Anish Amin
Partner
Membership No: 40451

MUMBAI: 11th May, 2005.

Balance Sheet as at 31 March

			2005	2004
	Schedule	Rupees	Rupees	Rupees
I. Sources of Funds				
1. Shareholders' Funds				
a) Capital	1	1,011,835,100		1,011,835,100
b) Reserves & Surplus	2	40,331,662,172		35,924,422,344
			41,343,497,272	36,936,257,444
2. Loan Funds				
a) Secured Loans	3	—		—
b) Unsecured Loans	4	12,269,926,076		10,057,235,155
			12,269,926,076	10,057,235,155
3. Deferred Tax Adjustments [See note 13]				
a) Deferred Tax Liabilities		2,128,020,687		2,390,401,821
b) Deferred Tax Assets		(729,055,773)		(1,162,165,385)
			1,398,964,914	1,228,236,436
Total			55,012,388,262	48,221,729,035
II. Application of Funds				
1. Fixed Assets				
a) Gross Block		27,436,181,297		27,029,889,081
b) Less : Depreciation		16,286,418,828		14,966,814,533
c) Net Block	5	11,149,762,469		12,063,074,548
d) Lease Adjustment Account- Plant and Machinery		175,000,000		175,000,000
		11,324,762,469		12,238,074,548
e) Capital Work in Progress, expenditure to date		83,566,277		82,715,400
			11,408,328,746	12,320,789,948
2. Technical Know-how	6		40,551,104	76,732,915
3. Investments	7		45,605,756,805	38,554,405,966
4. Current Assets, Loans and Advances				
a) Inventories		2,241,747,408		2,025,616,991
b) Sundry Debtors		1,763,452,133		1,339,481,184
c) Cash and Bank Balances		1,086,808,693		793,705,442
d) Other Current Assets		685,311,286		454,831,620
e) Loans and Advances		20,120,099,824		15,916,824,688
		25,897,419,344		20,530,459,925
Less : Current Liabilities and Provisions	9			
a) Liabilities		7,850,705,305		6,725,968,539
b) Provisions		20,088,962,432		16,534,691,180
		27,939,667,737		23,260,659,719
Net Current Assets			(2,042,248,393)	(2,730,199,794)
Total			55,012,388,262	48,221,729,035
Notes forming part of the Financial Statements	14			

As per our attached report of even date

For and on behalf of Dalal and Shah
Chartered Accountants

Anish Amin
Partner
Membership No. 40451
Mumbai : 11 May 2005

J. Sridhar
Company Secretary

Rahul Bajaj	Chairman
Madhur Bajaj	Vice Chairman
Rajiv Bajaj	Managing Director
Sanjiv Bajaj	Executive Director
D.S. Mehta	} Directors
Kantikumar R. Podar	
Shekhar Bajaj	
D. J. Balaji Rao	
J.N. Godrej	
S.H. Khan	
Naresh Chandra	
Tarun Das	
Manish Kejriwal	

Profit and Loss Account for the year ended 31 March

		2005	2004
	Schedule	Rupees	Rupees
Income			
Sales		65,416,045,773	54,184,903,870
Less : Excise Duty		8,052,454,581	6,633,195,799
Net Sales		57,363,591,192	47,551,708,071
Wind power generated, captively consumed		249,381,395	263,800,661
Other Income	10	5,738,826,331	4,887,105,480
		63,351,798,918	52,702,614,212
Expenditure			
Materials	11	41,020,845,307	31,992,220,112
Other Expenses	12	9,314,344,002	8,885,810,507
Interest	13	6,681,683	9,351,496
Depreciation		1,853,663,751	1,798,946,045
		52,195,534,743	42,686,328,160
Less : Expenses, included in above items, capitalised		198,360,679	238,241,702
		51,997,174,064	42,448,086,458
Compensation Paid Under Voluntary Retirement Scheme Liability in respect of labour dispute [See note 1(A) vii a)]		490,222,101	234,842,310
		—	415,484,092
		52,487,396,165	43,098,412,860
Profit for the year before taxation		10,864,402,753	9,604,201,352
Taxation			
Current Tax [including Rs. 3,600,000 for Wealth tax (previous year Rs. 3,600,000)]		3,383,600,000	2,785,000,000
Deferred Tax [See note 13]		(187,299,660)	(495,871,483)
		3,196,300,340	2,289,128,517
Profit for the year		7,668,102,413	7,315,072,835
Tax credits pertaining to earlier years		—	98,519,795
Prior Period adjustments:			
Expenses		18,472,015	29,700,470
Taxation		—	—
		7,649,630,398	7,383,892,160
Adjustments on account of write down of deferred tax assets (See Note 13)		(358,028,138)	—
		7,291,602,260	7,383,892,160
Transfer to General Reserve		4,407,239,828	4,530,200,980
Proposed Dividend		2,529,587,750	2,529,587,750
Corporate Dividend Tax thereon		354,774,682	324,103,430
Balance Carried to Balance Sheet		—	—
Basic and diluted Earnings Per Share (Rs)		75.60	72.98
Nominal value per share (Rs)		10	10
Net Profit (Rs)		7,649,630,398	7,383,892,160
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
Membership No. 40451

Mumbai : 11 May 2005

J. Sridhar
Company Secretary

Rahul Bajaj	Chairman
Madhur Bajaj	Vice Chairman
Rajiv Bajaj	Managing Director
Sanjiv Bajaj	Executive Director
D.S. Mehta	} Directors
Kantikumar R. Podar	
Shekhar Bajaj	
D. J. Balaji Rao	
J.N. Godrej	
S.H. Khan	
Naresh Chandra	
Tarun Das	
Manish Kejriwal	

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 2005

Schedule 1 - Share Capital

		As at 31 March 2004
	Rupees	Rupees
Authorised		
150,000,000 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

1. **114,174,388** Equity Shares allotted as fully paid Bonus Shares by way of Capitalisation of Share Premium Account and Reserves
2. **4,342,676** Equity Shares issued by way of Euro Equity Issue represented by Global Depository Receipts (GDR) evidencing Global Depository Shares, at a price of U.S.\$ 25.33 per Share [inclusive of premium] excluding 2,171,388 Equity Shares allotted as Bonus Shares thereon. Outstanding GDR's were 3,235,879 (4,658,411)

Schedule 2 - Reserves and Surplus

		As at 31 March 2004
	Rupees	Rupees
Capital Redemption Reserve		
As per last account	182,073,040	182,073,040
General Reserve		
As per last account	35,742,349,304	31,212,148,324
Set aside this year	4,407,239,828	4,530,200,980
Total	40,149,589,132	35,742,349,304
	40,331,662,172	35,924,422,344

Schedule 3 - Secured Loans

		As at 31 March 2004
	Rupees	Rupees
From Banks, against hypothecation of Stores, Raw Materials, Finished Goods, Stock in Process and Book Debts		
Cash Credit	—	—
Total	—	—

Schedule 4 - Unsecured Loans

		As at 31 March 2004
	Rupees	Rupees
Sales tax deferral Liability/Loan, an incentive under Package Scheme of Incentives 1983,1988 and 1993 - Interest free	12,252,385,896	10,030,356,965
Fixed Deposits	17,540,180	26,878,190
Total	12,269,926,076	10,057,235,155

Schedule 5 - Fixed Assets

Particulars	Gross Block (a)				Depreciation				Net Block	
	As at 31st March, 2004	Additions	Deductions and Adjustments	As at 31st March, 2005	Upto 31st March, 2004	Deductions and Adjustments	For the Year (c)	Upto 31st March, 2005	As at 31st March, 2005	As at 31st March, 2004
	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	363,685,201	—	4,210,566	359,474,635	—	—	—	—	359,474,635	363,685,201
Buildings (b) & (d)	2,178,268,264	141,731,428	7,950,482	2,312,049,210	703,046,061	5,053,681	60,747,884	758,740,264	1,553,308,946	1,475,222,203
Waterpumps, Reservoirs and Mains	52,823,632	2,536,759	—	55,360,391	27,287,289	—	2,573,897	29,861,186	25,499,205	25,536,343
Plant & Machinery	15,114,665,601	454,951,729	367,621,845	15,201,995,485	9,341,373,388	339,869,375	1,040,908,557	10,042,412,570	5,159,582,915	5,773,292,213
Dies & Moulds	3,040,257,606	247,956,477	172,089,268	3,116,124,815	1,712,479,327	103,072,706	315,295,540	1,924,702,161	1,191,422,654	1,327,778,279
Electric Installations	411,687,841	10,876,094	—	422,563,935	219,386,592	—	14,425,528	233,812,120	188,751,815	192,301,249
Factory Equipments	1,092,852,492	137,808,689	6,483,309	1,224,177,872	521,079,104	6,139,888	84,538,391	599,477,607	624,700,265	571,773,388
Furniture & Fixtures	339,249,633	20,905,120	2,288,369	357,866,384	227,839,087	1,231,933	15,177,491	241,784,645	116,081,739	111,410,546
Electric Fittings	97,909,332	3,546,896	—	101,456,228	62,668,722	—	3,261,234	65,929,956	35,526,272	35,240,610
Vehicles & Aircraft	327,164,758	37,889,731	22,044,533	343,009,956	135,978,479	9,469,538	23,159,881	149,668,822	193,341,134	191,186,279
Wind Energy Generators	2,839,220,000	—	—	2,839,220,000	929,173,512	—	293,575,348	1,222,748,860	1,616,471,140	1,910,046,488
Leased Assets :-										
Plant & Machinery	944,222,335	—	69,222,335	875,000,000	944,222,335	69,222,335	—	875,000,000	—	—
Dies & Moulds	142,280,637	—	—	142,280,637	142,280,637	—	—	142,280,637	—	—
As at 31st March, 2005 Total	27,029,889,081	1,058,202,923	651,910,707	27,436,181,297	14,966,814,533	534,059,456	1,853,663,751	16,286,418,828	11,149,762,469	12,063,074,548
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	

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

b) i Includes Premises on ownership basis in Co-operative Society Rs. 131,796,709/- and cost of shares therein Rs. 2,750/-

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 6,278,626/- Depreciation for the year Rs 1,345,420/-

Schedule 6 - Technical Know-How

	As at 31 March 2004	
	Rupees	Rupees
(i) Acquired by the company		
As per last account	72,263,149	106,818,641
Add : Cost of technical know-how acquired during the year	—	—
Less : Adjustments to cost on remittances in foreign currency	—	149,150
	72,263,149	106,669,491
Less : Written off during the year	33,946,928	34,406,342
	38,316,221	72,263,149
(ii) Developed by the company		
As per last account	4,469,766	—
Add : Expenses incurred during the year on know-how developed	—	6,704,649
	4,469,766	6,704,649
Less : Written off during the year	2,234,883	2,234,883
	2,234,883	4,469,766
Total	40,551,104	76,732,915

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

	As at 31 March 2004		
	Rupees	Rupees	Rupees
In Government and Trust Securities :			
Quoted :			
— 5.64% Government of India Stock 2019 of face value of Rs.600,000,000 (Previous Year Rs.650,000,000)	600,728,000		650,788,667
— (-) 5.69% Government of India Stock 2018 of face value of Rs.600,000,000	566,720,000		—
— 6.05% Government of India Stock 2019 of face value of Rs.1,100,000,000 (Previous Year Rs.850,000,000)	1,125,681,944		884,259,444
— 6.25% Government of India Stock 2018 of face value of Rs.900,000,000 (Previous Year Rs.800,000,000)	953,441,107		852,711,240
— 6.35% Government of India Stock 2020 of face value of Rs.750,000,000 (Previous Year Rs.650,000,000)	795,627,500		690,072,500
— 6.72% Government of India Stock 2014 of face value of Rs.550,000,000 (Previous Year Rs.700,000,000)	613,872,024		781,291,667
— 6.85% Government of India Stock 2012 of face value of Rs.550,000,000	622,687,639		622,687,639
— 7.37% Government of India Stock 2014 of face value of Rs.1,350,000,000 (Previous Year Rs.550,000,000)	1,461,946,514		654,051,653
— 7.38% Government of India Stock 2015 of face value of Rs.1,050,000,000 (Previous Year Rs.900,000,000)	1,148,360,362		1,056,100,969
— 7.46% Government of India Stock 2017 of face value of Rs.700,000,000 (Previous Year Rs.600,000,000)	795,141,073		708,297,859
— 7.49% Government of India Stock 2017 of face value of Rs.850,000,000 (Previous Year Rs.950,000,000)	1,012,508,045		1,131,626,639
— 7.95% Government of India Stock 2032 of face value of Rs.675,000,000 (Previous Year Rs.505,000,000)	735,529,142		591,414,445
— 8.07% Government of India Stock 2017 of face value of Rs.700,000,000 (Previous Year Rs.1,250,000,000)	821,964,332		1,539,315,153
Carried Over	11,254,207,682		10,162,617,875
Carried Over		—	—

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

		As at 31 March 2004
	Rupees	Rupees
	—	—
In Government and Trust Securities : (Contd.)		
Quoted : (Contd.)		
Brought over	11,254,207,682	10,162,617,875
— 8.35% Government of India Stock 2022 of face value of Rs.1,450,000,000 (Previous Year Rs.400,000,000)	1,711,408,827	499,256,465
— 9.85% Government of India Stock 2015 of face value of Rs.900,000,000 (Previous Year Rs.1,200,000,000)	1,255,110,945	1,673,481,259
— 10.03% Government of India Stock 2019 of face value of Rs.1,300,000,000 (Previous Year Rs.1,400,000,000)	1,787,773,971	1,925,295,046
— 10.18% Government of India Stock 2026 of face value of Rs.400,000,000 (Previous Year Rs.300,000,000)	550,956,048	418,351,049
— 10.25% Government of India Stock 2021 of face value of Rs.800,000,000	1,124,589,090	1,124,589,090
— (-) 10.45% Government of India Stock 2018 of face value of Rs.750,000,000	1,085,647,500	—
— (-) 10.47% Government of India Stock 2015 of face value of Rs.700,000,000	963,080,000	—
— 10.71% Government of India Stock 2016 of face value of Rs.1,550,000,000 (Previous Year Rs.1,450,000,000)	2,229,740,106	2,084,635,106
— 11.83% Government of India Stock 2014 of face value of Rs.803,500,000 (Previous Year Rs.353,500,000)	1,191,652,602	545,325,102
Other	<u>2,456,811,628</u>	<u>1,852,412,090</u>
	25,610,978,399	20,285,963,082
Unquoted :		
6 Years National Saving Certificates of the face value of Rs.11,500	11,500	11,500
10 Pass Through Certificates involving Securitisation of Loan Receivables through Loan Securitisation Trust (Series 4) of UTI Bank Limited (Redeemable in parts in terms of schedule specified therein aggregating to Rs.139,783,698)	106,385,160	106,385,160
Carried Over	<u>106,396,660</u>	<u>106,396,660</u>
Carried Over	<u>25,610,978,399</u>	<u>20,285,963,082</u>

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

		As at 31 March 2004		
		Rupees	Rupees	Rupees
Brought over			25,610,978,399	20,285,963,082
In Government and Trust Securities : (Contd.)				
Unquoted : (Contd.)				
Brought over		106,396,660		106,396,660
— (5) Contribution held in Pass Through Certificates involving Securitisation of Loan Receivables through Loan Securitisation Trust (Series X) of ICICI Bank Limited (Redeemable in parts in terms of schedule specified therein aggregating to Rs.69,550,200)		—		51,572,912
— (20) Contribution held in 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
— (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
— (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
			106,396,660	494,143,277
In Fully Paid Preference Shares :				
Unquoted :				
500,000	6% Redeemable Cumulative Non-Convertible Preference Shares of Rs.100 each in The Arvind Mills Limited - balance after part redemption	47,500,000		50,000,000
3,000,000	10% Cumulative Non-participating Redeemable Preference Shares of Rs.10 each in Bajaj Electricals Limited	30,000,000		30,000,000
200,000	12% Redeemable Cumulative Preference Shares of Rs.100 each in Duncans Industries Limited	20,000,000		20,000,000
	Carried Over	97,500,000		100,000,000
	Carried Over		25,717,375,059	20,780,106,359

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

		As at 31 March 2004		
		Rupees	Rupees	Rupees
Brought over			25,717,375,059	20,780,106,359
In Fully Paid Preference Shares : (Contd.)				
Unquoted : (Contd.)				
Brought over		97,500,000		100,000,000
3,000,000	16% Redeemable Cumulative Preference Shares of Rs.10 each in Goodvalue Marketing Company Limited	30,000,000		30,000,000
250,000	12% Cumulative Redeemable Preference Shares of Rs.100 each in Himachal Futuristic Communications Limited	25,000,000		25,000,000
20,661,200	5% Redeemable Cumulative Preference Shares of Rs.10 each in IFCI Limited	206,612,000		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	9% 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		1,961,690
100,000	14.75% Cumulative Redeemable Preference Shares of Rs.100 each in Pentafour Products Ltd - balance after part redemption	5,000,000		5,000,000
100,000	16% Redeemable Cumulative Preference Shares of Rs.100 each in The Pharmaceutical Products of India Limited	10,000,000		10,000,000
5,000,000	8% Cumulative Redeemable Preference Shares of Rs.10 each in SICOM Limited	50,000,000		50,000,000
Carried Over		571,748,690		574,248,690
Carried Over			25,717,375,059	20,780,106,359

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

				As at 31 March 2004
		Rupees	Rupees	Rupees
Brought over			25,717,375,059	20,780,106,359
In Fully Paid Preference Shares : (Contd.)				
Unquoted : (Contd.)				
Brought over		571,748,690		574,248,690
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
—	(200,000) 9.25% Redeemable Cumulative Preference Shares of Rs.100 each in Titan Industries Limited	—		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
			621,203,690	743,703,690
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
			221,586,257	221,586,257
Unquoted :				
1	Share of Rs.100 each in The Poona District Motor Transport Co-operative Society Limited		100	100
In Subsidiary Company :				
Unquoted :				
111,058,238	(111,048,840) Shares of Rs.10 each in Bajaj Allianz Life Insurance Co Limited - Formerly Allianz Bajaj Life Insurance Co Limited	1,110,582,380		1,110,488,400
81,400,000	Shares of Rs.10 each in Bajaj Allianz General Insurance Co Limited	814,000,000		814,000,000
24,500	Shares of Rs.100 each in Bajaj Auto Holdings Limited - a wholly owned subsidiary	2,450,000		2,450,000
			1,927,032,380	1,926,938,400
Carried Over			28,487,197,486	23,672,334,806

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

				As at 31 March 2004
		Rupees	Rupees	Rupees
Brought over			28,487,197,486	23,672,334,806
In Fully paid Equity Shares				
Other :				
Quoted :				
2,139,561	Shares of Rs.10 each in Bajaj Tempo Limited	460,592,511		460,592,511
23,064,161	(19,667,218) Shares of Rs.10 each in ICICI Bank Limited	3,943,817,917		2,546,288,529
	Other	<u>1,640,373,907</u>		<u>1,330,352,785</u>
			6,044,784,335	4,337,233,825
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
600,000	Shares of Rs.10 each in SICOM Limited	48,230,988		48,230,988
235,000	Shares of Rs.10 each in Kumar Housing Corporation Limited - Formerly, Sukumar Estates Limited	<u>35,984,588</u>		<u>35,984,588</u>
			108,375,576	108,375,576
In Debentures :				
Fully Paid :				
Other :				
Quoted :				
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
	Other	<u>1,964,023,976</u>		<u>2,639,684,283</u>
			2,242,970,211	2,918,630,518
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
	Carried Over	<u>16,833,095</u>		<u>16,833,095</u>
	Carried Over		<u>36,883,327,608</u>	<u>31,036,574,725</u>

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

		As at 31 March 2004		
		Rupees	Rupees	Rupees
Brought over			36,883,327,608	31,036,574,725
In Debentures : (Contd.)				
Fully Paid : (Contd.)				
Other : (Contd.)				
Unquoted : (Contd.)	Brought over	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
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	—		39,990,000
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
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
			130,473,317	245,463,317
In Bonds :				
Fully paid :				
Other :				
Quoted :				
150,000	(-) 5.10% Capital Gain Bonds of Rs.15,000 each of National Housing Bank	1,500,000,000		—
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	1,800,000,000		300,000,000
	Carried Over		37,013,800,925	31,282,038,042

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

				As at 31 March 2004
		Rupees	Rupees	Rupees
	Brought over		37,013,800,925	31,282,038,042
In Bonds : (Contd.)				
Fully Paid : (Contd.)				
Other : (Contd.)				
Quoted : (Contd.)	Brought over	1,800,000,000		300,000,000
7,950,100	6.75% Tax Free US 64 Bonds Guaranteed by Government of India of Rs.100 each	914,051,140		913,888,640
6,594,170	(-) 6.60% Tax Free ARS Bonds Guaranteed by Government of India of Rs.100 each	673,095,681		—
	Other	<u>4,129,824,969</u>		<u>4,670,059,507</u>
			7,516,971,790	5,883,948,147
In Mutual fund Units :				
	Quoted :			
25,748,371.654	(-) Units of Rs.10 each of Standard Chartered Mutual Fund - GCBG Grindlays Cash Fund - Institutional Plan C - Growth Option	270,000,000		—
44,559,970.293	(-) Units of Rs. 10 each of UTI Mutual Fund under UTI Growth & Value Fund- Bonus Plan formerly, IL & FS Mutual Fund under IL & FS Growth and Value fund-Bonus Plan	480,000,000		480,000,000
	Other	<u>763,223,654</u>		<u>1,453,068,726</u>
			1,513,223,654	1,933,068,726
Unquoted :				
82.500	(212.50) Units of Rs.5,000 each of Auto Ancillary Fund		412,500	1,062,500
			<u>46,044,408,869</u>	<u>39,100,117,415</u>
	Less : Provision for diminution in value of Investments		588,652,064	545,711,449
			<u>45,455,756,805</u>	<u>38,554,405,966</u>
	Application Money for Investment in Bonds		150,000,000	—
	Total		<u>45,605,756,805</u>	<u>38,554,405,966</u>

	Book Value as at		Market Value as at	
	31 March 2005 Rupees	31 March 2004 Rupees	31 March 2005 Rupees	31 March 2004 Rupees
Quoted	42,919,892,176	35,369,402,260	*50,336,364,519	*41,405,130,214
Unquoted	2,535,864,629	3,185,003,706		
Total	<u>45,455,756,805</u>	<u>38,554,405,966</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 :

<u>Name</u>	<u>No of Units</u>
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 :

<u>Name of the Company</u>	<u>No of Shares</u>
Bajaj Tempo Limited	100
The Great Eastern Shipping Co Limited	90
Mahindra Gesco Developers 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) Equity Shares :

<u>Name of the Company</u>	<u>Quantity Nos</u>	<u>Purchase Cost Rupees</u>	<u>Sale Proceeds Rupees</u>
The Federal Bank Limited	113,456	11,407,617	17,991,621
Infosys Technologies Limited	6,000	7,007,400	9,443,089
Reliance Industries Ltd	14,991	6,347,021	6,643,508
Sterlite Industries (India) Ltd	157	68,702	68,152

(b) Mutual Funds :

<u>Name of the Company</u>	<u>Quantity Nos</u>	<u>Purchase Cost Rupees</u>	<u>Sale Proceeds Rupees</u>
Standard Chartered Mutual Fund - GCBG Grindlays Cash Fund - Inst Plan B - Growth	1,281,135,650	15,337,000,000	15,343,661,353
Standard Chartered Mutual Fund - GCBG Grindlays Cash Fund - Inst Plan C - Growth	1,566,045,529	16,189,553,690	16,196,572,429
Tata Mutul Fund under Tata Gilt Fund Bonus Plan	23,727,787	250,000,000	254,447,299
UTI Mutual Fund under UTI Liquid Cash Plan Institutional Growth	74,535	80,000,000	80,022,546

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

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

Particulars	Purchase Cost Rupees	Sale Proceeds Rupees
6.65% Government of India Loan, 2009	856,431,319	866,978,889
7.37% Government of India Loan, 2014	499,514,833	501,447,333
7.38% Government of India Loan, 2015	171,032,000	164,777,250
7.50% Government of India Loan, 2034	364,600,783	367,160,417
9.39% Government of India Loan, 2011	925,038,417	928,941,250
12.32% Government of India Loan, 2011	400,792,333	396,039,778
364 Days Treasury Bills	813,246,350	818,665,200

- 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 2004			
	Rupees	Rupees	Rupees	Rupees
(a) Inventories				
Stores and spares, at cost *		54,462,105		37,405,440
Tools , at cost *		126,553,617		139,848,287
Stock-in-trade, at cost or market value whichever is lower :				
Raw Materials and Components		841,413,664		512,810,408
Work-in-progress (including factory made components				
Rs. 141,030,995 Previous Year				
Rs. 101,163,172)		234,312,498		162,825,229
Finished Goods :				
Vehicles		759,791,833		921,153,357
Auto Spare parts, etc.		225,213,691		246,316,773
As valued and certified by Management		2,241,747,408		2,020,359,494
Goods in transit, at cost to date		—		5,257,497
			2,241,747,408	2,025,616,991
(b) Sundry Debtors, Unsecured				
Outstanding for a period exceeding six months :				
Good	1,952,652			3,441,883
Doubtful	18,388,301			19,833,189
Less : Provision	18,388,301			19,833,189
	—			—
		1,952,652		3,441,883
Others, Good		1,761,499,481		1,336,039,301
			1,763,452,133	1,339,481,184
(c) Cash and Bank Balances				
Cash on hand (including cheques on hand				
Rs. 52,701,688/- Previous year Rs. 140,195,693)		53,901,273		141,163,635
Remittances in Transit		1,500,000		285,000
Bank Balances :				
With Scheduled Banks:				
** In current account		1,018,964,501		641,525,008
In margin deposits		10,000,000		10,030,000
In fixed deposits		878,200		500,000
Interest accrued on fixed deposits		12,344		9,623
		1,029,855,045		652,064,631
With Other Banks :				
In current account				
Standard Chartered Bank, Dubai				
(maximum balance outstanding during the year Rs. 639,841				
Previous Year Rs. 1,807,146)		72,614		192,176
Citi Bank, Indonesia				
(maximum balance outstanding during the year Rs. 2,791,929				
Previous Year Rs. Nil)		1,479,761		—
		1,552,375		192,176
			1,086,808,693	793,705,442
Carried over			5,092,008,234	4,158,803,617

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

			As at 31 March 2004
	Rupees	Rupees	Rupees
Brought over			5,092,008,234
(d) Other Current Assets, good (Unless otherwise stated)			4,158,803,617
Dividend and Interest receivable on Investments	15,762,918		21,893,297
Doubtful	51,081,603		51,081,603
Less : Provision	51,081,603		51,081,603
	—		—
		15,762,918	21,893,297
Interest receivable on Loans etc :	3,667,702		9,818,474
Doubtful	79,514,873		79,514,873
Less : Provision	79,514,873		79,514,873
	—		—
		3,667,702	9,818,474
Lease Rent Receivable		—	10,989,196
Export Incentives Receivable		604,233,324	346,203,024
Credit receivable for Windpower generated		61,647,342	65,927,629
			454,831,620
		685,311,286	
(e) Loans and Advances, unsecured, good (Unless otherwise stated)			
# Loan to Bajaj Auto Holdings Limited - wholly owned subsidiary		48,500,000	137,000,000
Loan to Mukand Ltd - a company in which Directors are interested		200,000,000	32,595,435
Loan to Others:		144,447,040	50,043,532
Deposits with Joint Stock Companies: (Including Rs.100,000,000/- secured against pledge of Securities Previous Year Rs. 68,596,340)	228,096,340		380,596,340
Doubtful	151,903,660		151,903,660
Less : Provision	151,903,660		151,903,660
	—		—
		228,096,340	380,596,340
Advances Recoverable in Cash or in kind or for value to be received:			
Due from Subsidiaries	1,823,035		3,887,545
@ Others, Good	1,064,824,658		1,198,972,671
Doubtful	37,598,627		36,539,980
Less : Provision	37,598,627		36,539,980
	—		—
		1,066,647,693	1,202,860,216
Balances with Customs and Central Excise Departments		77,564,423	45,585,270
Sundry Deposits		139,148,597	134,870,216
Tax paid in Advance		18,215,695,731	13,933,273,679
			20,120,099,824
			15,916,824,688
Total			20,530,459,925
		25,897,419,344	

* 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)

@ Includes amount due from an Officer of the Company Rs. 112,500 (Previous Year Rs. 127,500)

Maximum balance outstanding during the year Rs. 127,500 (Previous Year Rs. 142,500)

No stipulations as to repayment of principal amounts

Schedule 9 - Current Liabilities and Provisions

	As at 31 March 2004		
	Rupees	Rupees	Rupees
(a) Liabilities			
Sundry Creditors:			
Due to Small Scale Industrial Undertakings [See note 11]	—		—
Others	<u>7,351,441,476</u>		<u>6,231,700,965</u>
		7,351,441,476	6,231,700,965
Advances against Orders		228,986,721	192,974,542
Investor Education Protection Fund		15,880	23,981
Unclaimed Dividends		38,790,730	27,240,961
Deposit from Dealers and others		229,587,178	230,860,055
Unclaimed amount of Sale proceeds of Fractional coupons of Bonus Shares		5,595	5,595
Unclaimed amount on Debentures redeemed		1,582,241	1,971,636
Interest accrued but not due on loans		295,484	427,817
Temporary overdraft with bank as per books		—	40,762,987
		<u>7,850,705,305</u>	<u>6,725,968,539</u>
(b) Provisions			
Provision for Warranty [See note 14]	140,000,000		—
Provision for Taxation	17,064,600,000		13,681,000,000
Proposed Dividend	2,529,587,750		2,529,587,750
Provision for Corporate Dividend Tax on Proposed Dividend	<u>354,774,682</u>		<u>324,103,430</u>
		<u>20,088,962,432</u>	<u>16,534,691,180</u>
Total		<u>27,939,667,737</u>	<u>23,260,659,719</u>

Schedule 10 - Other Income

			Previous Year
	Rupees	Rupees	Rupees
Workshop Receipts		4,193,988	3,657,149
Technical Know-how		4,641,120	6,040,148
Royalty		2,416,020	479,389
Dividends [Gross-Tax Deducted Rs. Nil Previous Year Rs. 216,799]			
From Subsidiary	17,272,500		—
From Trade Investments	38,448,496		26,367,809
Other	<u>274,421,735</u>		<u>234,761,160</u>
		330,142,731	261,128,969
Interest [Gross-Tax Deducted Rs.144,791,456 Previous Year Rs. 161,095,884]			
On Government Securities	1,280,729,316		491,977,119
On Debentures and Bonds	605,595,143		690,447,613
On Loans	38,818,607		105,274,068
Other	<u>154,336,608</u>		<u>163,767,081</u>
		2,079,479,674	1,451,465,881
Income From Units of Mutual Funds		24,259,842	579,507,021
Leasing Business			
Lease Rent		22,504,000	1,000
Rent		14,352,495	17,289,482
Insurance Claims		1,892,322	130,868
Export Incentives		1,036,773,501	799,556,879
Miscellaneous Receipts		508,551,315	430,514,183
Surplus on Sale of Assets		65,360,559	45,833,799
Profit on Sale of Investments,net		1,456,852,606	1,113,248,305
Bad Debts Recovered		—	476,201
Sundry Credit balances appropriated		5,407,234	7,922,996
Provisions for Doubtful Debts and Advances written back	9,770,176		1,263,271
Less : Write backs on account of amounts written off during the year,as per contra	<u>6,949,912</u>		<u>249,110</u>
		2,820,264	1,014,161
Provisions no longer required		179,178,660	168,839,049
Total		<u>5,738,826,331</u>	<u>4,887,105,480</u>

Schedule 11 - Materials

			Previous Year
	Rupees	Rupees	Rupees
(a) Raw materials and components consumed		39,155,660,396	30,881,395,594
(b) Finished Goods purchases			
Two Wheelers	94,676		91,974
Auto Spare Parts	1,351,493,922		1,043,255,337
Steel and Engineering Products, for export	265,202,401		—
		1,616,790,999	1,043,347,311
(c) Excise duty on year end inventory of Finished Goods		137,416,575	173,420,258
(d) (Increase)/Decrease in Stocks			
Stocks at close			
Work in Progress [including factory made components Rs. 141,030,995 (Previous Year Rs. 101,163,172)]	234,312,498		162,825,229
Finished Goods	759,791,833		921,153,357
Auto Spare Parts	225,213,691		246,316,773
	<u>1,219,318,022</u>		<u>1,330,295,359</u>
Less : Stocks at commencement			
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	246,316,773		201,755,024
	<u>1,330,295,359</u>		<u>1,224,352,308</u>
		110,977,337	(105,943,051)
Total		<u>41,020,845,307</u>	<u>31,992,220,112</u>

Schedule 12 - Other Expenses

			Previous Year
	Rupees	Rupees	Rupees
Stores, spares and tools consumed		629,650,919	588,023,541
Power, fuel and water		547,937,179	625,066,127
Repairs			
Buildings and Roads	113,326,678		76,145,049
Machinery	450,935,049		333,705,161
Other	18,714,370		25,072,254
		582,976,097	434,922,464
Employees' Emoluments			
Salaries, wages, bonus etc.	2,022,480,654		1,951,776,643
Contribution to Provident and other funds and schemes	233,253,915		225,203,145
Welfare expenses [see note 9]	234,901,656		228,376,355
		2,490,636,225	2,405,356,143
Rent		26,972,373	27,661,965
Rates and taxes		13,144,596	17,351,678
Insurance		26,854,973	35,324,857
Auditors' Remuneration		4,532,626	4,837,172
Directors' fees and travelling expenses		1,959,050	1,084,139
Managing Directors' remuneration			
Salary	3,000,000		3,000,000
Commission	4,200,000		4,200,000
		7,200,000	7,200,000
Whole-time Directors' remuneration			
Salary	4,227,600		2,640,000
Commission	2,400,000		2,400,000
		6,627,600	5,040,000
Commission to Non Executive Directors		1,480,000	1,240,000
Miscellaneous expenses		990,925,557	761,148,460
Packing, forwarding etc.		786,832,291	615,046,683
Advertisement		1,438,705,528	1,293,220,710
Vehicle service charges and other expenses		936,925,327	748,708,182
Commission and Discount		59,301,907	129,272,167
Incentives & Sales Promotion		153,320,633	327,512,445
Royalty		324,918,099	267,151,337
Donations		50,424,875	51,180,083
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
Contribution to Prime Minister's National Relief Fund		20,000,000	—
Bad debts and other irrecoverable debit balances written off	7,422,987		554,246
Less : Provisions made in earlier years in respect of amounts written off during the year, adjusted as per contra	6,949,912		249,110
		473,075	305,136
Sundry credit balances previously appropriated, now paid		7,972	15,000
Loss on assets sold, demolished, discarded and scrapped		83,176,341	82,134,203
Loss on conversion of investments		—	25,325,577
Loss on redemption of securities		36,643,832	23,346,991
Provision for Doubtful Debts and Advances		9,383,935	274,632,465
Provision for Diminution in Value of Investments		42,940,615	67,851,191
Amount written off against Technical Know-how		36,181,811	36,641,225
Amount written off against leasehold land		4,210,566	4,210,566
Total		9,314,344,002	8,885,810,507

Schedule 13 - Interest

			Previous Year
	Rupees	Rupees	Rupees
Interest:			
On Fixed Loans		1,695,173	3,040,276
Others		4,986,510	6,311,220
Total		6,681,683	9,351,496

Schedule 14 - Notes forming part of financial statements

	As at 31 March 2005	As at 31 March 2004
	Rupees	Rupees
1. (A) Contingent liabilities not provided for in respect of :		
(i) Sales Bills Discounted	16,595,660	66,111,187
(ii) Claims against the Company not acknowledged as debts	2,365,318,978	2,311,318,739
(iii) Guarantees given by the Company to Housing Development Finance Corporation Ltd. - for loans to Employees	35,807,310	43,204,786
(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	563,775,843	613,538,270
(v) Income-Tax matters under dispute - Appeal by Company	704,622,728	464,701,883
Appeal by Department	<u>1,276,263,376</u>	<u>1,191,273,901</u>
(vi) Sales Tax matters under dispute	1,980,886,104	1,655,975,784
(vii) Claims: [Estimated amounts] Claims made by temporary workmen pending before various courts in respect of similar matters adjudicated by the Supreme Court in the past. 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	<u>84,218,302</u> <u>362,315,850</u>	<u>37,593,021</u> <u>365,493,665</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 189.66 million (Previous Year 283.33 million). Minimum Export obligation to be fulfilled by the Company under the said scheme, by 31st March, 2005 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.	<u>5,408,918,047</u>	<u>5,093,235,452</u>
2. Estimated amounts of contracts remaining to be executed on capital account and not provided for, Net of Advances.	1,028,059,613	385,608,009
3. Payments to Auditors : (including service tax expenses as applicable)		

	Auditors		Cost Auditors	
	2004-2005 Rupees	2003-2004 Rupees	2004-2005 Rupees	2003-2004 Rupees
(i) As Auditors	3,300,000	3,564,000	250,000	216,000
(ii) In other capacity :				
For tax audit	450,000	486,000	—	—
For limited review	246,400	259,200	—	—
For Provident Fund Certificates & other matters	198,262	216,534	—	—
	<u>4,194,662</u>	<u>4,525,734</u>	<u>250,000</u>	<u>216,000</u>
(iii) For expenses	337,964	311,438	—	2,389
Total	<u>4,532,626</u>	<u>4,837,172</u>	<u>250,000</u>	<u>218,389</u>

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

	As at 31 March 2005	As at 31 March 2004
	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	512,104,936	325,623,898
Components	636,450,014	398,600,919
	1,148,554,950	724,224,817
(ii) Machinery Spares	63,630,794	9,361,429
(iii) Capital Goods	300,157,600	189,445,068
* Excluding C.I.F. Value of Stores, Tools, etc. Rs. 130,236,839 (Previous Year Rs. 144,228,334)		
(b) Expenditure in foreign currencies:		
(i) Travelling expenses	12,292,015	7,787,631
(ii) Royalty, net of tax	259,627,084	213,658,781
(iii) Technical Consultancy, net of tax	75,796,153	37,153,923
(iv) Commission on Exports	—	155,712
(v) Research and Development Expenses	97,782	284,846
(vi) Advertisement & publicity	39,778,730	9,304,827
(vii) Other matters	50,296,924	36,780,486
(viii) Capital Expenditure at Dubai Office	1,191	144,842
(ix) Capital Expenditure at Indonesia Office	422,899	—
(c) Earnings in foreign currencies :		
(i) F.O.B. Value of exports	6,949,515,755	5,560,324,885
(ii) F.O.B. Value of exports - goods traded in	240,656,424	3,123,274
(iii) Forwarding charges exports recovered	92,967,555	73,707,661
(iv) Interest	5,164,243	6,796,228
(v) Royalty	2,416,020	479,389
(vi) Technical Know-how	570,650	229,450
(vii) Others	—	114,359
(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"	41,076,126	10,649,047
(ii) on settlement of Export receivables carried forward from the previous accounting period as a part of "Other Income"	—	—
(iii) on settlement of other transactions including cancellation of forward contracts as a part of "Other income/(Other Expenses)"	(75,951,692)	21,914,666
(iv) on realignment of open forward contracts against exports of the year	(3,522,086)	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	711,387	120,985
(ii) to be recognised in the subsequent accounting period	5,623,613	221,515

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

	2004-2005	
	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		7,649,630,398
Add : Managing Directors' Remuneration (including perquisites)	14,955,643	
Wholetime Directors' Remuneration(including perquisites)	10,038,469	
Commission to Non-Executive Directors	1,480,000	
Provision for Taxation	3,196,300,340	
		3,222,774,452
Less : Excess of Sales price over cost of assets sold	3,549,486	
Provision for doubtful debts and advances written back	9,770,176	
Provisions no longer required	179,178,660	
		192,498,322
Profit on which commission is payable		10,679,906,528
(ii) Commission to Managing Director - Shri Rahul Bajaj Commission @ 1% on Rs. 10,679,906,528 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		106,799,065
		2,400,000
(iii) Commission to Wholetime Director - Shri Madhur Bajaj Commission @ 1% on Rs. 10,679,906,528 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		106,799,065
		2,400,000
(iv) Commission to Jt. Managing Director - Shri Rajiv Bajaj Commission @ 1% on Rs. 10,679,906,528 Maximum Commission payable as determined by the Board of Directors to be limited to an amount equal to annual salary for the year		106,799,065
		1,800,000
(v) Commission to Non-Executive Directors Commission @ 1% on Rs. 10,679,906,528 Maximum Commission restricted to Rs.20,000/- per meeting attended, per person, subject to an overall ceiling of Rs.2,400,000		106,799,065
		1,480,000
(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*	
	2004-2005 Rupees	2003-2004 Rupees	2004-2005 Rupees	2003-2004 Rupees	2004-2005 Rupees	2003-2004 Rupees
(i) Salary	1,200,000	1,200,000	1,800,000	1,800,000	4,227,600	2,640,000
(ii) Commission	2,400,000	2,400,000	1,800,000	1,800,000	2,400,000	2,400,000
(iii) Privilege Leave Entitlement	100,000	100,000	150,000	150,000	1,175,091	96,667
(iv) Contribution to Provident Fund, Superannuation & Gratuity	424,000	424,000	636,000	636,000	1,258,031	596,800
(v) Other perquisites	4,968,736	339,943	68,356	151,706	181,327	119,614
(vi) Estimated monetary value of perquisite in form of :						
Unfurnished Accommodation	64,800	364,800			404,300	364,800
Furniture at Residence	990,951	986,622			324,947	324,947
Personal use of Company's car	26,400	26,400	26,400	26,400	67,173	52,800
	<u>10,474,887</u>	<u>5,841,765</u>	<u>4,480,756</u>	<u>4,564,106</u>	<u>10,038,469</u>	<u>6,595,628</u>

* Including for Executive Director appointed w.e.f. 15th September 2004.

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

		2004-2005		2003-2004	
6. Details of raw materials consumption, goods traded in and Machinery Spares Consumption	Unit	Qty.	Rupees	Qty.	Rupees
(i) Raw materials (including components) consumed					
(a) Ferrous Metal	M.T.	22,304	756,360,244	25,306	737,090,753
	Mtrs.	574	50,311	499	45,176
(b) Non-Ferrous Metal	M.T.	14,835	1,309,559,230	13,180	1,104,720,082
(c) Tyres & tubes	Nos.	8,256,385	1,329,618,963	7,244,968	1,180,271,602
(d) Other Components			35,207,356,973		27,389,413,115
(e) Others			552,714,675		469,854,866
Total			39,155,660,396		30,881,395,594
(ii) Imported and indigenous raw material consumption (including components)					
		Rupees	Percentage	Rupees	Percentage
(a) Imported (including Customs Duty and other related charges)		865,052,946	2.21	995,400,036	3.22
(b) Indigenous		38,290,607,450	97.79	29,885,995,558	96.78
Total		39,155,660,396	100.00	30,881,395,594	100.00
(iii) Imported and indigenous Machinery Spares Consumed					
		Rupees	Percentage	Rupees	Percentage
(a) Imported (including Customs Duty and other related charges)		55,818,834	24.44	21,373,510	12.45
(b) Indigenous		172,526,474	75.56	150,270,168	87.55
Total		228,345,308	100.00	171,643,678	100.00
(iv) Details of goods traded in-Purchases					
		Nos.	Rupees	Nos.	Rupees
Two Wheelers		4	94,676	4	91,974
Auto Spare Parts			1,351,493,922		1,043,255,337
Alloy Steel			265,202,401		—
Total			1,616,790,999		1,043,347,311

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

7. Details of Licensed & Installed Capacity, Production, Stocks and Turnover Class of Goods	2004-2005		2003-2004	
	Nos.	Rupees	Nos.	Rupees
(I) Motorised Two Wheelers & Three Wheelers upto 350 cc				
Engine capacity				
(i) Licensed Capacity (including two Wheelers c.k.d packs- 200,000 Nos.) (a)	1,639,350		1,639,350	
(ii) Installed Capacity (b)	2,700,000		2,520,000	
(iii) Production	1,814,799		1,516,876	
(iv) Stocks :				
At commencement :				
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
Steel and Engineering Products, for export	—	—	—	—
Total		1,167,470,130		1,063,934,343
At Close				
Two & Three-Wheelers	25,328	759,791,833	35,232	921,153,357
Goods Traded in :				
Two Wheelers	—	—	—	—
Auto Spare Parts (c)	—	225,213,691	—	246,316,773
Steel and Engineering Products	—	—	—	—
Total		985,005,524		1,167,470,130
(v) Turnover (d)				
Two & Three-Wheelers	1,824,699	62,032,867,248	1,518,131	51,545,190,562
Goods Traded in :				
Two Wheelers	4	93,249	5	111,771
Auto Spare Parts (including factory made parts)	—	3,146,370,568	—	2,639,601,537
Steel and Engineering Products, for export	—	236,714,708	—	—
Total		65,416,045,773		54,184,903,870
(vi) Other :				
Dismantled, Scrapped, Free of Charge	4		1	
(vii) Details of c.k.d.packs included in above				
Stocks at commencement	864		490	
Production	63,815		56,281	
Turnover:				
Maharashtra Scooters Ltd.	11,404		17,586	
Export	52,818		38,321	
Stocks at Close	457		864	
(II) Special Purpose Machine Tools				
(i) Licensed Capacity (a)	80		80	
(ii) Installed Capacity (b)	40		40	
(iii) Production	17		39	
(iv) Capitalised	17		39	
(III) Windpower Generation				
Installed Capacity (b) - Mega Watts	65.20		65.20	
Generated, captively consumed.- Units	112,282,513	249,381,395	108,827,099	263,800,661

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 License held by the Company, however, the Company's products are exempt from Licensing requirements under New Industrial Policy in terms of notification no. s.o. 477 (E) dated 25th July, 1991.
 - (b) As certified by the 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. 68,336,447/-** and **Rs. 74,888,587 /-** respectively (Previous Year Rs. 66,795,870/- and Rs. 68,336,447/- respectively)
 - (d) Includes **112 Nos.** Capitalised at cost **Rs. 4,054,202 /-** (Previous Year 45 Nos. Rs. 2,205,534/-)
8. Significant Accounting Policies followed by the Company are as stated in the Statement annexed to this schedule.
9. Welfare Expenses include **Rs. Nil** (Previous Year Rs. 1,210,000/-) 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 2005, an abridged Investment Schedule instead of the complete Investment Schedule. Pending receipt of the permission, the company has disclosed the Investment Schedule in an 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. 42,940,615/-** (previous year Rs. 67,851,191/-) 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 31st March, 2004	Arising during the year	Write down of Deferred Tax Assets (See Note below)	Balance carried as at 31st March, 2005
Deferred Tax Liabilities :				
On account of timing difference in				
a) Depreciation and Amortisation	2,390,401,821	(262,381,134)	—	2,128,020,687
Total	2,390,401,821	(262,381,134)	—	2,128,020,687
Deferred Tax Assets :				
On account of timing difference in				
a) Voluntary Retirement Scheme costs	234,446,498	11,961,743	—	246,408,241
b) Inventory Valuation (Section 145 A of the Income Tax Act ,1956)	50,335,709	(6,835,692)	—	43,500,017
c) Diminution in the value of investments	58,531,295	9,745,851	(6,457,976)	61,819,170
d) Provision for bad and doubtful debts	124,945,181	(7,844,394)	—	117,100,787
e) Provision for privilege leave etc.	79,239,618	(2,343,835)	—	76,895,783
f) Taxes, duties etc.	133,790,457	(9,363,682)	—	124,426,775
g) Short term Capital loss	414,351,412	(3,876,250)	(351,570,162)	58,905,000
h) Long term Capital loss	66,525,215	(66,525,215)	—	—
Total	1,162,165,385	(75,081,474)	(358,028,138)	729,055,773
Net	1,228,236,436	(187,299,660)	358,028,138	1,398,964,914

Note :-

Deferred Tax Assets represented in Carried Forward Capital Losses were recognised in the previous years on the basis of their ability to be absorbed against taxable capital gains in the future years by virtue of the substantial appreciation in the equity portfolio as at 31st March 2004.

However, on account of the amendment to the Income Tax Act, 1961 consequent to the Finance Act, 2004 effective 1st October 2004, Long term capital gains on listed Equity Shares have been entirely exempt from tax, in consideration of the levy of Securities Transaction Tax thereon. Such change in statute has rendered the basis of recognition of the above referred deferred tax assets redundant and hence the balance of the Deferred Tax Assets, after retaining amounts that are virtually certain of being reversed against committed taxable gains in the future, have been written down to the Profit and Loss account. Such write down has no relevance to the profit for the year and hence, keeping in mind the objective of AS-22 "Taxes on Income", has been adjusted against the profits before making any appropriations.

14. The company has this year recognised a provision estimated at Rs 140,000,000/- towards warranty claims in respect of sale of vehicles.
15. Future minimum lease rental in respect of assets
- (i) given on operating lease in the form of office premises after April 1, 2001
Minimum future lease payments as on March 31, 2005 :
 - (a) Receivable within one year - Rs. 13,698,480/- (Rs. 13,079,040/-)
 - (b) Receivable between one year and five years - Rs. 2,709,780/- (Rs. 2,657,780/-)
 - (c) Receivable after five years - Rs. Nil (Rs. Nil)

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

- (ii) taken on operating lease in the form of office premises after April 1, 2001
Minimum future lease payments as on March 31, 2005
- (a) Payable within one year- **Rs. 22,297,425/-** (Rs. 8,955,953/-)
- (b) Payable between one year and five years- **Rs. 16,373,661/-** (Rs. 5,523,142/-)
- (c) Payable after five years - **Rs. Nil** (Rs. Nil)
16. 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.
17. Segment Information based on the Consolidated Financial Statements attached to the Independent Financial Statements has been disclosed in the Statement annexed to this Schedule.
18. Previous year's figures have been regrouped wherever necessary to make them comparable with those of the current year.
-

Signature to Schedules "1" to "14"

As per our attached report of even date

For and on behalf of Dalal and Shah
Chartered Accountants

Anish Amin
Partner
Membership No. 40451

Mumbai : 11 May 2005

J. Sridhar
Company Secretary

Rahul Bajaj	Chairman
Madhur Bajaj	Vice Chairman
Rajiv Bajaj	Managing Director
Sanjiv Bajaj	Executive Director
D.S. Mehta	} Directors
Kantikumar R. Podar	
Shekhar Bajaj	
D. J. Balaji Rao	
J.N. Godrej	
S.H. Khan	
Naresh Chandra	
Tarun Das	
Manish Kejriwal	

Annexure referred to in Note 8 in Schedule 14 to the Financial Statements for the year ended 31st March 2005

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 :

- (a) Leasehold land:
Premium on leasehold land is amortised over the period of lease.
- (b) On Plant & Machinery given on Lease:
Depreciation on Plant & Machinery and Dies and Moulds given on lease is being provided at the rates worked out on Straight Line Method over the primary period of lease as stated in the Lease Agreement or at the rates

Annexure referred to in Note 8 in Schedule 14 to the Financial Statements for the year ended 31st March 2005

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 %	As at 31 st March, 2005
Plant & Machinery High Efficiency Boiler	16.67	* 5.28	Fully Provided for
Dies and Moulds Primary period 3 years	33.33	11.31	Fully Provided for
Primary period 5 years	20.00	11.31	Fully Provided for

* at the rates applicable to Continuous Process machinery

- (c) On Pressure Die Casting (PDC) Dies :
Depreciation on certain PDC Dies is provided over the estimated economic life of the asset,(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.
- (d) On other Fixed Assets :
Depreciation on all assets is provided on ' Straight Line basis ' in accordance with the provisions of Section 205 (2) (b) of the Companies Act, 1956 in the manner and at the rates specified in Schedule XIV to the said Act.
- Depreciation on additions is being provided on prorata basis from the month of such additions.
 - 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.
 - Depreciation on additions on account of increase in rupee value due to fluctuation in the rate of exchange of foreign currency loan 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 :

- 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.
- Technical know-how developed by the company
 - 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.
 - The cost of Technical Know-how developed is amortised over its estimated life i.e. three years.

5) Investments :

- Investments are valued at cost of acquisition, less provision for diminution as necessary.
- 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.
- 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.

- 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.

Annexure referred to in Note 8 in Schedule 14 to the Financial Statements for the year ended 31st March 2005

- 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 revalorised 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.
- 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.
- 12) **Provisions :**
- Necessary provisions are made for present obligations that arise out of events prior to the balance sheet date entailing future outflow of economic resources. Such provisions reflect best estimate based on available information.

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

Name of related party and Nature of relationship	Nature of transaction	2004-05		2003-04	
		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	144,500,000	48,500,000	22,000,000	137,000,000
	Loan taken	56,000,000	—	19,000,000	—
	Interest received	7,794,244	7,794,244	19,821,164	—
	Dividend received	17,272,500	—	—	—
	Other credits	6,000	—	6,000	—
Bajaj Allianz General Insurance Co. Ltd. (74 % shares held by Bajaj Auto Ltd.)	Contribution to Equity [81,400,000 shares of Rs. 10 each]	—	814,000,000	—	814,000,000
	Rent received	11,949,142	—	8,234,287	—
	Deposit received	539,940	12,307,925	6,568,080	11,767,985
	Insurance premia paid	36,502,251	1,823,035	36,719,748	3,887,545
	Insurance claims received	17,922,649	—	—	—
	Sale of 7.10% NCDs of Tata Sons Ltd.	53,078,588	—	—	—
	Other debits	8,318	—	—	—
	Services rendered	1,432,113	—	4,950,400	—
	Services recd.	32,500	—	—	—
Bajaj Allianz Life Insurance Co. Ltd. (74 % shares held by Bajaj Auto Ltd.)	Contribution to Equity [111,058,238 shares (Previous year 111,048,840 shares) of Rs. 10 each]	93,980	1,110,582,380	244,200	1,110,488,400
	Rent received	133,687	—	3,428,083	—
	Premium paid	2,425,000	—	—	—
	Services rendered	2,031,677	—	—	—
	Sale of 7.10% NCDs of Tata Sons Ltd.	53,078,588	—	—	—
	Deposit received /(refunded)	—	741,635	(6,568,080)	741,635
	Other debits / credits	—	—	29,038	(46,594)
[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	91,869,012	—	139,486,355	—
	Sale of Machinery	658,671	—	—	—
	Sale of Bonds	609,134,672	—	—	—
	Technical knowhow fees received	4,517,050	—	6,153,528	—
	Dividend received	5,485,696	—	1,645,709	—
	Purchase of dies / fixtures	23,570,303	—	28,008,811	—
	Services received	—	—	244,676	—
	Services rendered	2,098,853	—	3,747,004	—
	Warranty paid	978,307	—	1,868,845	—
	Other debits	13,056	(5,184,492)	224,604	7,586,905
	Other credits	235,383	—	—	—

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	2004-05		2003-04	
		Transaction Value	Outstanding amounts carried in the Balance Sheet	Transaction Value	Outstanding amounts carried in the Balance Sheet
		(Rs.)	(Rs.)	(Rs.)	(Rs.)
Bajaj Auto Finance Ltd. (31.3 % shares held by Bajaj Auto Ltd.)	Contribution to Equity [5,493,800 shares of Rs. 10 each]	—	219,186,257	—	219,186,257
	Loan refunded	100,000,000	—	2,050,000,000	—
	Loan taken	100,000,000	—	1,130,000,000	—
	Interest received	920,548	—	39,916,775	—
	Dividend received	32,962,800	—	24,722,100	—
	Subvention charges paid for finance scheme	42,027,981	—	88,585,587	4,699,736
	Services rendered	2,278,199	—	1,746,831	—
	Service incentive received	213,541	—	1,216,301	—
	Other debits	307,206	117,419	864,216	639,862
Allianz AG	Nil	—	—	—	—
Western Maharashtra Development Corporation	Nil	—	—	—	—
[c] Directors & Relatives:					
Mr. Rahul Bajaj - Chairman & Managing Director* (Also key management personnel)	Remuneration	8,074,887	—	3,441,765	—
	Commission	2,400,000	—	2,400,000	—
	Rent paid for premises	161,582	—	146,410	—
	Deposit paid against premises taken on lease	—	4,250,000	—	4,250,000
Mr. Madhur Bajaj - Wholetime Director (Also key management personnel)	Remuneration	2,591,037	—	2,550,084	—
	Commission	2,400,000	—	2,400,000	—
	Rent paid for premises	155,760	—	141,086	—
	Deposit paid against premises taken on lease	—	4,100,000	—	4,100,000
Mr. Rajiv Bajaj - Joint Managing Director* (Also key management personnel)	Remuneration	2,680,756	—	2,764,106	—
	Commission	1,800,000	—	1,800,000	—
	Rent paid for premises	161,582	—	146,410	—
	Deposit paid against premises taken on lease	—	4,250,000	—	4,250,000
Mr. Sanjiv Bajaj - Executive Director (Also key management personnel)	Remuneration	5,446,528	—	3,579,405	—
Rahulkumar Bajaj (HUF)	Rent paid for premises	161,582	—	146,410	—
	Deposit paid against premises taken on lease	—	4,250,000	—	4,250,000
Kamalnayan Bajaj (HUF)	Rent paid for premises	161,582	—	146,410	—
	Deposit paid against premises taken on lease	—	4,250,000	—	4,250,000
Shekhar Bajaj - Non Executive Director	Commission	80,000	—	100,000	—
	Sitting fees	80,000	—	25,000	—
	Rent paid for premises	155,760	—	141,086	—
	Deposit paid against premises taken on lease	—	4,100,000	—	4,100,000
Shekhar Bajaj (HUF)	Rent paid for premises	155,760	—	141,086	—
	Deposit paid against premises taken on lease	—	4,100,000	—	4,100,000
Ramkrishna Bajaj (HUF)	Rent paid for premises	155,760	—	141,086	—
	Deposit paid against premises taken on lease	—	4,100,000	—	4,100,000
Niraj Bajaj (HUF)	Rent paid for premises	155,760	—	141,086	—
	Deposit paid against premises taken on lease	—	4,100,000	—	4,100,000

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

Name of related party and Nature of relationship	Nature of transaction	2004-05		2003-04	
		Transaction Value (Rs.)	Outstanding amounts carried in the Balance Sheet (Rs.)	Transaction Value (Rs.)	Outstanding amounts carried in the Balance Sheet (Rs.)
[d] Key Management Personnel :					
Mr. D. S. Mehta - Whole time Director (Key management personnel)	Remuneration	1,645,264	—	1,645,544	—
[e] Enterprise over which any person described in (c) or (d) above is able to exercise significant influence :					
Mukand Ltd.	Contribution to Equity [2,000,345 shares (Previous year 2,785,027 shares) of Rs. 10 each]	(24,317,535)	61,991,302	3,427,170	86,308,837
	0.01% Redeemable Preference Shares [196,169 shares of Rs. 10 each]	—	1,961,690	1,961,690	1,961,690
	16% Secured Redeemable Non Convertible Debentures	—	14,794,225	—	14,794,225
	Advances refunded	152,595,435	200,000,000	144,000,000	32,595,435
	Advance taken	320,000,000	—	110,000,000	—
	Interest received - others	8,516,042	—	9,766,608	—
	Services rendered	—	—	417,726	—
	Purchases	1,972,035	—	1,016,232	—
	Purchases for Export	242,412,033	—	—	—
	Scrap Sale	6,576,395	—	2,852,700	—
	Other Debits	105,768	(232,816,904)	—	1,291,396
Bajaj Electricals Ltd.	Contribution to Equity [1,153,384 shares (Previous year 1,719,676 shares) of Rs. 10 each]	(43,583,448)	88,767,722	21,495,950	132,351,170
	10 % Cumulative Non-participating Redeemable Preference Shares [3,000,000 shares of Rs. 10 each]	—	30,000,000	—	30,000,000
	Inter Corporate Deposits (ICDs) refunded	—	—	94,000,000	—
	Interest received on ICD	—	—	8,753,423	—
	Dividend received	4,719,676	—	3,300,000	—
	Purchase / Processing of material	134,693	—	1,809,628	—
	Other credits	110,637	65,342	6,563	(95,431)
	Other debits	—	—	248,614	—
Hind Musafir Agency Pvt. Ltd.	Services received	25,708,972	(15,392)	16,039,562	(996,747)
Kamalnayan Investments & Trading Pvt. Ltd.	Nil	—	—	—	—
Rahul Securities Pvt. Ltd.	Nil	—	—	—	—
Bajaj Sevashram Pvt. Ltd.	Nil	—	—	—	—
Bachhraj Trading Co.	Nil	—	—	—	—
Bajaj Trading Co.	Nil	—	—	—	—
Anant Trading Co.	Nil	—	—	—	—

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	2004-05		2003-04	
		Transaction Value (Rs.)	Outstanding amounts carried in the Balance Sheet (Rs.)	Transaction Value (Rs.)	Outstanding amounts carried in the Balance Sheet (Rs.)
Kushagra Trading Co.	Nil	—	—	—	—
Madhur Securities Pvt. Ltd.	Nil	—	—	—	—
Bajaj International Pvt. Ltd.	Nil	—	—	—	—
Bachhraj & Co. Pvt. Ltd.	Nil	—	—	—	—
Jamnalal Sons Pvt. Ltd.	Nil	—	—	—	—
Sikkim Janseva Pratisthan Pvt. Ltd.	Nil	—	—	—	—
Niche Financial Services Pvt. Ltd.	Nil	—	—	—	—
Benchmark Asset Management Co. Pvt. Ltd.	Nil	—	—	—	—
Baroda Industries Pvt. Ltd.	Nil	—	—	—	—
Bachhraj Factories Pvt. Ltd.	Nil	—	—	—	—
Rahul Securities Pvt. Ltd.	Nil	—	—	—	—

* Designations at the time of transactions.

Segment wise Revenue, Results and Capital employed for the Year ended March 31, 2005

(a) Primary Segment : Business Segment

	Automotive	Investments and Others	Insurance *	Consolidated
	Rupees	Rupees	Rupees	Rupees
Revenue *				
External Sales and Other Income	59,338,870,457	3,843,511,798	14,286,431,427	77,468,813,682
Inter segment Sales and Other Income	6,000	251,715,800	38,927,251	290,649,051
Total Revenue	59,338,876,457	4,095,227,598	14,325,358,678	77,759,462,733
Segment Result	7,233,401,047	3,877,801,362	402,056,265	11,513,258,674
Interest Expense	6,691,318	—	—	6,691,318
Income Taxes	—	—	—	3,493,147,486
Net Profit	7,226,709,729	3,877,801,362	402,056,265	8,013,419,870
Segment Assets	16,924,552,919	47,555,701,606	18,220,696,380	82,700,950,905
Unallocated Corporate Assets				18,222,378,716
Total Assets	16,924,552,919	47,555,701,606	18,220,696,380	100,923,329,621
Segment Liabilities	7,839,659,058	201,098,927	14,864,936,113	22,905,694,098
Unallocated Corporate Liabilities				19,952,362,073
Total Liabilities	7,839,659,058	201,098,927	14,864,936,113	42,858,056,171
Capital Employed	9,084,893,861	47,354,602,679	3,355,760,267	58,065,273,450
Capital Expenditure	1,058,768,342	7,461,715,078	9,458,066,466	17,978,549,885
Depreciation	1,561,948,906	294,641,246	217,123,098	2,073,713,250
Non Cash Expenses other than Depreciation	52,840,795	42,940,615	4,968,196	100,749,606

* Segment revenues for insurance business represents the premiums earned and other income. However, for the purpose of consolidated financial statements the net result of the insurance business revenue accounts together with shareholders income in accordance with the reporting framework of IRDA amounting to a net surplus of Rs. 421,322,093 prior to elimination of inter segment revenue amounting to Rs. 41,267,655 for the year ended March 31, 2005 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. 1,319,928.

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 31 March 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.

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	31st March 2005

Rupees in Thousands

II. CAPITAL RAISED DURING THE YEAR ENDED 31st MARCH 2005

Public Issue	—
Rights Issue	—
Bonus Issue	—
Private Placement	—
Others	—
	<u>—</u>

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS AS AT 31st MARCH 2005

Total liabilities	55,012,388
Total assets	55,012,388

SOURCES OF FUNDS

Paid-up capital	1,011,835
Reserves and surplus	40,331,662
Secured loans	—
Unsecured loans	12,269,926
Deferred Tax Adjustments	1,398,965
	<u>55,012,388</u>

APPLICATION OF FUNDS

Net Fixed Assets	11,408,328
Investments	45,605,757
Net Current Assets	(2,042,248)
Misc.Expenditure-Technical Know-how	40,551
	<u>55,012,388</u>

IV. PERFORMANCE OF THE COMPANY FOR THE YEAR ENDED 31st MARCH 2005

i) Turnover (sale of products and other income)	63,351,799
ii) Total Expenditure	52,487,396
iii) Profit before tax and extraordinary items	10,864,403
iv) Profit after tax	7,668,102
v) Expenses for earlier years	18,472
vi) Net Profit	7,649,630
vii) Profit available for appropriation.	7,291,602
viii) Earning per share Rs.(See Note 2)(Face Value Rs.10/-)	75.60
ix) 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 31st March, 2005, 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
	Madhur Bajaj	Vice Chairman
	Rajiv Bajaj	Managing Director
	Sanjiv Bajaj	Executive Director
	D.S. Mehta	} Directors
	Kantikumar R. Podar	
	Shekhar Bajaj	
	D. J. Balaji Rao	
	J.N. Godrej	
	S.H. Khan	
	Naresh Chandra	
	Tarun Das	
	Manish Kejriwal	
J. Sridhar Company Secretary		

Mumbai : 11 May 2005

Cash Flow Statement

	2004-2005	2003-2004
	Rupees	Rupees
I. CASH FROM OPERATIONS:		
A) Profit before Taxation	10,864,402,753	9,604,201,352
B) Adjustments:		
Add:		
i) Depreciation	1,853,663,751	1,798,946,045
ii) Amount written off against Technical know-how	36,181,811	36,641,225
iii) Amount written off against Leasehold land	4,210,566	4,210,566
iv) Loss on Assets Sold, Demolished, Discarded and Scrapped	83,176,341	82,134,203
v) Provision for Diminution in Value of Investments	42,940,615	67,851,191
vi) Provision for Doubtful Debts, Advances & Investments	9,383,935	274,632,465
vii) Interest on cash credit	1,468,853	1,762,868
viii) Interest on Fixed Deposit	1,695,173	3,040,276
	<u>2,032,721,045</u>	<u>2,269,218,839</u>
	12,897,123,798	11,873,420,191
Less :		
i) Investment and Other Non-operating Income included in above:		
Dividends	330,142,731	261,128,969
Interest on Debenture and Bonds	605,595,143	690,447,613
Interest on Government Securities	1,280,729,316	491,977,119
Interest on Inter-Corporate Deposits and Others	104,955,704	130,696,382
Income from units of Mutual funds	24,259,842	579,507,021
Lease Rent	22,504,000	1,000
Profit on sale of leased assets	6,922,233	—
Profit/(Loss) on Sale of Investments, net	1,456,852,606	1,113,248,305
Surplus/(Loss) on Redemption of Treasury Bills, etc on maturity	(36,643,832)	(23,346,991)
Interest on Fixed deposits	—	—
Bad debts written off	—	—
Bad debts recovered	—	(25,325,577)
Loss on conversion of investments	—	(25,325,577)
Misc. receipts-Non-Operating	—	3,588,213
	<u>3,795,317,743</u>	<u>3,221,922,054</u>
ii) Surplus on Sale of Assets	65,360,559	45,833,799
iii) Expenses relating to earlier years	18,472,015	29,700,470
iv) Tax Credits in respect of earlier years	—	(98,519,795)
v) Income Tax, Wealth Tax and Dividend Tax paid	4,606,525,482	2,600,615,583
vi) Provision for Doubtful debts and Advances written back	2,820,264	1,014,161
	<u>(8,488,496,063)</u>	<u>(5,800,566,272)</u>
CASH FROM OPERATIONS	<u>4,408,627,735</u>	<u>6,072,853,919</u>
Carried Forward	4,408,627,735	6,072,853,919

Cash Flow Statement (Contd.)

	2004-2005	2003-2004
	Rupees	Rupees
brought forward	4,408,627,735	6,072,853,919
C) (Increase)/Decrease in Current Assets		
i) Inventories	(216,130,417)	54,195,319
ii) Sundry Debtors	(425,687,773)	317,923,096
iii) Other Current Assets and Loans and Advances	(472,050,497)	(251,129,807)
	<u>(1,113,868,687)</u>	<u>120,988,608</u>
Increase/(Decrease) in Current Liabilities		
i) Liabilities	<u>1,260,106,817</u>	<u>2,178,255,173</u>
	146,238,130	2,299,243,781
NET CASH FROM OPERATIONS	<u>4,554,865,865</u>	<u>8,372,097,700</u>
II) INVESTMENT ACTIVITIES		
i) (Increase)/Decrease in Investment, net	(7,094,291,454)	(11,323,314,839)
ii) Capital Expenditure	(1,059,053,800)	(1,265,732,348)
iii) Sales Proceeds of Assets/Adjustment to Gross block	95,824,903	87,751,525
iv) Technical know-how	—	(6,555,499)
v) Lease Security Deposit	(6,922,233)	—
vi) (Increase)/Decrease in Deposits with Joint Stock Companies, Loan to Bajaj Auto Holdings Ltd and Bills purchased	<u>241,000,000</u>	<u>1,145,600,000</u>
	<u>(7,823,442,584)</u>	<u>(11,362,251,161)</u>
vii) Investment and other Non-operating Income included in above		
Dividends	330,142,731	261,128,969
Interest on Debenture and Bonds	605,595,143	690,447,613
Interest on Government Securities	1,280,729,316	491,977,119
Interest on Inter-Corporate Deposits and Others	104,955,704	130,696,382
Income from units of Mutual funds	24,259,842	579,507,021
Lease Rent	22,504,000	1,000
Profit on sale of leased assets	6,922,233	—
Profit/(Loss) on Sale of Investments, net	1,456,852,606	1,113,248,305
Surplus/(Loss) on Redemption of Treasury Bills, etc on maturity	(36,643,832)	(23,346,991)
(Increase)/decrease in non-operating income receivable & dues	74,873,313	29,404,661
Loss on conversion of investments	—	(25,325,577)
Misc. receipts-Non-Operating	—	3,588,213
	<u>3,870,191,056</u>	<u>3,251,326,715</u>
NET CASH FROM INVESTMENT ACTIVITIES	<u>(3,953,251,528)</u>	<u>(8,110,924,446)</u>
Carried Forward	601,614,337	261,173,254

Cash Flow Statement (Contd.)

	2004-2005	2003-2004
	Rupees	Rupees
brought forward	601,614,337	261,173,254
III) FINANCING ACTIVITIES		
i) Cash Credit from Banks	—	(539,117,444)
ii) Interest on cash credit	(1,468,853)	(1,762,868)
iii) Repayment of Fixed Deposits	(9,338,010)	(17,307,451)
iv) Interest on Fixed Deposit	(1,695,173)	(3,040,276)
v) Increase in Unsecured Loans -Sales tax deferral liability	2,222,028,931	2,211,395,914
vi) Dividend Paid	(2,518,037,981)	(1,417,890,888)
NET CASH FROM FINANCING ACTIVITIES	(308,511,086)	232,276,987
NET CHANGE IN CASH & CASH EQUIVALENTS	293,103,251	493,450,241
Cash and Cash Equivalents as at 01.04.2004 [Opening Balance]	793,705,442	300,255,201
Cash and Cash Equivalents as at 31.03.2005 [Closing Balance]	1,086,808,693	793,705,442

As per our attached report of even date

For and on behalf of Dalal and Shah
Chartered Accountants

Anish Amin
Partner
Membership No. 40451
Mumbai : 11 May 2005

J. Sridhar
Company Secretary

Rahul Bajaj	Chairman
Madhur Bajaj	Vice Chairman
Rajiv Bajaj	Managing Director
Sanjiv Bajaj	Executive Director
D.S. Mehta	} Directors
Kantikumar R. Podar	
Shekhar Bajaj	
D. J. Balaji Rao	
J.N. Godrej	
S.H. Khan	
Naresh Chandra	
Tarun Das	
Manish Kejriwal	

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	Bajaj Allianz Life Insurance Co.Ltd
2	Financial year of the Subsidiary ended on	31st March 2005	31st March 2005	31st March 2005
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.11,538,346	Profit Rs. 348,477,886	Loss Rs. 271,993,591
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. 274,951,645	Profit Rs. 160,591,280	Loss Rs. 510,670,165
6	Net aggregate amounts received as dividends for previous financial years since becoming subsidiary dealt with in the accounts of the Holding Company in relevent years	Rs.106,235,000	Nil	Nil
As per our attached report of even date		Rahul Bajaj	Chairman	
For and on behalf of Dalal and Shah Chartered Accountants		Madhur Bajaj Rajiv Bajaj Sanjiv Bajaj D.S. Mehta	Vice Chairman Managing Director Executive Director	
Anish Amin Partner Membership No. 40451 Mumbai : 11 May 2005	J. Sridhar Company Secretary	Kantikumar R. Podar Shekhar Bajaj D. J. Balaji Rao J.N. Godrej S.H. Khan Naresh Chandra Tarun Das Manish Kejriwal	Directors	

Report of the Auditors on the Consolidated Financial Statements

To the Board of Directors
Bajaj Auto Limited

We have examined the attached Consolidated Balance Sheet of Bajaj Auto Limited and its subsidiaries, Associates and Joint Ventures as at 31st March 2005, 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.337,439,992/-** (Previous Year Rs.414,401,645/-) and total Revenues of **Rs.46,063,761/-** (Previous Year Rs.68,973,792/-). We have also, jointly with another firm of Chartered Accountants, audited the financial statements of two subsidiaries, which have been consolidated as Subsidiaries for the year, viz. Bajaj Allianz General Insurance Company Limited and Bajaj Allianz Life Insurance Company Limited, whose financial statements reflect total assets of **Rs.1,824,166,810/-** (Previous Year Rs. 1,380,430,467/-) and **Rs.10,410,990,352/-** (Previous Year Rs. 3,625,637,893/-) respectively and total revenue for the year of **Rs.775,564,688/-** (Previous year Rs.323,478,938/-) and **Rs.88,270,698/-** (Previous year Rs.135,933,909/-) 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 statements reflect total assets of **Rs.9,701,968,174/-** (Previous Year Rs.5,777,820,659/-) and revenues of **Rs.1,730,583,466/-** (Previous Year Rs. 1,336,414,520 /-)

However, the financial statements of a Joint Venture company viz. Maharashtra Scooters Limited, whose financial statements reflect a total assets of **Rs.1,873,656,593/-** (Previous Year Rs.1,788,079,641/-) and revenues of **Rs.468,569,297/-** (Previous Year Rs. 463,736,031/-), 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 of 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 2005 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, subject to non-provision of disputed Income Tax and Sales Tax demands in respect of Maharashtra Scooters Ltd., to the extent they would have been consolidated as a Joint Venture, impact of which is insignificant in context of the consolidated group:

- 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 2005; 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 : 11 May 2005

ANISH AMIN
Partner
Membership No. 40451

Consolidated Balance Sheet as at 31 March

		2005	2004
Schedule	Rupees	Rupees	Rupees
I. Sources of funds :			
1. Shareholders' Funds			
a) Capital	1	1,011,835,100	1,011,835,100
b) Reserves & Surplus	2	42,537,049,180	37,686,299,650
Fair value change account		28,137,184	—
Share of fair value change account of joint ventures		—	49,515,240
		43,577,021,464	38,747,649,990
2. Policy Liabilities			
Share of Policy Liabilities of joint ventures		2,137,750,593	—
3. Provision for Linked Liabilities of joint ventures			
Share of Provision for Linked Liabilities of joint ventures		5,534,999,665	—
4. Funds for future appropriation in			
Policyholders' Account	3	64,068,574	—
Share of Funds for future appropriation in		—	66,917,025
Policyholders' Account of joint ventures	3	—	—
5. Minority Interest			
		894,577,998	—
6. Loan Funds:			
a) Secured Loans	4	845,861	—
b) Unsecured Loans	5	12,290,948,413	10,077,548,181
		12,291,794,274	10,077,548,181
7. Deferred Tax liabilities (net)			
		1,398,964,914	1,228,236,436
	Total	65,899,177,482	50,900,525,204
II. Application of Funds :			
1. Fixed Assets :			
a) Gross Block		28,568,209,062	27,713,471,459
b) Less : Depreciation		16,778,206,154	15,189,055,077
c) Net Block	6	11,790,002,908	12,524,416,382
d) Lease Adjustment Account- Plant and Machinery		175,000,000	175,000,000
		11,965,002,908	12,699,416,382
e) Capital Work in Progress, expenditure to date (includes share of Capital Work in progress of joint ventures Rs. Nil Previous Year Rs. 19,799,182)		91,384,920	102,514,582
		12,056,387,828	12,801,930,964
2. Technical Know-how			
	7	40,551,104	76,732,915
3. Investments			
	8	52,738,339,706	41,582,938,512
4. Policyholders' Investments			
Share of Policyholders' Investments of joint Ventures		2,201,825,071	—
5. Assets held to cover linked liabilities of joint ventures			
Share of Assets held to cover linked liabilities of joint ventures		5,534,999,665	635,762,378
6. Deferred Tax Assets (net)			
		84,217,804	—
Share of deferred tax assets (net) of joint ventures		7,735,445	44,103,291
		91,953,249	44,103,291
7. Current Assets, Loans and Advances :			
a) Inventories	9	2,246,986,565	2,036,624,189
b) Sundry Debtors		1,769,696,295	1,348,139,923
c) Cash and Bank Balances		2,668,826,828	1,434,039,999
d) Other Current Assets		1,225,300,319	784,115,947
e) Loans and Advances		20,428,644,481	16,229,181,542
		28,339,454,488	21,832,101,600
Less : Current Liabilities and Provisions :			
a) Liabilities	10	12,292,065,709	8,444,417,514
b) Provisions		22,817,393,967	17,851,820,641
		35,109,459,676	26,296,238,155
Net Current Assets		(6,770,005,188)	(4,464,136,555)
8. Miscellaneous expenditure to the extent not written off			
	11	5,126,047	11,865,480
	Total	65,899,177,482	50,900,525,204
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
Membership No. 40451
Mumbai : 11 May 2005

J. Sridhar
Company Secretary

Rahul Bajaj	Chairman
Madhur Bajaj	Vice Chairman
Rajiv Bajaj	Managing Director
Sanjiv Bajaj	Executive Director
D.S. Mehta	} Directors
Kantikumar R. Podar	
Shekhar Bajaj	
D. J. Balaji Rao	
J.N. Godrej	
S.H. Khan	
Naresh Chandra	
Tarun Das	
Manish Kejriwal	

Consolidated Profit and Loss Account for the year ended 31 March

		2005	2004
	Schedule	Rupees	Rupees
Income :			
Sales including Excise Duty		65,416,045,773	54,184,903,870
Share of Sales including excise duty of joint ventures		76,875,977	93,011,970
		<u>65,492,921,750</u>	<u>54,277,915,840</u>
Less : Excise Duty		8,052,454,581	6,633,195,799
Share of Excise Duty of joint ventures		10,169,582	13,538,047
		<u>8,062,624,163</u>	<u>6,646,733,846</u>
Net Sales :		57,430,297,587	47,631,181,994
Wind power generated, captively consumed		249,381,395	263,800,661
Other Income	12	5,942,675,784	5,106,847,936
Operating result from insurance business	13	643,021,404	—
Share of operating result from insurance business	13	—	164,940,298
Contribution to the policyholder fund		(451,216,027)	—
Share of contribution to the policyholder fund		—	(296,000,000)
Contribution to linked fund		(1,650)	—
Share of contribution to linked fund		—	(222)
		<u>63,814,158,493</u>	<u>52,870,770,667</u>
Expenditure :			
Materials	14	41,071,905,435	32,053,629,587
Other Expenses	15	9,335,730,969	8,971,600,621
Interest	16	6,691,318	9,409,651
Depreciation		1,853,692,764	1,798,976,585
Share of depreciation of joint ventures		2,897,388	3,423,101
		<u>52,270,917,874</u>	<u>42,837,039,545</u>
Less : Expenses, included in above items, capitalised		198,360,679	238,241,702
Share of expenses, included in above items, capitalised of joint ventures		—	26,166
		<u>198,360,679</u>	<u>238,267,868</u>
		<u>52,072,557,195</u>	<u>42,598,771,677</u>
Compensation Paid under Voluntary Retirement Scheme		490,222,101	234,842,310
Share of VRS amortised of joint ventures		3,062,968	3,062,969
Liability in respect of labour dispute		—	415,484,092
		<u>52,565,842,264</u>	<u>43,252,161,048</u>
Profit for the year before income from associates and taxation		11,248,316,229	9,618,609,619
Income from associates after tax		258,251,127	178,006,906
Profit before Provision for Taxation		<u>11,506,567,356</u>	<u>9,796,616,525</u>
Provision for Taxation [including Rs. 3,659,000 for Wealth tax (Previous year Rs. 3,763,930)]		3,719,883,913	2,785,020,000
Current tax		—	66,817,930
Share of current tax of joint ventures		—	(495,871,483)
Deferred tax		(226,736,427)	2,192,549
Share of deferred tax of joint ventures		—	—
		<u>3,493,147,486</u>	<u>2,358,158,996</u>
Profit for the year		<u>8,013,419,870</u>	<u>7,438,457,529</u>
Tax credits / (debits) pertaining to earlier years		—	98,519,795
Share of tax credits / (debits) pertaining to earlier years of joint ventures		(2,628,006)	355,538
		<u>(2,628,006)</u>	<u>98,875,333</u>
Prior Period adjustments:			
Expenses		18,472,015	29,700,470
		<u>7,992,319,849</u>	<u>7,507,632,392</u>
Minority Interest		26,872,861	—
Adjustments on account of write down of deferred tax assets		(362,029,427)	—
Profits attributable to consolidated group		<u>7,603,417,561</u>	<u>7,507,632,392</u>
Transfer to Reserve fund in terms of Section 45-1C of the Reserve Bank of India Act, 1934		5,770,500	930,600
Transfer to General Reserve		4,711,283,477	4,653,010,612
Corporate Dividend Tax on interim dividend paid		2,001,152	—
Proposed Dividend		2,529,587,750	2,529,587,750
Corporate Dividend Tax thereon		354,774,682	324,103,430
Balance Carried to Balance Sheet		—	—
Notes forming part of the Accounts	17	—	—
Basic and diluted Earnings Per Share (Rs.)		<u>78.72</u>	<u>74.20</u>
Nominal value per share (Rs.)		10	10
Net Profit (Rs.)		<u>7,965,446,988</u>	<u>7,507,632,392</u>
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
Membership No. 40451

J. Sridhar
Company Secretary

Mumbai : 11 May 2005

Rahul Bajaj	Chairman
Madhur Bajaj	Vice Chairman
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D. J. Balaji Rao	
J.N. Godrej	
S.H. Khan	
Naresh Chandra	
Tarun Das	
Manish Kejriwal	

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, 2005

Schedule 1 - Share Capital

	As at 31 March 2004	
	Rupees	Rupees
Authorised :		
150,000,000 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 Equity Shares issued by way of Euro Equity Issue represented by Global Depository Receipts (GDR) evidencing Global Depository Shares, at a price of U.S.\$ 25.33 per Share [inclusive of premium] excluding 2,171,388 Equity Shares allotted as Bonus Shares thereon. Outstanding GDR's were 3,235,879 (4,658,411)

Schedule 2 - Reserves and Surplus

	As at 31 March 2004			
	Rupees	Rupees	Rupees	Rupees
Capital Redemption Reserve :				
As per last account			182,073,040	182,073,040
Share premium				
As per last account				
(Share of share premium of joint venture)		730,158,000		365,079,000
Received during the year		140,500,100		365,079,000
			870,658,100	730,158,000
Reserve Fund in terms of Section 45-1C of Reserve Bank of India Act, 1934				
As per last account		19,540,700		18,610,100
Set Aside this year		5,770,500		930,600
			25,311,200	19,540,700
General Reserve :				
As per last account		36,729,499,347		32,081,087,505
Less :				
Dividend tax on distribution of reserve by Associate		(5,850,548)		(4,387,912)
Dividend tax on distribution of reserve by joint ventures		(702,874)		(210,858)
Dividend tax on distribution of reserve by subsidiary		(251,125)		—
Add :				
Set aside this year	4,692,300,180			4,676,037,125
Share of profit/(loss) of joint ventures for the year	18,983,297			(23,026,513)
		4,711,283,477		4,653,010,612
			41,433,978,277	36,729,499,347
Capital Reserve arising on consolidation			25,028,563	25,028,563
Total			42,537,049,180	37,686,299,650

Schedule 3 - Policyholders Account

(Previous year : Share of Policy holders account of joint ventures)

	As at 31 March 2004	
	Rupees	Rupees
Premiums Earned - Net		
(a) Premium	10,016,751,872	1,633,909,026
(b) Less : Reinsurance ceded	36,445,347	11,443,581
Sub-Total	9,980,306,525	1,622,465,445
Income from Investment		
(a) Interest, Dividend & Rent - Gross	85,645,578	23,545,407
(b) Profit on sale / redemption of investments	2,438,269	9,900,486
(c) Loss on sale / redemption of investments	(3,675,292)	(14,110)
Other Income		
Interest on overdue premium	7,507,572	2,415,635
Unit Linked Fund Administration / Management charges	27,986,975	91,280
Others	17,509,580	3,068,030
Contribution from the Shareholders Account	451,216,027	296,000,000
Excess provision written back	—	4,436,944
Sub-Total	588,628,709	339,443,672
Total (A)	10,568,935,234	1,961,909,117
Commission	1,458,351,469	373,273,626
Operating Expenses related to Insurance Business	2,143,889,701	979,550,451
Provision for doubtful receivables	10,745,806	—
Total (B)	3,612,986,976	1,352,824,077
Benefits Paid (Net)	565,146,846	20,589,195
Interim Bonuses Paid	302,967	69,462
Change in valuation of liability against life policies in force		
(a) Gross	1,362,045,398	340,185,353
(b) Fund Reserve	5,054,812,885	211,746,670
(c) Amount ceded in reinsurance	—	—
Total (C)	6,982,308,096	572,590,680
Surplus / (Deficit) (D) = (A) - (B) - (C)	(26,359,838)	36,494,360
Surplus as per Last Balance Sheet	66,917,026	30,422,665
Surplus of joint venture now classified as a subsidiary	23,511,386	—
Appropriations	—	—
Balance being funds for future appropriation	64,068,574	66,917,025
Total	64,068,574	66,917,025

Schedule 4 - Secured Loans

		As at 31 March 2004	
		Rupees	Rupees
From Banks, against hypothecation of Stores, Raw Materials, Finished Goods, Stock in Process and Book Debts			
Cash Credit		—	—
Share of cash credit of joint ventures		845,861	—
Total		<u>845,861</u>	<u>—</u>

Schedule 5 - Unsecured Loans

		As at 31 March 2004	
		Rupees	Rupees
Sales tax deferral Liability / Loan under Package Scheme of Incentives 1983,1988 and 1993		12,252,385,896	10,030,356,965
Share of sales tax deferral Liability / Loan of joint ventures		21,022,337	20,313,026
Fixed Deposits		17,540,180	26,878,190
Total		<u>12,290,948,413</u>	<u>10,077,548,181</u>

Schedule 6 - Fixed Assets

Particulars	Gross Block (a)						Depreciation						Net Block	
	As at 31st March, 2004	Change in Opening Balance *	Additions	Deductions and Adjustments	As at 31st March, 2005	As at 31st March, 2004	Change in Opening Balance *	As at 31st March, 2004	Deductions and Adjustments	For the Year (c)	Upto 31st March, 2005	As at 31st March, 2005	As at 31st March, 2004 (Restated)	
	Rupees	Rupees	Rupees	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	363,785,606	—	—	4,212,082	359,573,524	—	—	—	—	—	—	359,573,524	363,785,606	
Buildings (b) & (d)	2,337,700,115	50,628,517	141,731,428	7,950,482	2,522,109,578	716,121,906	2,165,080	718,286,986	5,053,681	65,106,199	778,339,504	1,743,770,074	1,670,041,646	
Lease hold improvements	90,758,477	31,888,113	69,698,806	1,239,449	191,105,947	30,595,218	10,749,671	41,344,889	560,708	51,799,257	92,583,438	98,522,509	81,301,701	
Waterpumps, Reservoirs and Mains	52,823,632	—	2,536,759	—	55,360,391	27,287,289	—	27,287,289	—	2,573,897	29,861,186	25,499,205	25,536,343	
Plant & Machinery	15,399,501,951	81,683,312	587,582,998	382,086,088	15,666,682,173	9,468,297,713	35,554,052	9,503,851,765	344,258,905	1,160,675,941	10,320,268,801	5,366,413,372	5,977,333,498	
Dies & Moulds	3,040,257,606	—	247,956,477	172,089,268	3,116,124,815	1,712,479,327	—	1,712,479,327	103,072,706	315,295,540	1,924,702,161	1,191,422,654	1,327,778,279	
Electric installations	411,687,841	—	10,876,094	—	422,563,935	219,386,592	—	219,386,592	—	14,425,528	233,812,120	188,751,815	192,301,249	
Factory Equipments	1,092,852,492	—	137,808,689	6,483,309	1,224,177,872	521,079,104	—	521,079,104	6,139,888	84,538,391	599,477,607	624,700,265	571,773,388	
Furniture, Fixtures, Office equipment etc	457,166,670	41,026,931	81,495,931	3,815,075	575,874,457	266,339,298	13,259,295	279,598,593	1,955,513	53,911,808	331,554,888	244,319,569	218,595,008	
Electric Fittings	100,962,804	1,072,841	3,546,896	—	105,582,541	63,150,849	169,396	63,320,245	—	3,521,843	66,842,088	38,740,453	38,715,400	
Vehicles & Aircraft	348,780,092	7,337,342	40,959,653	30,548,474	366,528,613	143,648,897	2,579,949	146,228,846	13,601,590	28,107,608	160,734,864	205,793,749	209,888,588	
Wind Energy Generators	2,839,220,000	—	—	—	2,839,220,000	929,173,512	—	929,173,512	—	293,575,348	1,222,748,860	1,616,471,140	1,910,046,488	
Leased Assets :-														
Plant & Machinery	949,668,957	—	—	74,666,957	875,000,000	949,214,735	—	949,214,735	74,396,625	181,890	875,000,000	—	454,222	
Dies & Moulds	142,280,637	—	—	—	142,280,637	142,280,637	—	142,280,637	—	—	142,280,637	—	—	
As at 31st March, 2005	27,713,471,459	213,637,056	1,324,193,731	683,093,184	28,568,209,062	15,189,055,077	64,477,443	15,253,532,520	549,039,616	2,073,713,250	16,778,206,154	11,790,002,908	12,673,575,995	
Included above														
Share of fixed assets of joint ventures as at 31st March, 2005	74,157,421	—	565,419	6,430,027	68,292,813	38,333,510	—	38,333,510	6,064,334	2,897,388	35,166,564	33,126,249	35,823,911	
As at 31st March, 2004	26,688,364,508	—	1,459,078,649	433,971,688	27,713,471,459	13,582,695,659	—	13,582,695,659	297,812,360	1,904,171,778	15,189,055,077	12,524,416,382	—	
Included above														
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	—	127,649,597	10,998,562	105,195,193	221,846,228	460,339,147	—	

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

b) i Includes Premise on ownership basis in Co-operative Society Rs. 1,31,796,709/- and cost of shares therein Rs. 2,750/-

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. 6,278,626/- Depreciation for the year Rs. 1,345,420/-

* In accordance with limited revision to Accounting Standard 27 issued by the Institute of Chartered Accountants of India applicable from April 1, 2004 the opening balance of fixed assets alongwith accumulated depreciation has been restated (See note 1(a) also.)

Schedule 7 - Technical Know-How

	As at 31 March 2004	
	Rupees	Rupees
(I) Acquired by the company		
As per last account	72,263,149	106,818,641
Add : Cost of technical know-how acquired during the year	—	—
Less : Adjustments to cost on remittances in foreign currency	—	149,150
	<u>72,263,149</u>	<u>106,669,491</u>
Less : Written off	33,946,928	34,406,342
	<u>38,316,221</u>	<u>72,263,149</u>
(II) Developed by the company		
As per last account	4,469,766	—
Add : Expenses incurred during the year on know-how developed	—	6,704,649
	<u>4,469,766</u>	<u>6,704,649</u>
Less : Written off	2,234,883	2,234,883
	<u>2,234,883</u>	<u>4,469,766</u>
Total	<u>40,551,104</u>	<u>76,732,915</u>

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

	As at 31 March 2004		
	Rupees	Rupees	Rupees
In Government and Trust Securities	29,077,550,995		20,780,106,358
Share of joint ventures	720		2,165,523,988
		<u>29,077,551,715</u>	<u>22,945,630,346</u>
In Fully Paid Preference Shares		621,203,690	743,703,690
In Equity Shares			
Long Term : Associate Company	1,387,833,343		1,181,095,580
Others	6,577,612,871		4,629,117,263
Share of joint venture	—		110,051,240
		<u>7,965,446,214</u>	<u>5,920,264,083</u>
In Debentures, Bonds and Secured Premium Notes	13,715,537,321		9,048,041,982
Share of joint ventures	152,654,556		1,918,712,968
		<u>13,868,191,877</u>	<u>10,966,754,950</u>
In Mutual Fund Units	1,606,676,760		1,966,631,226
Share of joint ventures	62,438,822		251,557,793
		<u>1,669,115,582</u>	<u>2,218,189,019</u>
		<u>53,201,509,078</u>	<u>42,794,542,088</u>
Less : Provision for diminution in value of Investments		613,169,372	575,841,198
		<u>52,588,339,706</u>	<u>42,218,700,890</u>
Add : Application Money for investment in Shares and Bonds		150,000,000	—
Less : Proportionate share of investments to the extent of Policy Liabilities of joint ventures		—	635,762,378
Total		<u>52,738,339,706</u>	<u>41,582,938,512</u>

Schedule 9 - Current Assets, Loans and Advances

				As at 31 March 2004
	Rupees	Rupees	Rupees	Rupees
(a) Inventories :				
Stores and spares, at cost *		54,462,105		37,405,440
Share of stores of joint ventures		156,389		163,517
Tools, at cost *		126,553,617		139,848,287
Share of tools of joint ventures		206,650		225,650
Stock-in-trade, at cost or market value whichever is lower :				
Raw Materials and Components		841,413,664		512,810,408
Share of raw materials and components of joint ventures		744,232		1,814,191
Work-in-progress [including factory made components Rs.141,030,995 (Previous Year Rs.101,163,172)]		234,312,498		162,825,229
Share of work-in-progress of joint ventures		3,342,947		1,891,876
Finished Goods :				
Vehicles		759,791,833		921,153,357
Share of vehicles of joint ventures		788,939		6,911,964
Auto Spare parts, etc.		225,213,691		246,316,773
As valued and certified by Management		2,246,986,565		2,031,366,692
Goods in transit, at cost to date		—		5,257,497
			2,246,986,565	2,036,624,189
(b) Sundry Debtors, Unsecured :				
Outstanding for a period exceeding six months :				
Good	1,952,652			3,441,883
Doubtful	18,388,301			19,833,189
Less : Provision	18,388,301			19,833,189
	—			—
		1,952,652		3,441,883
Other, Good		1,761,499,481		1,336,039,301
Share of other debts of joint ventures		6,244,162		8,658,739
			1,769,696,295	1,348,139,923
(c) Cash and Bank Balances :				
Cash on hand [(including cheques on hand Rs. 373,848,878/- (Previous year Rs. 140,195,693)]		425,724,179		142,246,974
Share of cash on hand of joint ventures [(including cheques on hand Rs.Nil (Previous year Rs. 211,364,668)]		8,330		255,851,679
Remittances in Transit		1,500,000		285,000
		427,232,509		398,383,653
Carried over				
Carried over			4,016,682,860	3,384,764,112

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

				As at 31 March 2004	
		Rupees	Rupees	Rupees	Rupees
	Brought over			4,016,682,860	3,384,764,112
(c) Cash and Bank Balances : (Contd.)	Brought over				398,383,653
Bank Balances :					
With scheduled banks :					
**In current accounts					
Share of current bank accounts of joint ventures		1,888,419,289			641,525,008
In margin deposits		1,795,279			121,079,084
In fixed deposits		12,000,000			10,030,000
Share of fixed deposits of joint ventures		337,815,032			500,000
Interest accrued on fixed deposits		—			262,320,455
		12,344			9,623
		<u>2,240,041,944</u>			<u>1,035,464,170</u>
With Other Banks :					
In current accounts					
Standard Chartered Bank, Dubai (maximum balance outstanding during the year Rs. 639,841 Previous Year Rs. 1,807,146)					
		72,614			192,176
Citi Bank, Indonesia (maximum balance outstanding during the year Rs.2,791,929 Previous Year Rs. Nil)					
		1,479,761			—
		<u>1,552,375</u>			<u>192,176</u>
			2,668,826,828		1,434,039,999
(d) Other Current Assets, good : (Unless otherwise stated)					
Dividend and Interest receivable on Investments					
Good					
Share of income accrued on investments of joint ventures		252,123,127			21,893,297
		—			117,561,171
		<u>252,123,127</u>			<u>139,454,468</u>
Doubtful		51,081,603			51,081,603
Less: Provision		<u>51,081,603</u>			<u>51,081,603</u>
					—
			252,123,127		139,454,468
Outstanding Premiums					
Share of Outstanding Premiums of joint ventures					
Interest receivable on Loans etc. :					91,220,951
Doubtful		3,800,830			9,951,602
Less : Provision		<u>109,027,509</u>			<u>109,027,509</u>
		<u>109,027,509</u>			<u>109,027,509</u>
			3,800,830		9,951,602
Lease Rent Receivable					10,989,196
Export Incentives Receivable			604,233,324		346,203,024
Credit receivable for Windpower generated Agent's Balances			61,647,342		65,927,629
Share of Agent's Balances of joint ventures		17,037,874			—
Less : Provision for Doubtful Recoveries		<u>3,000,000</u>			<u>13,336,095</u>
			14,037,874		13,336,095
	Carried over		<u>1,077,740,686</u>		<u>677,082,965</u>
	Carried over		<u>6,685,509,688</u>		<u>4,818,804,111</u>

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

				As at 31 March 2004	
		Rupees	Rupees	Rupees	Rupees
	Brought over			6,685,509,688	4,818,804,111
(d) Other Current Assets, Good : (Contd.)	Brought over		1,077,740,686		677,082,965
Dues from other entities carrying on insurance business of joint ventures			147,559,633		—
Share of Dues from other entities carrying on insurance business of joint ventures			—		107,032,982
				1,225,300,319	784,115,947
(e) Loans and Advances, unsecured, good : (Unless otherwise stated)					
Loan to Mukand Ltd - a company in which Directors are interested			200,000,000		32,595,435
Loan to others			144,447,040		50,043,532
Deposits with Joint Stock Companies : (Including Rs.100,000,000/- secured against pledge of Securities Previous Year Rs. 68,596,340)		452,000,000			604,500,000
Less : Provision		173,503,660			166,303,660
			278,496,340		438,196,340
Advances Recoverable in Cash or in kind or for value to be received :					
@ Others, Good		1,165,340,504			1,303,154,855
Share of advances recoverable of joint ventures			11,057,810		40,891,192
			1,176,398,314		1,344,046,047
Doubtful			37,598,627		36,539,980
Less : Provision			37,598,627		36,539,980
			—		—
			1,176,398,314		1,344,046,047
Balances with Customs and Central Excise Departments			77,564,423		45,585,270
Share of balances with excise departments of joint ventures			218,195		310,900
Sundry Deposits			225,776,014		134,870,216
Share of sundry deposits of joint ventures			—		49,232,814
Share of deposits with ceding companies			—		1,205,650
Deposit pursuant to Section 7 of Insurance Act, 1938			88,672,536		—
Share of deposit pursuant to Section 7 of Insurance Act, 1938 of joint ventures			—		15,869,055
Tax paid in Advance			18,229,301,884		13,948,839,260
Share of taxes paid in advance of joint ventures			6,682,985		167,271,398
Others (Deposit with IDBI)			1,086,750		1,115,625
				20,428,644,481	16,229,181,542
Total				28,339,454,488	21,832,101,600

* 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)

@ Includes amount due from an Officer of the Company Rs. 112,500 (Previous Year Rs. 127,500)

Maximum balance outstanding during the year Rs. 127,500 (Previous Year Rs. 142,500)

Schedule 10 - Current Liabilities and Provisions

	As at 31 March 2004		
	Rupees	Rupees	Rupees
(a) Liabilities :			
Sundry Creditors:			
Due to Small Scale Industrial Undertakings	—		—
Share of SSI dues of joint ventures	—		—
Others	8,329,090,241		6,242,149,427
Share of other creditors of joint ventures	9,541,851		486,287,713
		8,338,632,092	6,728,437,140
Advances against Orders		228,986,721	192,974,542
Share of advance against orders of joint ventures		27,503,400	27,571,080
Investor Education Protection Fund		15,880	23,981
Unclaimed Dividends		38,790,730	27,240,961
Share of unclaimed dividends of joint ventures		732,962	720,566
Deposit from Dealers and others		217,815,418	230,860,055
Share of deposits from dealers and others of joint ventures		916,796	1,219,858
Unclaimed amount of Sale proceeds of Fractional coupons of Bonus Shares		5,595	5,595
Unclaimed amount on Debentures redeemed		1,582,241	1,971,636
Interest accrued but not due on loans		295,484	427,817
		8,855,277,319	7,211,453,231
Agent's Balances	280,469,760		—
Share of Agent's Balances of joint ventures	—		53,955,706
Balances due to other insurance companies	415,623,163		—
Share of Balances due to other insurance companies of joint ventures			159,319,921
Premiums received in advance	141,254,251		—
Share of Premiums received in advance of joint ventures			28,498,340
Unallocated Premiums	259,922,781		—
Share of Unallocated Premiums of joint ventures			128,431,344
Claims Outstanding (Net)	1,414,207,221		—
Share of Claims outstanding (Net) of joint ventures			651,638,633
Solatium Fund	83,704,528		—
Share of Solatium Fund of joint ventures			36,337,351
Premium Deficiency	19,438,867		—
Share of Premium Deficiency of joint ventures			13,845,400
Temporary overdraft as per books of accounts only	413,469,766		40,762,987
Share of temporary overdraft as per books of accounts only of joint ventures			39,502,194
Premium & Other Deposits	408,698,053		—
Share of Premium and other deposits of joint ventures			80,672,407
		3,436,788,390	1,232,964,283
		12,292,065,709	8,444,417,514
(b) Provisions :			
Provision for Warranty	140,000,000		—
Share of provision for warranty of joint ventures		43,423	—
Provision for Taxation	17,139,143,431		13,683,320,000
Share of provision for taxation of joint ventures		3,399,641	155,421,463
Proposed Dividend	2,529,587,750		2,529,587,750
Share of proposed dividend of joint ventures			—
Corporate Dividend Tax thereon	354,774,682		324,103,430
Reserve for unexpired risk	2,650,445,040		—
Share of Reserve for unexpired risk of joint ventures			1,159,387,998
		22,817,393,967	17,851,820,641
Total		35,109,459,676	26,296,238,155

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

		As at 31 March 2004
	Rupees	Rupees
Preliminary expenses	3,676,465	—
Share of Preliminary expenses of joint venture	—	7,352,930
Share of unamortised VRS amount of joint venture	1,449,582	4,512,550
Total	5,126,047	11,865,480

Schedule 12 - Other Income

		Previous Year
	Rupees	Rupees
Workshop Receipts	4,193,988	3,657,149
Technical Know-how	4,641,120	6,040,148
Royalty	2,416,020	479,389
Dividends :		
Other	301,995,927	239,363,683
Share of dividend on investments of joint ventures	—	13,972,444
	301,995,927	253,336,127
Interest		
On Government Securities	1,280,729,316	491,977,119
On Debentures and Bonds	605,630,385	690,465,234
On Loans	31,024,363	105,274,068
Other	326,635,526	144,011,542
Share of interest of joint ventures	—	133,935,073
	2,244,019,590	1,565,663,036
Income From Units of Mutual Funds	24,259,842	579,507,021
Leasing Business		
Lease Rent	22,504,000	1,000
Share of lease rent of joint ventures	—	282,691
	22,504,000	283,691
Rent	2,292,725	17,289,482
Insurance Claims	1,892,322	130,868
Export Incentives	1,036,773,501	799,556,879
Miscellaneous Receipts	525,284,265	438,969,657
Share of Miscellaneous receipts of joint ventures	763,841	3,326,810
Surplus on Sale of Assets	65,405,160	45,833,799
Share of surplus on sale of assets of joint ventures	—	45,989
Profit on Sale of Investments,net	1,501,296,531	1,159,437,339
Share of profit on sale / redemption of investments of joint ventures (net)	10,705,874	54,009,947
Bad Debts Recovered	5,407,234	476,201
Sundry Credit balances appropriated	—	7,922,996
Provisions for Doubtful Debts and Advances written back	9,770,176	1,263,271
Less : Written back on account of amounts written off during the year,as per contra	6,949,912	249,110
	2,820,264	1,014,161
Provision for diminution in value of investment written back	5,612,442	112,499
Provisions no longer required	179,178,660	168,839,049
Share of provision no longer required of joint ventures	1,212,478	915,699
Total	5,942,675,784	5,106,847,936

Schedule 13 - Revenue Account for the period ended 31 March 2005
(Previous year : Share of Revenue Account of joint ventures)

		Previous Year
	Rupees	Rupees
Premiums earned - (Net)	3,709,157,162	1,706,727,747
Profit /Loss on sale/redemption of Investments	53,411,035	32,836,143
Other Income	7,710,285	2,160,843
Provision no longer required	184,419	14,042,783
Exchange rate difference Gain / (Loss)	(805,863)	1,587,671
Interest, Dividend & Rent-Gross	231,867,759	106,086,952
	<u>4,001,524,797</u>	<u>1,863,442,139</u>
Claims incurred (Net)	2,263,325,194	1,114,492,962
Contribution to Solatium Fund	34,600,000	16,431,351
Commission	(419,432,932)	(170,734,444)
Change in Premium Deficiency	728,867	9,849,400
Operating Expenses related to Insurance Business	1,479,282,264	728,462,572
	<u>3,358,503,393</u>	<u>1,698,501,841</u>
Operating Profit / (Loss) from Insurance Business	643,021,404	164,940,298
Balance carried to Profit and Loss Account	643,021,404	164,940,298

Schedule 14 - Materials

			Previous Year
	Rupees	Rupees	Rupees
(a) Raw materials and components consumed	39,155,660,396		30,881,395,594
Share of raw material and components consumed of joint ventures	46,269,809		63,482,491
		39,201,930,205	30,944,878,085
(b) Finished Goods purchases			
Two Wheelers	94,676		91,974
Auto Spare Parts	1,351,493,922		—
Steel and Engineering Products, for export	265,202,401		1,043,255,337
		1,616,790,999	1,043,347,311
(c) Excise duty on year end inventory of Finished Goods	137,416,575		173,420,258
Share of Excise duty on year end inventory of Finished Goods of joint ventures	118,365		730,269
		137,534,940	174,150,527
(d) (Increase)/Decrease in Stocks			
Stocks at close			
Work in progress (including factory made components Rs.141,030,995 Previous Year Rs. 101,163,172)	234,312,498		162,825,229
Share of work in progress of joint ventures	3,342,947		1,891,876
Finished Goods	759,791,833		921,153,357
Share of finished goods of joint ventures	788,939		6,911,964
Auto Spare Parts	225,213,691		246,316,773
	1,223,449,908		1,339,099,199
Less : Stocks at commencement			
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
		115,649,291	(108,746,336)
Total		41,071,905,435	32,053,629,587

Schedule 15 - Other Expenses

			Previous Year
	Rupees	Rupees	Rupees
Stores, spares and tools consumed		629,650,919	588,023,541
Share of stores & tools consumed of joint ventures		522,984	425,594
Power, fuel and water		547,937,179	625,066,127
Share of power, fuel and water of joint ventures		2,314,063	2,974,027
Repairs:			
Buildings and Roads	113,356,704		76,161,649
Share of building repairs of joint ventures	104,964		293,999
Machinery	450,935,049		333,705,161
Share of machinery repairs of joint ventures	272,707		94,908
Other	18,714,370		25,072,254
Share of other repairs of joint ventures	278,052		253,431
		583,661,846	435,581,402
Employees' Emoluments:			
Salaries, wages, bonus etc.	2,022,480,654		1,951,776,643
Share of salaries, wages, bonus etc. of joint ventures	19,601,065		18,637,038
Contribution to Provident and other funds and schemes	233,253,915		225,203,145
Share of contribution to funds and schemes of joint ventures	2,402,498		2,499,781
Welfare expenses	232,476,656		228,376,355
Share of welfare expenses of joint ventures	1,318,430		1,208,035
		2,511,533,218	2,427,700,997
Rent		26,972,373	27,661,965
Share of rent of joint ventures		112,363	162,727
Rates and taxes		13,156,850	17,373,455
Share of rates and taxes of joint ventures		63,960	236,482
Insurance		612	35,325,711
Share of insurance of joint ventures		190,226	213,146
Auditors' Remuneration		4,549,156	4,853,372
Share of auditors' remuneration of joint ventures		110,112	114,228
Directors' fees and travelling expenses		1,959,050	1,084,139
Share of directors' fees and travelling expenses of joint ventures		28,204	26,175
Managing Director's remuneration			
Salary	3,000,000		3,000,000
Commission	4,200,000		4,200,000
		7,200,000	7,200,000
Whole-time Directors' remuneration			
Salary	4,227,600		2,640,000
Commission	2,400,000		2,400,000
		6,627,600	5,040,000
Commission to Non Executive Directors		1,480,000	1,240,000
Miscellaneous expenses		994,903,250	761,298,817
Share of miscellaneous expenses of joint ventures		1,391,998	4,645,269
Packing, forwarding etc.		780,798,913	615,046,683
Share of packing, forwarding etc. of joint ventures		1,874,614	2,157,632
Advertisement		1,438,705,528	1,293,220,710
Share of advertisement of joint ventures		131,676	129,040
Vehicle service charges and other expenses		936,925,327	748,708,182
Carried over		8,492,802,021	7,605,509,421

Schedule 15 - Other Expenses

		Previous Year
	Rupees	Rupees
Brought over	8,492,802,021	7,605,509,421
Share of vehicle service charges and other expenses of joint ventures	981,772	1,327,300
Commission and Discount	59,301,907	129,272,167
Incentives & Sales Promotion	153,320,633	327,512,445
Royalty	324,918,099	267,151,337
Donations	50,424,875	51,180,083
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
Contribution to Prime Minister's National Relief Fund	20,000,000	—
Bad debts and other irrecoverable debit balances written off	7,422,987	554,246
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	6,949,912	249,110
	473,075	314,697
Sundry credit balances previously appropriated,now paid	7,972	15,000
Loss on assets sold,demolished,discarded and scrapped	83,176,341	82,134,203
Share of loss on assets sold etc. of joint ventures	42,749	783,483
Loss on conversion of investments	—	25,325,577
Loss on redemption of securities	45,348,215	23,346,991
Provision for Doubtful Debts and Advances	16,583,935	318,545,101
Provision for Diminution in Value of Investments	42,940,615	68,176,191
Investment Write Down	802,772	—
Amount written off against Technical know-how	36,181,811	36,641,225
Share of technical know-how fees of joint ventures	1,036,931	1,476,847
Amount written off against leasehold land	4,210,566	4,210,566
Share of lease write off of joint ventures	1,516	1,516
Preliminary expenses written off	3,175,164	—
Share of Preliminary expenses written off of joint ventures	—	3,676,471
Total	9,335,730,969	8,971,600,621

Schedule 16 - Interest

		Previous Year
	Rupees	Rupees
Interest :		
Fixed Loans	1,695,173	3,040,276
Others	4,996,145	6,311,220
Share of other interest of joint ventures	—	58,155
Total	6,691,318	9,409,651

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, have this year been consolidated as subsidiaries in accordance with a limited revision to Accounting Standard 27 issued by the Institute of Chartered Accountants of India applicable from April 1, 2004, as against the previous year where they were consolidated as Joint Ventures under Accounting Standard 27-Financial reporting of interests in Joint ventures.

Hence the figures for the current year are not comparable with those of the previous year. However income attributable to the Consolidated group remains comparable.

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%	Subsidiary
Bajaj Allianz Life Insurance Company Limited	India	74%	Subsidiary
Bajaj Auto Finance Limited	India	46.15%	Associate

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

Bajaj Allianz 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'), Insurance Regulatory and Development Authority Act, 1999 and the Companies Act, 1956 to the extent applicable and the practices prevailing in the insurance industry.

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

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

Note No. 4. (Contd.)

Bajaj Allianz Life Insurance Company Limited (Contd.)

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 recognized when the associated units are allotted.

Top up premiums paid by policyholders, in case of linked business only, which are entirely unitized are considered as single premium and recognised when associated units are allotted.

Commission received on reinsurance ceded is recognized 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, pertaining to non-linked investments is amortized on constant yield to maturity basis over the period of maturity/holding and offset against interest income.

Profit / loss on sale/redemption of securities other than linked investments is recognized 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 realized gains or losses on the debt securities for other than linked business is the difference between the net sale consideration and the amortized cost in the books of the company as on date of sale.

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

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.

Repudiated claims disputed before judicial authorities are re-provided for based on the best judgement of the management considering the facts and evidences available in respect of each such claim.

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

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

Note No. 4. (Contd.)

Bajaj Allianz Life Insurance Company Limited (Contd.)

incurred. Accounting for additional first year commission is done on an accrual basis, after considering lapsations. Claw back of the additional first year commission paid, in future, if any, will be accounted for in the year in which it is recovered.

e) Liability for Life policies in force

- (i) The company provides for liabilities in respect of all "in force", policies based on actuarial valuation done by the Appointed Actuary as per gross premium method in accordance with accepted actuarial practices, requirements of IRDA and Actuarial Society of India.
- (ii) Linked liabilities comprises of unit liability representing the fund value of policies and non-unit liability for meeting insurance claims etc which are based on actuarial valuation done by the Appointed Actuary.

Actuarial policies and assumptions are given in Note 5 below.

f) Investments

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

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

i) Classification

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

Aggregate value of investments earmarked for policyholders out of the shareholders investments at the close of the previous year have with effect from 1 April 2004 been identified and transferred to the Policyholder's account. Thereafter investments are specifically procured and held for policyholders and shareholders independently. The income relating to these investments is recognized in the respective policyholders / shareholders account.

Deficits in the Policyholders Revenue Accounts determined at the close of each year are funded by transferring shareholder 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 amortization of premium or accretion of discount on constant yield to maturity basis over the period held to maturity / sale.

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

iii) Valuation – linked business

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

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

Note No. 4. (Contd.)

Bajaj Allianz Life Insurance Company Limited (Contd.)

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

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

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

Net unrealised gains and losses are recognised in the respective scheme's revenue account.

g) Loans

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

h) Depreciation

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

Depreciation / amortisation is provided at the following rates:

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

i) 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.

j) Allocation of investments and investment income

In the previous year, investments were managed on a total portfolio basis and were apportioned to the policyholders on a basis of the policyholders' liability which was determined regularly on the basis provided by the Appointed Actuary. Consequently the income earned on investments was regularly allocated to the policyholders and shareholders in their relative share of investments.

k) Interim Bonus

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

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

Note No. 4. (Contd.)

Bajaj Allianz Life Insurance Company Limited (Contd.)

l) Provisions and Contingent liabilities

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

m) Service Tax

Service Tax liability on taxable premium is setoff against available service tax credits from service tax payments made for Insurance Auxiliary and other eligible services. Unutilised credits if any are carried forward under "Advances and other Assets" for adjustments setoff in subsequent periods.

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) and current practices prevailing in the Insurance Industry.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue 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, on direct business and reinsurance accepted, is recognized 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, from this year, have been recognised as premium as against the past practice of netting off the same against claims incurred. Accordingly, previous years figures have been regrouped.

Interest/Dividend income

Interest/Dividend income is recognized 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 amortized/accreted on constant yield to maturity basis over the period of maturity/holding and offset against interest income.

Profit / loss on sale of securities

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

Note No. 4. (Contd.)

Bajaj Allianz General Insurance Company Limited (Contd.)

Profit or Loss on sale/redemption of securities is recognized 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 recognized as income in the period in which reinsurance premium is ceded.

Profit commission under re-insurance treaties, wherever applicable, is recognized 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 is recognized when incurred. Any subsequent revision to, refunds or cancellations of premiums are recognized 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, whichever is appropriate, or as required by Section 64 V(1)(ii)(b) of the Insurance Act, 1938 whichever is higher (Also refer 1.17).

g. Premium Deficiency

Premium deficiency is recognised if the ultimate amount of expected net claim costs, related expenses and maintenance costs exceeds the sum of related premium carried forward to the subsequent accounting period as the reserve for unexpired risk. Premium deficiency is calculated by line of business. Maintenance costs are considered by the Company as relevant costs incurred for ensuring that claim handling operations continue at optimum efficiency levels.

h. 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 and include claim settlement costs likely to be incurred to settle outstanding claims. Amounts received/receivable from the re-insurers, under the terms of the reinsurance arrangement, are recognized together with the recognition of the claim.

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

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

Note No. 4. (Contd.)

Bajaj Allianz General Insurance Company Limited (Contd.)

i. **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 incurred 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.

j. **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.

k. **Depreciation/amortisation**

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

Depreciation / Amortisation is provided at the following rates:

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

l. **Investments**

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

Classification

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

Valuation

Debt Securities

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

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

Note No. 4. (Contd.)

Bajaj Allianz General Insurance Company Limited (Contd.)

The realized gain or loss on the securities is the difference between the sale consideration and the amortized cost in the books of the Company as on the date of sale 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 on National Stock Exchange or Stock Exchange Mumbai, whichever is lower. Unrealised valuation gains or losses are credited/(debited) to the Fair Value Change Account.

The realized 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.

The realized 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 unrealized 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.

m. 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.

n. Contributions to Terrorism Pool

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

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 2004 as per the last confirmation received. Entire amount of reinsurance accepted on this account, net of claims and expenses, upto the above date, has been carried forward to the subsequent accounting period as 'Unexpired Risk Reserve' for subsequent risks, if any, to be borne by the Company.

o. Contributions to Funds

The Company provides for contribution to various funds (such as Solatium Fund etc.), as per requirement of regulations, pending implementing guidelines for the management of these funds.

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

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.

Bajaj Allianz Life Insurance Company Limited

1. Actuarial Valuation

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

Non-linked business is reserved using a prospective gross premium method of valuation. The non-linked business is predominantly participating and reserves are established having regard to assumptions as to future experience, including the interest that will be earned on premiums not yet received, together with associated bonus rates. Regular premium participating business is reserved using an interest rate of 7% per annum which is same as the interest rate used at 31 March 2004 and 1% per annum less than the rate used at 31 March 2003.

Single premium participating business is also reserved using the same interest rate used at 31 March 2004, i.e., 5.75% per annum based on the redemption yield available on relevant matching assets.

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

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

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

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

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

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

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

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

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

2. Expenses 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 has been taken at the Extra Ordinary General Meeting of the shareholders held on 6 May 2005.
4. 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 the Accounts.

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

Note No. 5. (Contd.)

Bajaj Allianz General Insurance Company Limited

- 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 93% (Previous Year 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 respect of long-term policies, which have an insurance tenure of more than 4 years the modified percentage of premium income, has been applied.

6. Consolidated Contingent Liability:

	Particulars	As at 31st March, 2005 (Rupees)	As at 31st March, 2004 (Rupees)
(i)	Sales Bills Discounted	16,595,660	66,111,187
(ii)	Claims against the Company not acknowledged as debts [Including Rs. 288,621/- (previous year Rs 3,350,761) being share of Joint Ventures and Associates]	2,371,163,847	2,314,669,500
(iii)	Guarantees given by the Company to HDFC - for loans to Employees [Including Rs. 554/- (previous year Rs 8,428) being share of Joint Ventures]	35,807,864	43,213,214
(iv)	Taxes, duties and other sums due [Including Rs. 17,848,412/- (previous year Rs 14,598,135/-) being share of Joint Ventures]	2,711,804,961	2,338,937,405
(v)	Claims: [Estimated amounts] arising from labour dispute.	362,315,850	365,493,665
(vi)	Claims, under policies, not acknowledged as debts	10,103,765	—
(vii)	Uncalled liability on Partly Paid Investments	17,500,000	17,500,000

	Particulars	As at 31st March, 2005 (Rupees)	As at 31st March, 2004 (Rupees)
7.	Capital Commitments to the extent not provided for, net of advances [including Rs 933,285 (previous year Rs 28,862,597/-) being share of Joint ventures and Associates]	1,042,984,954	414,470,606

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

Note No. 5. (Contd.)

8. Deferred Taxes

Particulars	As at 31st March, 2005 (Rupees)	As at 31st March, 2004 (Rupees)
Liabilities [including Rs 7,362,380/- (previous year Rs 7,865,221/-) being share of Joint ventures]	2,135,383,067	2,398,267,042
Assets [including Rs 15,097,825/- (previous year Rs 51,968,512/-) being share of Joint ventures]	828,371,402	1,214,133,897
Net	1,307,011,665	1,184,133,145

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 2004-05	For 2003-04
From Operating Activities	13,536,744,685	9,728,540,387
From Investment Activities	(12,702,549,721)	(9,533,922,023)
From Financing Activities	(228,922,223)	590,066,277
Net Change	605,272,742	784,684,641
Cash & Cash Flow Equivalents at the beginning of the year	1,650,084,320	649,355,358
Cash & Cash Flow Equivalents at the end of the year	2,255,357,062	1,434,039,999

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 respective companies.
11. Statement of additional financial information, directed to be disclosed as a condition put forth by the ministry of company affairs for grant of exemption from the applicability of section 212(1) of the Companies Act, 1956, is attached hereto.

As per our attached report of even date

For and on behalf of Dalal and Shah
Chartered Accountants

Anish Amin
Partner
Membership No. 40451

Mumbai : 11 May 2005

J. Sridhar
Company Secretary

Rahul Bajaj	Chairman
Madhur Bajaj	Vice Chairman
Rajiv Bajaj	Managing Director
Sanjiv Bajaj	Executive Director
D.S. Mehta	} Directors
Kantikumar R. Podar	
Shekhar Bajaj	
D. J. Balaji Rao	
J.N. Godrej	
S.H. Khan	
Naresh Chandra	
Tarun Das	
Manish Kejriwal	

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

Name of related party and Nature of relationship	Nature of transaction	2004-05		2003-04	
		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. (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	91,869,012	—	139,486,355	—
	Sale of Machinery	658,671	—	—	—
	Sale of Bonds	609,134,672	—	—	—
	Technical knowhow fees received	4,517,050	—	6,153,528	—
	Dividend received	5,485,696	—	1,645,709	—
	Purchase of dies / fixtures	23,570,303	—	28,008,811	—
	Services received	—	—	244,676	—
	Services rendered	2,098,853	—	3,747,004	—
	Warranty paid	978,307	—	1,868,845	—
	Other debits	13,056	(5,184,492)	224,604	7,586,905
	Other credits	235,383	—	—	—
Bajaj Auto Finance Ltd. (31.3 % shares held by Bajaj Auto Ltd.)	Loan refunded	100,000,000	—	2,050,000,000	—
	Loan taken	100,000,000	—	1,130,000,000	—
	Interest received	920,548	—	39,916,775	—
	Dividend received	32,962,800	—	24,722,100	—
	Rent received	138,625	—	—	—
	Subvention charges paid for finance scheme	42,027,981	—	88,585,587	4,699,736
	Services rendered	2,278,199	—	1,746,831	—
	Support charges for Insurance business received	8,719,720	1,039,243	19,137,005	4,465,066
	Service incentive received	213,541	—	1,216,301	—
	Insurance premiums paid	666,826	—	—	—
	Insurance claims received	128,908	—	—	—
	Other debits	307,206	117,419	1,000,551	690,612
Allianz AG—Germany	Contribution to Equity of ABLICL	189,898,020	—	493,435,800	—
	Development & training fees for Opus	4,951,133	—	6,868,108	(318,600)
	Licence fees for Opus	14,517,986	—	732,333	—
	Billable expenses incurred on behalf of Allianz AG	1,464,785	(1,349,442)	204,985	474
Allianz Versicherungs-AG-Germany	Reinsurance premium paid / payable	16,051,076	1,383,659	14,477,393	11,445,771
	Commission on reinsurance received/receivable	3,555,590	—	723,870	—
	Claims recovery on reinsurance	3,470,467	—	14,715,444	—
Allianz AG India Liaison Office	Amounts received from Allianz AG for payments	—	—	701,332	—
	Payment by BAGICL on behalf of AL ILO	—	—	701,332	—
	Revenue expenditure incurred on behalf of AL ILO	—	—	823,025	—
Allianz CP General Ins Co. Ltd.	Reinsurance premium paid / payable	158,870	—	172,140	—
	Commission on reinsurance received/receivable	11,915	—	12,911	—
	Software Consultancy Fees	2,037,027	(408,081)	2,347,652	(1,502,357)

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	2004-05		2003-04	
		Transaction Value	Outstanding amounts carried in the Balance Sheet	Transaction Value	Outstanding amounts carried in the Balance Sheet
		(Rs.)	(Rs.)	(Rs.)	(Rs.)
Allianz AG Reinsurance Branch Asia Pacific	Reinsurance Premium payable	617,241,001	(10,381,545)	478,921,000	(12,365,546)
	Reinsurance commission receivable	243,929,856	2,106,776	203,221,291	819,016
	Claims recovery on reinsurance	148,868,885	9,470,979	94,643,391	2,026,680
	No Claim Bonus on XOL Premium	9,969,162	—	—	—
	Portfolio Premium Withdrawal	125,805,963	—	—	—
	Portfolio Claims Withdrawal	29,927,817	—	—	—
	Portfolio Premium Entry	99,845,661	—	—	—
	Portfolio Claims Entry	23,942,253	—	—	—
Allianz Insurance Management Asia Pacific Pte. Ltd.	Revenue expenditure incurred pm behalf of Allianz Insurance Management Asia Pacific Pte. Ltd.	2,661,808	—	8,219,140	(9,958,629)
	Reimbursement of CEO, COO and Chief Actuary's salary	5,249,997	—	10,749,999	—
Assurances Generales de France (M/s AGF)	Reinsurance premium paid / payable	10,024,087	(164,219)	6,932,169	(5,275,463)
	Commission on reinsurance	2,506,022	—	1,733,042	—
Euler Hermes UK Plc	Reinsurance premium paid/payable	20,013,857	129,618	16,917,469	(148,314)
	Commission on reinsurance received/receivable	1,532,405	—	1,087,793	—
	Claims recovery on reinsurance	11,346,218	—	10,034,660	—
Euler Hermes Cr Uwr (Hong Kong)	Reinsurance premium paid/payable	—	—	608,000	—
	Commission on reinsurance received/receivable	—	—	45,600	—
	Claims recovery on reinsurance	551,217	—	—	—
Allianz Marine and Aviation Versicherungs AG	Reinsurance premium paid/payable	10,365,772	3,449,166	4,825,758	(1,930,818)
	Commission on reinsurance received/receivable	2,094,921	—	1,005,478	—
	Claims recovery on reinsurance	1,067,475	—	—	—
Allianz AG Branch Asia Pacific	Billable expenses incurred on behalf of AZAP	1,632,242	(2,253,538)	533,410	621,596
	BMC Training Charges	—	—	61,555	—
Allianz Insurance Company-Guangzhou Branch, China	Software Consultancy Fees	257,020	1,851,583	1,010,455	—
	Billable expenses incurred on behalf of Allianz China	147,817	(288,583)	86,786	140,766
Allianz Srilanka	Income from Management Consultancy	1,414,500	(1,414,500)	—	—
Allianz Ost-West Allianz, Moscow	Income from Software Consultancy	411,952	(411,952)	—	—
Allianz Rosno	Revenue expenditure incurred on behalf of Allianz Rosno	168,426	—	—	—
Western Maharashtra Development Corporation	Nil	—	—	—	—

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

Name of related party and Nature of relationship	Nature of transaction	2004-05		2003-04	
		Transaction Value	Outstanding amounts carried in the Balance Sheet	Transaction Value	Outstanding amounts carried in the Balance Sheet
		(Rs.)	(Rs.)	(Rs.)	(Rs.)
[c] Directors & Relatives:					
Mr. Rahul Bajaj -Chairman & Managing Director* (Also key management personnel)	Remuneration	8,074,887	—	3,441,765	—
	Commission	2,400,000	—	2,400,000	—
	Rent paid for premises	161,582	—	146,410	—
	Deposit paid against premises taken on lease	—	4,250,000	—	4,250,000
Mr. Madhur Bajaj -Wholetime Director (Also key management personnel)	Remuneration	2,591,037	—	2,550,084	—
	Commission	2,400,000	—	2,400,000	—
	Rent paid for premises	155,760	—	141,086	—
	Deposit paid against premises taken on lease	—	4,100,000	—	4,100,000
Mr. Rajiv Bajaj - Joint Managing Director * (Also key management personnel)	Remuneration	2,680,756	—	2,764,106	—
	Commission	1,800,000	—	1,800,000	—
	Rent paid for premises	161,582	—	146,410	—
	Deposit paid against premises taken on lease	—	4,250,000	—	4,250,000
Mr. Sanjiv Bajaj—Executive Director (Also key management personnel)	Remuneration	5,446,528	—	3,579,405	—
Rahul Kumar Bajaj (HUF)	Rent paid for premises	161,582	—	146,410	—
	Deposit paid against premises taken on lease	—	4,250,000	—	4,250,000
Kamal Nayan Bajaj (HUF)	Rent paid for premises	161,582	—	146,410	—
	Deposit paid against premises taken on lease	—	4,250,000	—	4,250,000
Shekhar Bajaj -Non Executive Director	Commission	80,000	—	100,000	—
	Sitting fees	80,000	—	25,000	—
	Rent paid for premises	155,760	—	141,086	—
	Deposit paid against premises taken on lease	—	4,100,000	—	4,100,000
Shekhar Bajaj (HUF)	Rent paid for premises	155,760	—	141,086	—
	Deposit paid against premises taken on lease	—	4,100,000	—	4,100,000
	Insurance premium paid	38,013	—	—	—
Ramkrishna Bajaj (HUF)	Rent paid for premises	155,760	—	141,086	—
	Deposit paid against premises taken on lease	—	4,100,000	—	4,100,000
Niraj Bajaj (HUF)	Rent paid for premises	155,760	—	141,086	—
	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	1,645,264	—	1,645,544	—
Mr. Dipak Poddar (Managing Director—BAFL)	Remuneration	1,547,687	300,000	1,632,754	300,000
	Interest paid on fixed deposit	—	—	3,855	—
	Dividend paid	600,000	—	450,000	—

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

Name of related party and Nature of relationship	Nature of transaction	2004-05		2003-04	
		Transaction Value	Outstanding amounts carried in the Balance Sheet	Transaction Value	Outstanding amounts carried in the Balance Sheet
		(Rs.)	(Rs.)	(Rs.)	(Rs.)
Mr. C. S. Ravindran (President - BAFL)	Remuneration	4,585,547	—	3,894,246	—
	Staff loan recovery - principal	99,996	719,972	636,715	819,968
	Interest recovered on staff loan	48,252	—	81,173	—
	Dividend paid	12,000	—	9,000	—
Mr. Sam Ghosh (CEO)	Remuneration	6,500,000	(3,501,612)	5,375,000	(2,084,682)
Mr. Kamesh Goyal (CEO)	Remuneration	6,371,351	—	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 [2,000,345 shares (Previous year 2,785,027 shares) of Rs. 10 each]	(24,317,535)	61,991,302	3,427,170	86,308,837
	0.01% Redeemable Preference Shares [196,169 shares of Rs. 10 each]	—	1,961,690	1,961,690	1,961,690
	16% Secured Redeemable Non Convertible Debentures	—	14,794,225	—	14,794,225
	Advances refunded	152,595,435	200,000,000	144,000,000	32,595,435
	Advance taken	320,000,000	—	110,000,000	—
	Interest received-others	8,516,042	—	9,766,608	—
	Services rendered	—	—	417,726	—
	Purchases	1,972,035	—	1,016,232	—
	Purchases for Export	242,412,033	—	—	—
	Scrap Sale	6,576,395	—	2,852,700	—
	Insurance premiums paid	11,761,714	—	11,160,984	—
	Insurance claims received	5,731,229	—	1,047,416	—
	Risk inspection fees received	700,000	—	—	—
	Other Debits	105,768	(232,816,904)	—	1,291,396
	Bajaj Electricals Ltd.	Contribution to Equity [1,153,384 shares (Previous year 1,719,676 shares) of Rs. 10 each]	(43,583,448)	88,767,722	21,495,950
10 % Cumulative Non-participating Redeemable Preference Shares [3,000,000 shares of Rs. 10 each]		—	30,000,000	—	30,000,000
Inter Corporate Deposits (ICDs) refunded		—	—	94,000,000	—
Interest received on ICD		—	—	8,753,423	—
Dividend received		4,719,676	—	3,300,000	—
Purchase / Processing of material		134,693	—	1,824,775	—
Insurance premiums paid		6,616,229	—	3,970,751	—
Insurance claims received		1,790,806	—	2,100,165	—
Other credits		110,637	65,342	6,563	(95,431)
Other debits		—	—	248,614	—
Hind Musafir Agency Pvt. Ltd.		Services received	25,742,860	(15,392)	16,039,562
	Support Charges for Insurance business	40,999	—	—	—

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	2004-05		2003-04	
		Transaction Value	Outstanding amounts carried in the Balance Sheet	Transaction Value	Outstanding amounts carried in the Balance Sheet
		(Rs.)	(Rs.)	(Rs.)	(Rs.)
Kamalnayan Investments & Trading Pvt. Ltd.	Nil	—	—	—	—
Rahul Securities Pvt. Ltd.	Nil	—	—	—	—
Bajaj Sevashram Pvt. Ltd.	Nil	—	—	—	—
Bachhraj Trading Co.	Nil	—	—	—	—
Bajaj Trading Co.	Nil	—	—	—	—
Anant Trading Co.	Nil	—	—	—	—
Kushagra Trading Co.	Nil	—	—	—	—
Madhur Securities Pvt. Ltd.	Nil	—	—	—	—
Bajaj International Pvt. Ltd.	Nil	—	—	—	—
Bachhraj & Co. Pvt. Ltd.	Nil	—	—	—	—
Jamnalal Sons Pvt. Ltd.	Nil	—	—	—	—
Sikkim Janseva Pratisthan Pvt. Ltd.	Nil	—	—	—	—
Niche Financial Services Pvt. Ltd.	Nil	—	—	—	—
Benchmark Asset Management Co. Pvt. Ltd.	Nil	—	—	—	—
Baroda Industries Pvt. Ltd.	Nil	—	—	—	—
Bachhraj Factories Pvt. Ltd.	Nil	—	—	—	—
Rahul Securities Pvt. Ltd.	Nil	—	—	—	—

* Designations at the time of transactions

Financial information of Subsidiaries for the year ended March 31, 2005

Particulars	Bajaj Auto Holdings Ltd.	Bajaj Allianz General Insurance co. Ltd	Bajaj Allianz Life Insurance co.Ltd
	Rupees	Rupees	Rupees
Paid -Up Share Capital	2,450,000	1,100,000,000	1,500,787,000
Share Premium	—	—	1,176,565,000
Other reserves	286,489,992	725,954,526	(1,057,653,724)
Total Other Liabilities	48,500,000	—	7,736,818,832
Total Assets	337,439,992	1,825,954,526	9,356,517,108
Investments*	274,817,602	5,835,527,466	1,636,971,655
Turnover/Operating result	46,063,761	775,564,688	88,270,698
Profit Before Taxation	29,966,998	769,571,171	(367,514,907)
Profit After Taxation	28,851,998	470,916,062	(367,558,907)
Interim Dividend paid	15,312,500	—	—
Proposed Dividend	—	—	—

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

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") of Bajaj Auto Limited and its subsidiaries ("the Company") as of March 31, 2005 and 2004, and for the years then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in the Reconciliation is the representation of the management of the Company.

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

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

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

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

KPMG

MUMBAI : 11 May 2005

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

		(Rs in millions)	(US \$ in thousands)*	
As at March 31,				
	Notes	2004	2005	2005
1. Reconciliation of consolidated shareholders' equity				
Consolidated shareholders' equity in conformity with Indian GAAP	1	38,747	43,577	991,513
US GAAP adjustments increasing/(decreasing) consolidated shareholders' equity in conformity with Indian GAAP				
Equity method of accounting	2	426	(271)	(6,166)
Amortisation of investment in debt securities	3	(18)	66	1,502
Unrealised investment gains/(losses), net of tax effect	3	5,324	7,958	181,069
Impairment of investments	3	(873)	(673)	(15,313)
Fixed assets and depreciation	4	(523)	(403)	(9,170)
Non-monetary exchange of asset	5	(80)	(80)	(1,820)
Deferral of premium on insurance venture	6	(936)	(858)	(19,522)
Deferred income taxes	7	(157)	(256)	(5,825)
Proposed dividend (including dividend tax thereon)	8	2,854	2,884	65,620
Consolidated shareholders' equity in conformity with US GAAP		44,764	51,944	1,181,888

* Solely for the convenience of the reader and without any representation on rates used, the reconciliation as of March 31, 2005 have been translated into United States dollars at \$ 1 = Rs 43.95 which is the TT selling rate of commercial banks in India.

See accompanying notes to the above Reconciliation.

See Independent Accountants' review report attached

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

		(Rs in millions)	(US \$ in thousands)*	
As at March 31,				
	Notes	2004	2005	2005
2. Reconciliation of consolidated net income				
Consolidated net income in conformity with Indian GAAP	1	7,508	7,603	172,992
US GAAP adjustments increasing/(decreasing) consolidated net income in conformity with Indian GAAP				
Equity method of accounting	2	70	(636)	(14,471)
Amortisation of investment in debt securities	3	(28)	84	1,911
Impairment of investments	3	341	199	4,528
Fixed assets and depreciation	4 & 5	(6)	120	2,730
Deferral of premium on insurance venture	6	78	78	1,775
Deferred income taxes	7	(539)	(99)	(2,253)
Consolidated net income in conformity with US GAAP		7,424	7,349	167,212
3. Basic and diluted earnings per share				
		(Rs.)	(Rs.)	(US \$)
Based on consolidated net income in conformity with US GAAP	9	73.37	72.63	1.65
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, 2005 have been translated into United States dollars \$ 1 = Rs 43.95 which is the TT selling rate of commercial banks in India.

See accompanying notes to the above Reconciliation.

See Independent Accountants' review report attached

Notes to the Reconciliation of Significant Differences between Indian Generally Accepted Accounting Principles ("Indian GAAP") and US Generally Accepted Accounting Principles ("US GAAP") for the year ended 31 March 2005 and 31 March 2004

1. Basis of preparation of the Reconciliation

Bajaj Auto Limited ('the Company') prepares its consolidated financial statements in rupees in accordance with Indian GAAP, which differ in certain respects from US GAAP. The significant differences between Indian GAAP and US GAAP, which impact consolidated shareholders' equity as at 31 March 2005 and 2004 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 and US GAAP are discussed below.

2. Equity method of accounting

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

BAFL

Under Indian GAAP, the Company's 46% equity stake (fiscal 2004: 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 and US GAAP, no reconciliation adjustment is required.

MSL

Under Indian GAAP, the Company's 24% equity stake (fiscal 2004: 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. The difference in method of accounting under Indian GAAP and US GAAP does not require any further reconciliation adjustment in the consolidated net income or the consolidated shareholders' equity of the Company.

BAGICL and BALICL

Under Indian GAAP, the Company has consolidated its 74% (2004: 74%) equity holding in BAGICL and BALICL as the Company owns more than one half of the voting rights of these companies. Till the previous year, the equity holding had been accounted as per the joint venture method of accounting, which requires the investor to report its interest using proportionate consolidation method. However, the change in method of accounting under Indian GAAP in the

current year does not result in any change in the consolidated shareholders' equity or the consolidated net income as per Indian GAAP.

Under US GAAP substantive minority rights that provide the minority shareholder with the right to effectively participate in significant decisions overcomes the presumption that the investor with a majority voting interest should consolidate its investee. Accordingly, under US GAAP, the Company's investment of 74% in BAGICL and BALICL has been accounted by the equity method after eliminating all material inter-company transactions. The difference in method of accounting under Indian GAAP and US GAAP for fiscal 2005 and 2004 does not require any further reconciliation adjustment in the consolidated net income or the consolidated shareholders' equity except for the significant differences between Indian GAAP and US GAAP for the accounting of insurance activities as described below:

Insurance premium and claims

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

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

- Short duration contracts are recognized 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 recognized 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.

Notes to the Reconciliation of Significant Differences between Indian Generally Accepted Accounting Principles ("Indian GAAP") and US Generally Accepted Accounting Principles ("US GAAP") for the year ended 31 March 2005 and 31 March 2004

Acquisition costs

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

Under US GAAP, acquisition costs, which vary with and are primarily related to the acquisition of new business are deferred and amortized 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 as incurred.

3. Investment in debt and equity securities

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

Under US GAAP, 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 amortizations or accretions of premiums or discount. Available-for-sale securities are recorded at fair value with unrealized 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 realized. Premiums and discounts are amortized 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.

4. Fixed assets and depreciation

Under US GAAP, fixed assets are recorded at historical cost and depreciated on a systematic basis over their estimated useful lives. Under Indian GAAP, depreciation is provided based on the asset lives specified in the Indian Companies Act, 1956 that may not necessarily be reflective of the useful lives of the assets. In some cases these costs are expensed in the year in which they are incurred. Accordingly, the Reconciliation provides for a depreciation adjustment based on the estimated useful lives of fixed assets.

5. Non-monetary exchange of asset

Under US GAAP, the exchange of a non-monetary asset for a similar non-monetary asset used in the earnings process is recorded at the carrying value of the asset surrendered. During 1999, the Company exchanged its tenancy rights in a property, which had no recorded value, for ownership rights in a similar property. Accordingly, for US GAAP the transaction 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. In December 2004 FASB issued Financial Accounting Standards No. 153 (FAS 153), Non Monetary Exchange of Assets which amends the earlier Accounting Pronouncements Board Opinion No. 29, Accounting for Nonmonetary Transactions. This standard is applicable from prospectively for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. Accordingly, provisions of FAS 153 did not have any impact on the Company's Consolidated net income and shareholders' equity.

6. Premium on insurance venture

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

US GAAP require fair valuation of each of these considerations and obligations. However as the fair values of each of these features cannot be reasonably ascertained, the premium on insurance venture has been recognized and amortised over an estimated

Notes to the Reconciliation of Significant Differences between Indian Generally Accepted Accounting Principles ("Indian GAAP") and US Generally Accepted Accounting Principles ("US GAAP") for the year ended 31 March 2005 and 31 March 2004

<p>period of 15 years.</p> <p>7. Deferred taxation</p> <p>Under Indian GAAP, deferred tax assets and liabilities are recognized 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 recognized in the period that includes the enactment date. Deferred tax assets in respect of carry forward losses are recognized 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 realized. Other deferred tax assets are recognized only if there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred tax assets are reassessed for the appropriateness of their respective carrying values at each balance sheet date.</p> <p>Under US GAAP deferred tax assets and liabilities are recognized 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. The measurement of deferred tax assets under US GAAP is reduced, if necessary, by a valuation allowance for tax benefits whose future realization is uncertain.</p> <p>8. Proposed Dividend</p> <p>Under Indian GAAP, dividends on equity shares and the related dividend tax are recorded as liabilities when it is proposed by the Board of Directors, although such dividend liability does not crystallize unless it is approved by the shareholders. Under US GAAP dividends are recognized when approved by shareholders. Accordingly, for purposes of US GAAP Reconciliation, such dividends have been credited to consolidated shareholders' equity.</p>	<p>9. Earnings per share</p> <p>Under US GAAP earnings per share are calculated by dividing consolidated net income by the weighted average number of common shares outstanding during the year.</p> <p>10. Derivative contracts</p> <p>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.</p> <p>11. Consolidation of Variable Interest Entities</p> <p>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. The Company has evaluated the provisions of FIN 46 R 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.</p>
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Bajaj Auto Limited
Akurdi Pune 411 035 India
www.bajajauto.com

