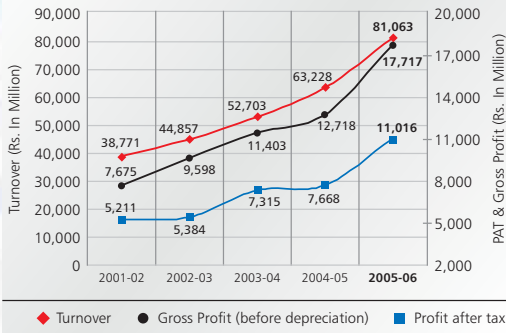




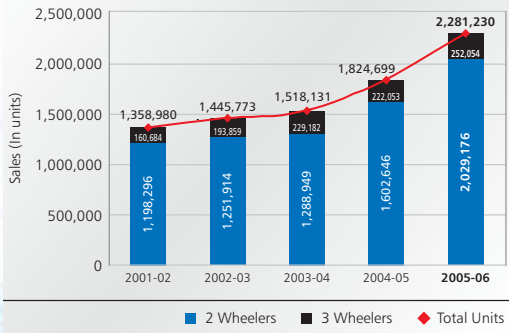
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ANNUAL REPORT
2005 - 06

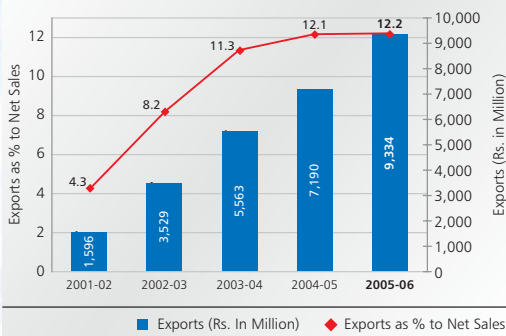
Turnover, Gross Profit (before depreciation) & Profit after tax



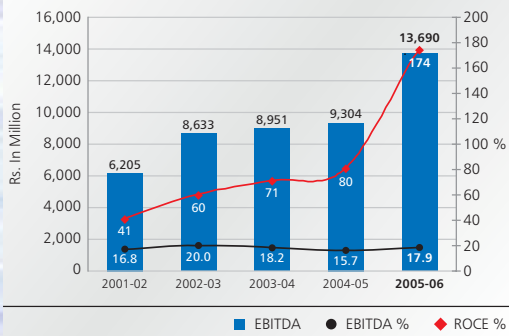
Sales (in units)



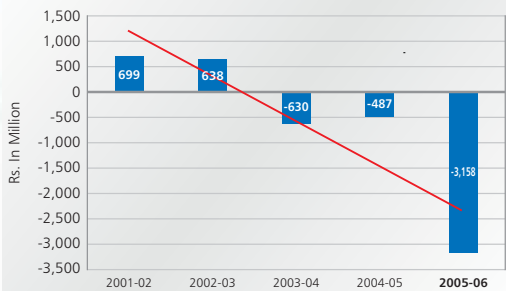
Exports



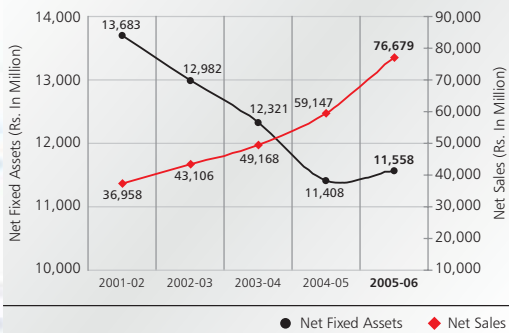
Operating EBITDA & Pre Tax Operating ROCE



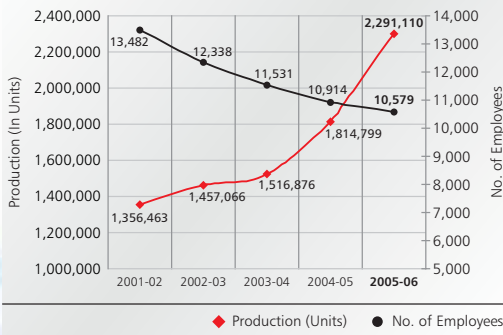
Operating Working Capital



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



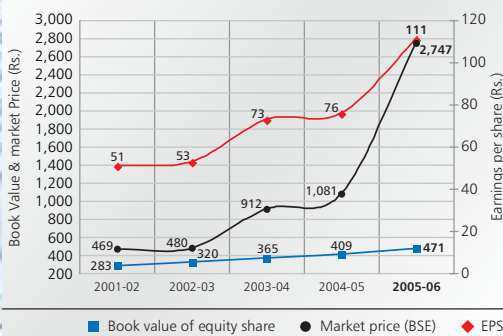
Production vis-a-vis Employee Strength



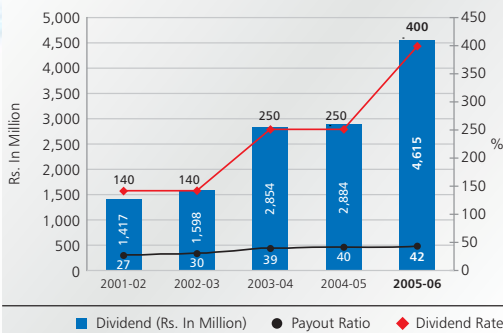
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Book Value, Market Price & Earnings per share



Dividend Payout





We live our brand by its values of

Learning

is how we ensure proactivity.

Innovation

is how we create the future.

Perfection

is how we set new standards.

Speed

is how we convey clear conviction.

Transparency

is how we characterise ourselves.



Chairman's Letter

Dear Shareholder,

I write to you more than a year after I left all aspects of the functioning of your Company to its Managing Director Rajiv Bajaj, its Executive Director Sanjiv Bajaj, and their highly motivated team. In my letter last year, I had expressed confidence that "this change of guard will further invigorate your Company's employees, vendors and dealers and motivate them to continuously redefine standards of excellence".

I am happy to inform you that the new team has performed very well.

Your Company sold close to 2.3 million vehicles in 2005-06, which in itself is a record performance in its history. But that is not all. Bajaj Auto's motorcycles sales grew by 32 per cent in 2005-06 compared to a market growth of under 19 per cent. Thus, for the fifth successive year, your Company raised its market share in the motorcycle segment. Today it stands at almost 31 per cent. And, if all goes according to plan, I expect this share to steadily increase in the coming years.

Let me share with you some of the key results of your Company for 2005-06.

- Sales increased by almost 31 per cent to an all-time high of Rs.85 billion in 2005-06.
- Even more impressive has been the growth of your Company's operating EBITDA, which increased by 47 per cent to touch Rs.13.7 billion this year. Consequently the operating EBITDA margin grew by 220 basis points to 17.9 per cent of sales and operating income.
- Post-tax profits have increased by 44 per cent to cross Rs.11 billion in 2005-06.
- Earnings per share have risen from Rs.75.6 to Rs.111 in the current year.

Even in a strong equity market, I dare say that the growth of your Company's stock price from under Rs.300 in the middle of 2000 to around Rs.3,000 today reflects your confidence in our sustained excellent performance. It also makes it incumbent upon the management to perform equally well in the future.

Your Company has been on a consistent upward path in sales, profits and margins since 2000-01. That is laudable in itself. However, I am particularly impressed by the manner in which Bajaj Auto has meticulously executed each element of its strategic plan for growth - and has done so year on year.

Consider your Company's positioning in the motorcycles market. With the launch of the Boxer - which later transformed into CT 100 - Bajaj Auto created an 'entry' or 'price' segment to encourage first-time buying of a motorcycle. This segment now accounts for over 40 per cent of the Indian market, and Bajaj Auto is the leader with a share of over 40 per cent.

Then, with the introduction of the Pulsar, your Company successfully introduced a product that catered to the top end of the market. The new 180cc Avenger is yet another model in this segment. Today, Bajaj Auto commands a 62 per cent market share in this premium segment.

Now we have established a strong presence in the value segment as well, which accounts for around 50 per cent of all motorcycles sold in India. The Discover twins have done the "*jadoo*". In 2005-06, Discover sold over 450,000 vehicles. And, thanks to the excellent response to Discover 110cc, Bajaj Auto currently accounts for more than 25 per cent of this segment.

I share this with you to illustrate how your Company's strategy of segmenting markets and developing appropriate and well-differentiated products for each segment has resulted in its commanding significant market shares.

I must also place on record the creditable performance of Bajaj Auto's export team, which sold over 250,000 vehicles, and increased global

sales by 27 per cent to touch the Rs.9 billion mark. Today, exports account for 12 per cent of our net sales, and I expect this share to grow in the coming years.

In large measure, these successes, both in domestic and export sales have been made possible by your Company's young, world-class R&D team to whom nothing is impossible, and every challenge is an opportunity.

Given the results for 2005-06 and clear prospects of growth in the future, it could have been all too easy for me to be contented. I am certainly happy with the performance. But I am not content. The potential is far greater.

To explain why, let me share with you my dreams for 2010.

First, annual sales of motorcycles in India are expected to cross the 10 million mark by 2010. Given the vigour of Bajaj Auto's team, its current rates of growth and the strength of its balance sheet, we should clearly establish our leadership in the market.

Second, it should be possible for Bajaj Auto to use its strategic ingenuity, entrepreneurial drive, R&D capability and excellence in execution to become a significant player in the global market.

Third, given the enormous opportunities for financing across the wide range of products and services and the goodwill of the Bajaj brand, Bajaj Auto Finance Limited should be looking at significantly increasing its business and reach throughout India.

Fourth, we have huge opportunities in insurance. Today, Bajaj Allianz Life Insurance Company Limited

is the largest private sector player in the industry. And Bajaj Allianz General Insurance Company Limited is the second largest private player. Full credit for such excellent performance goes to their young and energetic management. But there are many more peaks to be conquered. Both life and general insurance are severely under-penetrated in India, and provide considerable headroom for future growth.

So, here is my vision of your Company. By 2010, Bajaj should:

- **Mobilise India** - by supplying 4 million motorcycles per year in a market of 10 million customers.
- **Globalise India** - by rapidly enhancing exports and international facilities to become among the three largest global producers in two-wheelers.

- **Finance India** - by ramping up Bajaj Auto Finance's operations to fund the growth aspirations of the country.
- **Derisk India** - by expanding the life and general insurance business across the length and breadth of the land.

Your Company, its subsidiaries and associates have the capability to make it happen.

Therefore, while congratulating all members of the Bajaj team for their excellent achievements this year, let us also exhort them to make the 2010 vision a reality.



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
(Upto 9th April 2006)

Manish Kejriwal

Management

Rahul Bajaj
Chairman

Madhur Bajaj
Vice Chairman

Rajiv Bajaj
Managing Director

Sanjiv Bajaj
Executive Director

Klaus Biskup
President (South East Asia)

Ranjit Gupta
Vice President (Insurance)

C P Tripathi
Vice President (Operations)

N H Hingorani
Vice President (Commercial)

Kevin D'sa
Vice President (Finance)

Pradeep Shrivastava
Vice President (Engineering)

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

V S Raghavan
Vice President
(Corporate Finance)

S Ravikumar
Vice President
(Business Development)

K Srinivas
Vice President
(Human Resources)

Abraham Joseph
General Manager
(Research & Development)

Company Secretary

J Sridhar

Auditors

Dalal & Shah
Chartered Accountants

International Accountants

KPMG

Cost Auditor

A P Raman
Cost Accountant

Bankers

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

Registered 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



*Rahul Bajaj
 Rajiv Bajaj
 S Sridhar
 N H Hingorani
 V S Raghavan*

*Madhur Bajaj
 Sanjiv Bajaj
 Kevin D'sa
 Ranjit Gupta
 S Ravikumar*

*Klaus Biskup
 C P Tripathi
 Pradeep Shrivastava
 K Srinivas
 Abraham Joseph*

Management Discussion and Analysis

Over the past few years, Bajaj Auto Limited ('Bajaj Auto', 'BAL' or 'the Company') has focussed on technology development, product development in anticipation of market needs, scaling up its manufacturing facilities, implementing best-in-class production systems, rationalising vendors, slashing costs while upgrading quality, restructuring dealerships and distribution channels.

These capabilities enabled the company to create exciting new products, which have set benchmarks – in style, in design, in technology. The company's products are creating a customer pull at all price points and the company has now transformed from being a price warrior to a price leader.

The results of the above are there for its customers and shareholders to see. In 2005-06, Bajaj Auto's sales of motorcycles grew by almost 32 per cent versus a market growth of under 19 per cent. And market share has risen from 24 per cent in 2003-04 to almost 31 per cent in 2005-06. Given below are the highlights of the company's financial results for 2005-06

- Sales increased by 30 per cent - from Rs.65.42 billion in 2004-05 to an all-time corporate high of Rs.85.50 billion in 2005-06.

- Net sales (net of excise duty) increased by 30 per cent - from Rs.57.24 billion in 2004-05 to Rs.74.69 billion in 2005-06.
- Total turnover grew by 28 per cent - from Rs.63.23 billion in 2004-05 to Rs.81.06 billion in 2005-06.
- Operating EBITDA (earnings before interest, taxes, depreciation and amortisation) increased by 47 per cent - from Rs.9.30 billion in 2004-05 to Rs.13.69 billion in 2005-06. This translates to an operating EBITDA margin of 17.9 per cent of operating income, which is 220 basis points higher than the previous year. This is the highest operating margin in the industry.
- Profit before tax (PBT) rose by 46 per cent - from Rs.10.86 billion in 2004-05 to Rs.15.81 billion in 2005-06.
- Profit after tax (PAT) increased by 44 per cent - from Rs.7.67 billion in 2004-05 to Rs.11.02 billion in 2005-06.
- Earnings per share (EPS) grew from Rs.75.60 in 2004-05 to Rs.111 in 2005-06.

This year's Management Discussion and Analysis begins with markets, the company's sales across segments, operations and finally to the financials and margins.

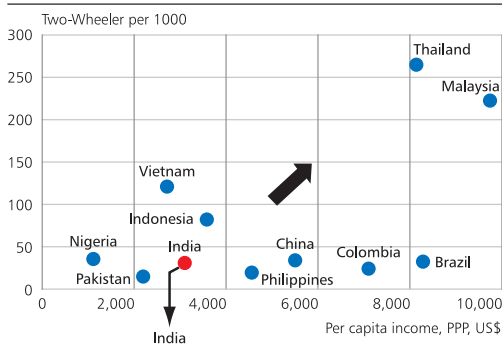


TRANSPARENCY - Customers experience Bajaj Auto's latest technology, in-showroom test rides and directly orders on the company.

Markets

At less than 31 two-wheelers per 1,000 citizens in 2004, India is a poorly penetrated market for motorcycles - even after accounting for a relatively low per capita income of around US\$3,100 per year on a purchasing power parity (PPP) basis. As Chart A shows, Indonesia, whose PPP per capita income is just 15 per cent greater than India's, has 83 two-wheelers per 1,000 people. And Vietnam, despite having a 13 per cent lower per capita income, has a penetration of 122 two-wheelers per 1,000. Malaysia and Thailand are at 223 and 264 two-wheelers per 1,000. The fact is that with the Indian economy growing close to 8 per cent CAGR in the last three years, there is enormous headroom for increasing two-wheeler penetration in the country. What this needs are products at different price points, sales and service set-ups across the length and breadth of the country, which are backed by attractive financing options to make two wheelers affordable to the vast majority of the population. Bajaj Auto has all the three levers in place to drive this change and expand the market. Our view is that motorcycle demand in India will grow at around 15 per cent per year over

Chart A :
Two-Wheeler penetration, 2004



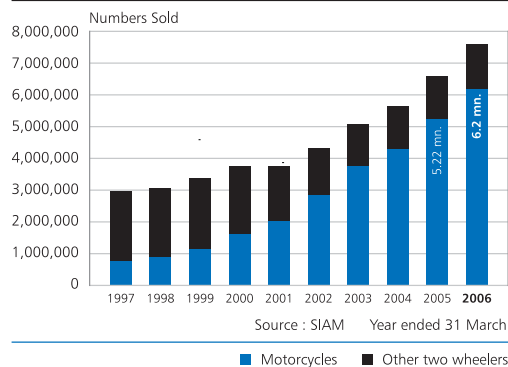
the coming years. It will therefore be our endeavour to grow at a pace significantly higher than the market growth.

Two-wheelers

Overall industry sales of two-wheelers increased by 15 per cent from 6.57 million in 2004-05 to 7.57 million in 2005-06. As in the previous years, motorcycles continue to dominate the two-wheeler market. It grew at 18.8 per cent, from 5.2 million in 2004-05 to 6.2 million in 2005-06.

Consequently, the share of motorcycles in the two-wheeler market further increased from 79 per cent in 2004-05 to 82 per cent in 2005-06. Chart B depicts the industry sale of two-wheelers.

Chart B :
Industry's sale of Two-Wheelers



Motorcycles

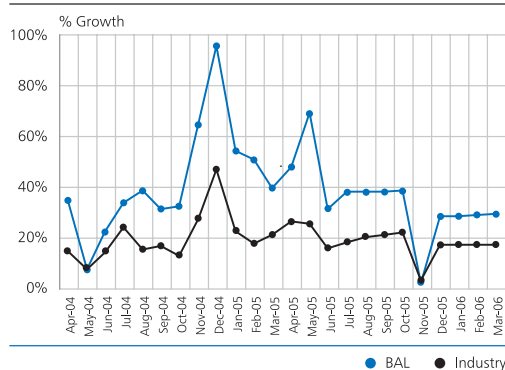
While the motorcycle as a whole grew at 18.8 per cent in 2005-06, Bajaj Auto's sales of motorcycles increased 31.9 per cent, which resulted in the company's market share improving from 27.8% in 2004-05 to 30.8% in 2005-06. The data are given in Table 1.

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

Year ended 31 March	Market (nos.)	Market growth	BAL (nos.)	BAL's growth	BAL's market share
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%
2006	6,200,749	18.8%	1,912,306	31.9%	30.8%

As Table 1 shows, over the last few years, Bajaj Auto's motorcycle sales have consistently grown faster than the market - resulting in a steady improvement in market shares month-on-month, as Chart C shows.

Chart C : Bajaj Auto Motorcycles Growing Faster Than Industry



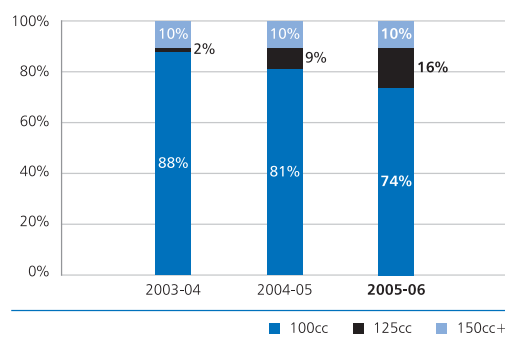
In the last few Annual Reports, we had analysed the motorcycle market in three segments: (i) entry or the price category, (ii) value or the executive category, and (iii) premium or the performance category. With rapid growth of the motorcycle market, the consumer segments have been changing and newer niches have come into play. From late 2004-05, we have been witnessing the

emergence of a new segmentation which, is as follows:

1. The 150cc+ segment, where Bajaj Auto's Pulsar twins and the Bajaj Avenger compete in this segment.
2. The 125cc segment, where Bajaj Auto competes with its Discover DTS-i.
3. The upto 110cc segment in which Bajaj Auto has its CT 100, Discover 110cc and more recently, the Platina.

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

Chart D : The Market Segment for Motorcycles



1. **150cc +** : This segment constituted 10 per cent of the market. The driving force in the segment has been the Pulsar 150 DTS-i. After the introduction of a feature-upgraded model in October 2004, sales grew by 37 per cent during the year.

In the higher end of this segment, Bajaj Auto is present with Pulsar 180 DTS-i and the Avenger DTS-i, which was launched during the year. For long, the Pulsar 180 was not differentiated from the Pulsar 150 in terms of looks. This was carried out in 2005-06, and resulted in a 64 per cent surge in sales of the Pulsar 180. Bajaj Auto continued its leadership position in this segment. During the year, Bajaj Auto opened a new Probiking showroom in Pune exclusively for the high-end bikes - Pulsar 180 DTS-i and Avenger DTS-i. More details of this retail initiative are described in the paragraph on Supply Chain -Dealers.

2. **125cc** : This segment witnessed increased competition during the year. In 2004-05, Bajaj Auto launched Discover DTS-i, a 125cc motorcycle, which played a key role in creating this segment. After this introduction, there has been a flurry of new product launches in this segment. During the year this model was upgraded with better styling and features to counter competition. Discover is the single largest brand in this segment and sales have grown to 337,000 in 2005-06 which is a 118 per cent growth over the previous year.
3. **Up to 110cc** : This is the largest segment within motorcycles. Bajaj Auto is present with its CT 100. In 2005-06, CT 100 was upgraded with better features like SNS suspension and Exhaus TEC. To boost its presence in this

segment, Bajaj Auto also launched a variant of Discover with an 110cc engine in December 2005, which clocked sales in excess of 113,000 vehicles within the first four months of launch. With these two brands, Bajaj Auto maintains a share of 27 per cent of this segment. Given heightened competition in this segment, we felt the need to offer a third model combining superb styling, features like alloy wheels, SNS suspension, while giving top class fuel efficiency. Thus, in April 2006, a third model, Platina was launched, and we are confident of doing well with this variant as well.

Other two-wheelers

With motorcycles accounting for 82 per cent of the two-wheeler market, the share of other two-wheelers like geared scooters, un-geared scooters, mopeds and step-thrus witnessed either marginal growth or reduction in sales.

For a company of Bajaj Auto's size, it made little business sense to continue with the production of a shrinking volume of traditional geared scooters, which, in any case, accounted for just 3 per cent of the two-wheeler market. Thus, the company discontinued manufacturing geared scooters during the year.

The un-geared scooter segment witnessed a marginal growth of 4.7 per cent, with sales volumes of over 777,000 units. With the introduction of Wave DTS-i, Bajaj Auto's volumes in this segment increased to 52,611 units in 2005-06 translating to a market share of 7 per cent. Bajaj Auto is developing two new gearless scooters, which were showcased in Auto Expo 2006. These scooters will be launched in the next twelve months.

Three-Wheelers

In last year's Management Discussion and Analysis, it was mentioned that various state and urban level legislations are restraining the use of three-wheeler passenger carrier vehicles; and that the only scope for growth is through replacement of older vehicles with newer ones that run on clean fuels like CNG, LPG. This holds equally true today.

In 2005-06, the passenger carrier (three-seater) segment grew by 22.8 per cent, while Bajaj Auto's sales grew by 14.6 per cent. The growth was primarily on account of replacement demand in certain markets due to a statutory mandate for autorikshas to convert to clean fuels.

The decline in Bajaj Auto's market share from 86 per cent to 80 per cent was due to our product portfolio not having larger diesel passenger vehicles, which are preferred in certain markets. To bridge this gap the Mega - a rear engine diesel autorikshaw - has been launched during the year. The model is gaining volumes and we expect to regain market share in 2006-07.

In the goods carrier segment, the market grew by 7.9 per cent, while Bajaj Auto's sales grew by 7.7 per cent. Our market share remained at 26 per cent for the year. With focused retail actions and large-scale network corrections during the year, we expect to improve our market share. Table 2 gives the data on the three-wheeler sales and share of Bajaj Auto in numbers.

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

	2005-06	2004-05
Passenger vehicles		
3-seater		
Industry sales	269,209	219,151
Bajaj Auto sales	215,994	188,572
Bajaj Auto market share	80.2%	86.0%
6-seater		
Industry sales	11,958	10,694
Bajaj Auto sales	NA	NA
Total passenger vehicles		
Industry sales	281,167	229,845
Bajaj Auto sales	215,994	188,572
Bajaj Auto market share	76.8%	82.0%
Goods carriers		
Industry sales	138,688	128,554
Bajaj Auto sales	36,060	33,481
Bajaj Auto market share	26.0%	26.0%
Total 3-wheelers		
Industry sales	419,855	358,399
Bajaj Auto sales	252,054	222,053
Bajaj Auto market share	60.0%	61.9%

Exports

Two-wheelers with engine capacity of less than 250cc constitute over 90 per cent of the global market, and this is Bajaj Auto's core competence. By using a combination of direct exports out of India and setting up of local assembly operations abroad, Bajaj Auto intends to capture a greater share of the world markets for its products.

During 2005-06, Bajaj Auto exported 250,204 two- and three-wheelers and continued to be the largest Indian exporter of these categories. Table 3 summarises the product-wise exports.

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

Product	2005-06	2004-05	Growth
Motorcycles	165,288	123,946	33%
Total two-wheelers	174,907	130,945	34%
Three-wheelers	75,297	65,765	14%
Total vehicles	250,204	196,710	27%

In 2005-06, Bajaj Auto sold over 100,000 two- and three-wheelers in Sri Lanka and continued to be the market leader. In addition, Bajaj Auto has established its leadership in Central America by accounting for over 50 per cent of the motorcycles sold in the region. Other key markets where Bajaj Auto is present are Colombia, Peru, Egypt, Bangladesh, Philippines and UAE.

During the year, Bajaj Auto finalised a distributor in Nigeria for its motorcycles. An assembly line for CKD operations has been set-up and trials are under way. Using a combination of direct exports and local assembly and manufacture, the company intends to capture a significant share of the 1 million strong two-wheeler market of Nigeria, which is currently dominated by Chinese models. Bajaj Auto is also exploring other African markets. Exports to Iran are expected in 2006-07 and this will add to the volumes.

Indonesia has been selected as the company's manufacturing hub for South East Asia. The products to be launched and the entry strategies have been finalised after market research and customer clinics. A joint venture with Bajaj Auto holding majority shares is expected to be set up in

the second quarter of 2006-07. The company's focus will be on developing the front-end of the business - sales and service network and financing which will be followed by manufacturing of motorcycles and three-wheelers. Significant sales will accrue only in 2007-08.

The first-ever International Business Partners' Summit was organized at Pune in January 2006. Presentations were made to the international business partners to highlight Bajaj Auto's international business strategy and new products. The summit has set the tone for the strong export thrust in the future.

Operations

Research and development

Technology leadership is the first step towards market leadership. Recognizing this, Bajaj Auto has over the years built a completely integrated R&D centre at Akurdi. With a staff strength of over 300 engineers, this world class centre is equipped with state-of-the-art facilities encompassing engine and vehicle design and testing, analysis, component testing, electrical and electronics laboratory, materials laboratory and trial manufacturing. During the year, the R&D infrastructure was further strengthened in the areas of design, CAE, prototyping and testing.

In 2005-06, Bajaj Auto's R&D spearheaded development of the new CT 100 and Discover 110 which were launched in 2005-06. During the year, it also developed a new motorcycle, Platina, which was launched in April 2006. In addition, R&D has put in place new technologies like SNS suspension, which gives an excellent ride comfort, and a new generation DTS-i engine with intelligent control of spark timing.



Guatemala



Iran



Bangladesh



Peru



Egypt



Sri Lanka



Mexico



Columbia



India

Shipping more than 2,50,000 vehicles in 2005-06, making Bajaj the largest 2 & 3 wheeler exporter from India.

Bajaj Auto's R&D is currently working on a new range of scooters and motorcycles to be launched in 2006-07 and 2007-08, and in the development of new technologies like port fuel injection for high end motorcycles.

Plants

In 2005-06, Bajaj Auto's three plants produced a total of 2,291,110 two- and three-wheelers. Distribution of the product range across the plants is given in Table 4 and Table 5 gives the plant wise capacities.

TABLE 4 : Distribution of products across plants

Plant	Products
Akurdi	Geared scooters, ungeared scooters, CT100 and Discover
Waluj	Bajaj -Kawasaki range of motorcycles and three-wheelers
Chakan	Bajaj motorcycles - Pulsar and Discover

TABLE 5 : Plant wise capacities

Plant	2005-06	2004-05
Akurdi	720,000	720,000
Waluj	1,500,000	1,260,000
Chakan	960,000	720,000
Total	3,180,000	2,700,000

As mentioned earlier, in December 2005 the Akurdi plant stopped manufacture of geared scooters. Thanks to flexible manufacturing capabilities, Akurdi started producing the un-geared scooter Wave, and the new Discover motorcycle. This is in addition to manufacture of components required for the company's other plants.

The TPM initiative continued throughout the year. Significant gains were achieved in the areas of manufacturing quality, productivity, reduction in conversion costs and reduction in warranty.

The Akurdi plant completed the Japan Institute of Plant Maintenance audit for TPM practices and won the TPM Excellence Award in Category 1.

Considering the robust demand for its products, the company intends to increase its capacity to 5.1 million vehicles per annum by 2009.

This project will be implemented in phases. In the first phase, it is proposed to increase motorcycle capacity to 3.6 million per annum by 2007.

This expansion plan spread will entail:

- Expanding existing capacities at the existing plants at Akurdi and Chakan.
- A greenfield project at Pantnagar in Uttaranchal, which will commence operations by March 2007.
- Another greenfield project at Chakan to manufacture a new range of three-wheelers and four-wheeler goods carriers.

This capacity expansion together with R&D, new model developments, specialised showrooms and a new Learning Centre (see below) involves an estimated outlay of Rs. 15 billion, which will be met through the company's existing resources and internal accruals.

People

During the year, Bajaj Auto produced a total of almost 2.3 million vehicles with a manpower of 10,579 - compared to 1.8 million vehicles and 10,914 employees in 2004-05. Table 6 highlights

the company's growing employee productivity, which has improved from 166.3 vehicles per employee in 2004-05 to 216.6 vehicles per employee in 2005-06.

TABLE 6 : Growing employment productivity at Bajaj Auto

As on 31 March	Production No. of Units	No. of Employees	Output/ Employee/ Year
1997	1,439,174	21,273	67.7
1998	1,354,482	18,589	72.9
1999	1,381,765	18,585	74.3
2000	1,432,471	17,213	83.2
2001	1,212,748	13,819	87.8
2002	1,356,463	13,482	100.6
2003	1,457,066	12,338	118.1
2004	1,516,876	11,531	131.5
2005	1,814,799	10,914	166.3
2006	2,291,110	10,579	216.6

In 2005-06, 345 workmen at the Akurdi plant opted for a voluntary retirement scheme, which involved a total payout of Rs. 226 million. The company continues to have a harmonious relationship with its workers.

During the year, employees were trained on the basis of individual development efforts. This was done with specific focus on developing technical competencies. In sales and marketing, using assessment and development centre methodology, a system was put in place for identification and training of employees. To develop leadership competency, a 360-degree feedback was done for all senior managers, including the Managing Director.

To be a world-class player, Bajaj Auto has to focus even more on training individuals. To nurture and

develop internal talent, a new learning centre is being set up at Akurdi for the future generation of managers, at a total outlay of Rs. 200 million.

Information Technology

During the year, Bajaj Auto focused on further consolidation of systems in its ERP system (SAP) by integration with customers and vendors systems.

A mini-ERP system for dealers was implemented in 100+ dealerships. This sends customer information to our central server, which is then analysed through the Business Intelligence Warehouse system. An online ordering system for vehicles has also been implemented for the dealers. All these have resulted in more robust production planning systems, which enable us to improve our service levels to dealers.

To support our lean manufacturing operations, IT has enabled our vendors to get information on material requirement by electronic Kanban systems. This ensures streamlined supply of material, which then matches consumption on real time basis, thereby reducing inventory.

An external security audit of our ERP system was conducted during the year. The auditors have expressed high level of confidence in the controls deployed in our systems.

Supply Chain

Dealers

Bajaj Auto has a network of 498 dealers, 1,500 authorised service centres and 162 exclusive three-wheeler dealers spread across the country.

In the future, we intend to have specialised sets of dealers focusing on different market segments, namely rural, urban, Probiking and three-wheelers.

Rural

We are convinced that the real impetus to future two-wheeler growth will come from up-country rural India. Two-wheelers have penetrated only 7 per cent of rural households, compared to 24 per cent in urban India. To address the low penetration of rural markets, Bajaj Auto has defined specialist dealerships for rural markets, called 'Rural Dealerships'. During the year, four new rural dealers became operational. In 2006-07, we plan to have 20 such dealerships in place.

As part of rural sales initiative, Bajaj Auto has worked with NABARD, RUDSETI and various NGO's in eight states to conduct Rural Entrepreneurship Development Programmes (REDP) aimed at setting up rural service outlets for two-wheelers. REDP training has resulted in creation of 1,400 Rural Service Outlets (RSO) in a very short period of time. This initiative by Bajaj Auto is the first of its kind in the country. Our objective is to significantly grow the up-country two-wheeler market by pollinating the countryside with new rural entrepreneurs.

During the year, Bajaj Auto participated in more than 2,000 rural programmes like mega melas, mini melas, and village haats. In addition, it has tied up with 22 different commercial, cooperative and rural banks to facilitate financing of its two-wheelers.

Probiking

The polar opposite to our rural initiative is Probiking. Bajaj Auto is in the process of setting up

a chain of retail stores across the country exclusively for high-end, performance bikes. These stores are called "Bajaj Probiking". During the year, one such store has been opened in Pune.

Probikers are very different from the average motorcycle user. They are knowledgeable, appreciative of contemporary technology, are trendsetters and very choosy about what they ride. Hence, Probikers need to be addressed in a meaningful way that goes beyond the product. Every element of the sales and post-sales process needs to talk a language that is relevant to them.

Hence, Probiking is not just a swanky showroom, but it is the expression of our desire to provide an excellent retail and post sales experience to the Probikers. The Probiking experience will also enable the customers to test the bikes at top speed and check out the parameters of acceleration time, torque, maximum power, etc. on a dynamometer, within the comfort of the showroom - things that are not possible on a normal road test-ride. The entire process of customer buying is through state-of-the-art interactive computer terminals that are looped back to the Company's SAP system.

The customer response to this channel has been excellent, and Bajaj Auto intends to take this experience forward to other cities in the coming year. The company proposes to own all these showrooms.

3-wheeler

With the changes in the market and competition, major corrections were carried out during the year to restructure the three-wheeler dealer network. A major objective was to reduce the size of the network and to induct exclusive three-wheeler dealers. As of 31 March 2006, the number of



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BAJAJ
Legacy Craftsmen

*LEARNING our customers' needs
across the country through
Rural Dealership Network.*

three-wheeler dealers has reduced to 162, versus 337 a year earlier - while the geographical spread of each dealer has been expanded. This allows each dealer to tap a larger market and make the right kind of investments.

Vendors

The company out-sources the manufacture of over 85 per cent of its component requirements to its vendors. A combination of outsourcing and rationalisation of vendors carried out over the past few years resulted in the number of vendors stabilizing at 210. Over the last three years, vendors have invested about Rs. 17 billion in setting up facilities for supplying to Bajaj Auto.

During the year, the TPM way of working was extended to 30 major vendors. All of them have completed their TPM kick-off. TPM conferences were conducted for CEOs of vendor units and three Kaizen schools were conducted for vendor

employees covering key pillar activities of TPM.

Over 200 participants attended these.

In consultation with Japan Institute of Plant Maintenance, Bajaj Auto has instituted a TPM award exclusively for its vendors. Initial gains made by the vendors due to TPM implementation have been quite encouraging.

Financials

Sales for the year 2005-06 was Rs. 85.50 billion as against Rs. 65.42 billion in 2004-05 - an increase of 31 per cent. Included in this is the turnover from exports, which was Rs. 9.33 billion, and formed 12% of net sales. Total turnover (net of excise duty) increased from Rs. 63.23 billion to Rs. 81.06 billion - an increase of 28 per cent. EBITDA margins on operations for the year 2005-06 was 17.9 per cent versus 15.7 per cent in 2004-05. Profit before tax increased from Rs. 10.86 billion to Rs. 15.81 billion - an increase of 46 per cent. Table 7 gives the summarised profit and loss account.

TABLE 7: Summarised profit and loss account, 2005-06

Rs. In Million	2005-06	2004-05
Operations		
Sales	85,499	65,416
Less: excise duty	10,805	8,176
Net sales	74,694	57,240
Other operating income	1,985	1,907
Total operating income	76,679	59,147
Cost of materials consumed, net of expenses capitalised	52,998	40,699
Share of material cost	69.1%	68.9%
Stores and tools	742	630
Share of stores and tools	1.0%	1.1%
Labour cost	2,741	2,491
Share of labour cost	3.6%	4.2%
Factory and administrative expenses	2,845	2,470
Share of factory and administrative expenses	3.7%	4.1%
Sales and after sales expenses	3,663	3,553
Share of sales and after sales expenses	4.8%	6.0%
Total expenditure	62,989	49,843
Operating profit	13,690	9,304
Operating profit as a share of total operating income	17.9%	15.7%
Voluntary Retirement Scheme	226	490
Revised operating profit	13,464	8,814
Revised operating profit as a share of total income	17.6%	14.9%
Interest	3	7
Depreciation	1,616	1,559
Net operating profit	11,845	7,248
Non-operating income		
Income	4,168	3,832
Expenses	61	80
Non-operating income, net	4,107	3,752
Windfarm operations		
Income	216	249
Expenses	67	91
Depreciation	294	294
Windfarm operations, net	-145	-136
Profit before taxation	15,807	10,864
Provision for taxation	4,791	3,196
Profit after taxation	11,016	7,668

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

Product	2005-06		2004-05		% to total units		% to total value	
	Units	Value	Units	Value	2005-06	2004-05	2005-06	2004-05
Motorcycles	1,912,306	61,084	1,449,710	44,170	83.8%	79.4%	71.4%	67.5%
Other two wheelers	116,870	2,670	152,936	3,146	5.1%	8.4%	3.1%	4.8%
Total two-wheelers	2,029,176	63,754	1,602,646	47,316	89.0%	87.8%	74.6%	72.3%
Three wheelers	252,054	17,485	222,053	14,717	11.0%	12.2%	20.5%	22.5%
Total vehicles	2,281,230	81,239	1,824,699	62,033	100.0%	100.0%	95.0%	94.8%
Spare parts & Others	N.A.	4,260	N.A.	3,383	—	—	5.0%	5.2%
Total sales	2,281,230	85,499	1,824,699	65,416	—	—	100.0%	100.0%

Analysis of Sales

The analysis of sales across product groups is given in Table 8. Motorcycles continue to dominate the product portfolio with a higher than industry rates growth in value and volumes.

Materials, stores and tools

The share of materials to net sales and other operating income in 2005-06 was 69.1 per cent, as against 68.9 per cent in 2004-05. This was due to high price escalation of steel and aluminium and greater out-sourcing to vendors. In fact, the cost increase was limited to only 20 basis points due to the company hedging prices by long-term contracts with raw material suppliers and even tighter control over internal costs. There were also cost reductions arising out of implementation of the value added tax by the Government of Maharashtra.

Stores and tools was 1 per cent of net sales and other operating income in 2005-06.

Labour, factory and administration costs

Labour costs as a share of sales and other operating income has reduced from 4.2 per cent in 2004-05

to 3.6 cent in 2005-06. Higher productivity, offloading to vendors and significant workforce rationalisation has reduced this from 7.8 per cent in 2000-01 to under 4 per cent at present.

The Institute of Chartered Accountants of India has revised the Accounting Standard 15 on Employee Benefits for accounting periods commencing from 1 April 2006. As a measure of prudence, Bajaj Auto has decided to implement it in the year under review. As per the revised standard, we are required to recognise in the accounts an accumulated gratuity liability of Rs.383 million, which has been computed by actuarial valuation. The adjustment, as required by the Standard, has been against the reserves and hence, does not reflect in the profits for the year.

Factory and administration costs were 3.7 per cent of sales and other operating income in 2005-06, versus 4.1 per cent last year.

Sales and after sales expenses

Despite growing sales and the intense competition in the industry, the company has been able to control its sales and after sales expenses to 4.8 per cent of its sales and other operating income in 2005-06, as against 6 per cent in 2004-05. This is due to rationalisation of advertisement spends

and focus on improving their efficiencies. Significant reduction in warranty costs per vehicle was also achieved during the year, despite extending the warranty period to two years on all motorcycles.

Operating margins

Bajaj Auto's operating margin for 2005-06 stood at 17.9 per cent of net sales and other operating income, versus 15.7 per cent in 2004-05. This is the highest operating margin in the industry. Given the hardening of input prices, which we expect to continue in the near future, the competitive scenario and Bajaj Auto's ambitious growth targets, any operating margin in the region of 15 per cent should be considered as reasonable.

Operating working capital

Table 9 gives the details of operating working capital. As can be seen from the table, Bajaj Auto continues to increase efficiency by enjoying even greater amounts of negative working capital. In 2005-06, the negative capital was Rs. 3.16 billion, versus Rs. 0.49 billion in the previous year.

TABLE 9: Operating working capital (Rs. In Million)

	As at 31 March 2006	As at 31 March 2005
Current assets		
Inventories	2,729	2,242
Sundry debtors	3,015	1,763
Cash and bank balances	811	1,077
Other current assets	3,053	2,234
Sub-total	9,608	7,316
Less: Current liabilities		
Sundry creditors	11,802	7,339
Advance against orders	205	229
Other current liabilities	759	235
Sub-total	12,766	7,803
Working capital	-3,158	-487

Return on operating capital employed

The company's return on operating working capital rose from 80 per cent in 2004-05 to 174 per cent in 2005-06. This is shown in Table 10.

TABLE 10: Return on operating capital (Rs. In Million)

	As at 31 March 2006	As at 31 March 2005
Fixed assets	9,963	9,517
Technical know-how	14	40
Working capital	-3,158	-487
Total	6,819	9,070
Operating profit after interest and depreciation	11,845	7,248
Pre-tax return on operating capital employed	174%	80%

Treasury operations

The guiding principle of our investment strategy is one of prudence. A significant portion of the accretion to surplus funds was invested in secured and fixed investment securities. Table 11 gives the non-operating income earned by Bajaj Auto on its investment of surplus funds.

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

	2005-06	2004-05
Dividends	321	330
Interest on debentures and bonds	713	606
Interest on government securities	1,944	1,281
Interest on inter-corporate deposits and other loans	142	104
Income from mutual fund units	225	24
Profit on sale of investments - net	1,172	1,457
Others	6	30
Amortisation of premium / (discount) on acquisition of fixed income securities	(355)	—
Total Non-operating income	4,168	3,832
Non-operating expenses	61	80
Net non-operating income	4,107	3,752

In view of the continuous deployment of surplus funds in fixed income securities, the company felt it prudent to consider that such investments are deemed to be held to maturity. Accordingly the premium/discount on acquisition of such securities will now be amortised in the profit and loss account as against considering them in the carrying cost of these investments. The total amount of the amortization computed on the basis of yield-to-maturity aggregated Rs. 355 million and reflects in the profit for the year.

The composition of Bajaj Auto's investment profile is given in Table 12. The market value of the portfolio is higher than cost by Rs. 17.04 billion.

TABLE 12: Investment of surplus funds (Rs. In Million)

	As at 31 March 2006	% to total	As at 31 March 2005	% to total
Government securities and bank deposits	29,271	49.9	25,609	55.8
Mutual funds including UTI	3,736	6.4	935	2.0
Debentures and bonds	12,685	21.6	9,849	21.5
Certificate of Deposits	1,047	1.8	—	—
Preference shares	249	0.4	421	0.9
Inter-corporate deposits	133	0.2	228	0.5
Loan to Bajaj Auto Holdings Ltd.	—	—	48	0.1
Fixed income investments	47,121	80.3	37,090	80.8
Equity shares and equity based mutual funds	11,582	19.7	8,792	19.2
Total cost	58,703	100.0	45,882	100.0
Market Value	75,739	—	53,299	—

Summarized cash flow

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

TABLE 13: Summarised cash-flow (Rs. In Million)

	Operations	Treasury	Windmill	Total
Sources				
Profits	11,844	4,107	(144)	15,807
Less: Prior period adjustments	(9)	—	—	(9)
Add: Non cash charges				
Depreciation and amortisation, write off of technical know how	1,656	—	294	1,950
Diminution in value of Investments	—	61	—	61
Amortisation of premium / discount on acquisition of fixed income securities	—	355	—	355
Provision for doubtful advances	6	—	—	6
Sub Total	13,497	4,523	150	18,170
Other inflows				
SICOM Incentives, net	1,893	—	518	2,411
Total Cash Generated	15,390	4,523	668	20,581
Current assets, loans and advances				
Inventories (increase)/decrease	(488)	—	—	(488)
Debtors (increase)/decrease	(1,253)	—	—	(1,253)
Other current assets, Loans and advances (increase)/decrease	(597)	(92)	27	(662)
Loans and ICDS (increase)/decrease	(9)	144	—	135
Current liabilities increase/(decrease)	4,543	13	—	4,556
Net cash generated	17,586	4,588	695	22,869
Applications				
Investments made	—	13,380	—	13,380
Capital expenditure and technical know-how	2,070	—	—	2,070
	2,070	13,380	—	15,450
Balance	15,516	(8,792)	695	7,419
Less:				
Income taxes paid				5,168
Dividends paid				2,517
Balance representing change in cash				(266)

Wind power project

The Company had set up a total of 138 windmills with an installed capacity of 65.2 MW and at a capital expenditure of Rs. 2.94 billion. During the year, these windmills generated 93 million units of power valued at Rs. 200 million. No fresh investments were made in wind power during the year.

Subsidiaries, Associates, Joint Ventures

Insurance

Both the insurance companies continued their excellent performance in the current year as well. Bajaj Allianz Life Insurance Company Limited has become the 'number one' player amongst the private life insurance companies in terms of gross written premium while Bajaj Allianz General Insurance Company Limited continued to be the number two player amongst private general insurance companies.

The general insurance venture recorded a gross written premium of Rs. 12.84 billion, which is a 50 per cent growth over the previous year. The profit after tax for the year was Rs. 516 million as against Rs. 471 million in the previous year.

The life insurance venture recorded a gross written premium of Rs. 31.34 billion, which is growth of 213 per cent over the previous year. The loss for the year is Rs. 985 million as against a loss of Rs. 368 million in the previous year. Business related to endowment policies which has been in existence since beginning has turned profitable while unit linked business which is more recent shows a loss.

Retail finance

During the year the total disbursements of Bajaj Auto Finance Limited grew by 39 per cent from Rs. 14.06 billion to Rs. 19.55 billion. The stock of hire purchase receivables as of 31st March 2006 is Rs. 19.81 billion as against Rs. 12.49 billion on 31st March 2005.

The Company has during the year revised the basis of determination of taxable income arising from financial lease transactions with retrospective effect and made an additional tax provision of Rs. 331 million. The profit after tax for the year after adjusting this additional provision of Rs. 331 million is Rs. 211 million as against Rs. 560 million in the previous year.

Consolidation of accounts and segment reporting

Bajaj Auto has consolidated the financial statements of subsidiaries, associates and joint ventures in accordance with the relevant accounting standards issued by The Institute of Chartered Accountants of India. The summary of consolidated profit and loss account business segment wise is tabulated in Table 14.

TABLE 14: Segment Revenue and Segment Results (Rs. In Million)

Segment Revenue		Segment Results Profit/(Loss) from each segment before interest and tax	
	2005-06		2005-06
Automotive	76,728	Automotive	11,827
Insurance	38,440	Insurance	-167
Investment and others	4,471	Investment and others	4,142
Total	119,639	Total	15,802
Less: Intersegment revenue	254	Less: Interest	4
Total	119,385	Profit before tax	15,798

Cautionary Statement

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



*One millionth Pulsar being rolled out.
A testimony to the SPEED of growth
in the premium motorcycle segment.*

Corporate Governance

Bajaj Auto Limited's ("Bajaj Auto", "BAL" or "the company") 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 Bajaj Auto enjoys in the corporate world has as much to do with its reputation for integrity and transparency as with its performance.

SEBI has introduced the revised Clause 49, which came into force from 1 January 2006. The company complied with all the mandatory requirements of the revised Clause 49 well before the stipulated date.

Given below are the company's corporate governance policies and practices for 2005-06. 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 has enhanced the limit on the number of directors from 15 to 18 by amending its Articles of Association. As required by the Companies Act, 1956, Bajaj Auto has also obtained approval of the central government for such an increase on 23 November 2005. No new director, however, was appointed during 2005-06.

Composition

As on 31 March 2006, the board of Bajaj Auto consisted of 15 directors, of whom 10 were non-executive and five were whole-time executives. Eight out of the 10 non-executive directors were independent. The board has no institutional nominee directors.

According to Clause 49, if the chairman is an executive, at least half of the board should consist of non-executive, independent directors. This provision is more than adequately met at Bajaj Auto.

The executive directors are: Rahul Bajaj, Madhur Bajaj, Rajiv Bajaj, Sanjiv Bajaj and D S Mehta.

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. 10 out of the 15 directors of Bajaj Auto as on 31 March 2006 were retiring directors. On this occasion, the retiring directors are Naresh Chandra, Nanoo Pamnani and Kantikumar R Podar who, being eligible, have offered their candidature for re-appointment. Their details are given in the section on 'Shareholders' in this chapter.

Non-executive directors' compensation

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

Based on the attendance at the board and the committee meetings, the non-executive directors are also paid commission on net profits within the overall ceiling of one per cent on net profits. This is distributed at the rate of Rs.20,000 per meeting of the board and the board committees attended by

them. This has the approval of both the company's shareholders in a general meeting and the central government.

Since the approval for payment of commission to non-executive directors was valid up to 31 March 2006, the board, in its meeting on 19 May 2006, approved payment of commission for a fresh period of five years with effect from 1 April 2006. As before, the proposed payment of commission to the non-executive directors in aggregate will be within the overall ceiling of one per cent of net profits of the company for the respective year. Approval of the shareholders by way of special resolution is proposed to be taken at the ensuing annual general meeting of the company.

The company currently does not have a stock option programme.

Board procedures

During the year 2005-06, the board of directors met six times on the following dates: 20 April 2005, 11 May 2005, 16 July 2005, 15 October 2005, 13 January 2006 and 10 March 2006. The gap between any two meetings has been less than three months. The dates of the meetings were decided well in advance.

TABLE 1: Composition of the board and attendance record of directors for 2005-06

Name of Director	Category	Meetings attended	Whether attended last AGM on 16 July 2005
Rahul Bajaj	Chairman, executive	6/6	Yes
Madhur Bajaj	Vice Chairman, executive	5/6	Yes
Rajiv Bajaj	Managing Director, executive	6/6	Yes
Sanjiv Bajaj	Executive Director, executive	6/6	Yes
D S Mehta	Whole-time Director, executive	6/6	Yes
Kantikumar R Podar	Non-executive, independent	6/6	Yes
Shekhar Bajaj	Non-executive	6/6	Yes
D J Balaji Rao	Non-executive, independent	5/6	No
J N Godrej	Non-executive, independent	5/6	Yes
S H Khan	Non-executive, independent	6/6	Yes
Suman Kirloskar	Non-executive, independent	4/6	Yes
Naresh Chandra	Non-executive, independent	6/6	Yes
Nanoo Pamnani	Non-executive, independent	2/6	Yes
Tarun Das *	Non-executive, independent	4/6	Yes
Manish Kejriwal	Non-executive	5/6	Yes

* resigned from the board on 9 April 2006

Attendance record of directors

Table 1 gives the composition of the board and the attendance record of the directors during 2005-06, as well as at the last annual general meeting.

Information supplied to the board

In advance of each meeting, the board of Bajaj Auto is presented with all relevant information on various matters related to the working of the

company, especially those that require deliberation at the highest level. Directors have separate and independent access to senior management at all times.

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

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 2006

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

* resigned from the board on 9 April 2006

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 10 committees, nor a chairman in more than five committees across all companies in which he was a director.

Review of legal compliance reports

The board periodically reviewed during the year the compliance reports in respect of the laws applicable to the company as prepared and placed before the board by the company.

Code of conduct

The board at its meeting held on 16 July 2005 laid down a code of conduct for all board members and senior management of the company. This code has been posted on the web-site of the company, www.bajajauto.com.

All board members and senior management personnel have affirmed compliance with the code for 2005-06. A declaration to this effect signed by the CEO is given in this annual report.

Audit committee

Constitution and composition

Bajaj Auto set up its audit committee in 1987. Since then, the company has been reviewing and making appropriate changes in the composition and working of the committee from time to time to bring about greater effectiveness and to comply with various requirements under the Companies Act, 1956 and Clause 49 of the listing agreement.

The present audit committee consists of the following directors:

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

All members of the audit committee are independent, non-executive directors and are 'financially literate' as required by the revised Clause 49. Moreover, S H Khan, D J Balaji Rao, J N Godrej and Nanoo Pamnani have 'accounting or related financial management expertise'.

Meetings, attendance and topics discussed

During 2005-06, the audit committee met four times: 11 May 2005, 16 July 2005, 15 October 2005 and 13 January 2006. The meetings were scheduled well in advance. In addition to the members of the audit committee, these meetings were attended by the heads of finance and internal audit functions, the statutory auditors and cost auditors of the company and those executives who were considered necessary for providing inputs to the committee. The company secretary acted as the secretary to the audit committee.

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



*Striving for PERFECTION
by incorporating TPM
in everything we do.
Upgraded Akurdi Plant.*

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 several important topics.

The audit committee 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.

Subsidiary companies

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

Disclosures

A statement in summary form of transactions with related parties was placed periodically before the audit committee during the year. Suitable disclosures have been made in the financial statements together with the management's

explanation where a treatment different from that prescribed in Accounting Standard has been followed.

At its meeting held on 16 July 2005, the board has laid down procedures to inform it of the company's risk assessment and minimisation procedures. These would be periodically reviewed to ensure that executive management controls risk through means of a properly defined framework.

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

Remuneration committee

Bajaj Auto constituted a remuneration committee of the board on 16 January 2002. For 2005-06, the committee consisted of the following non-executive independent directors :

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

The committee had met on 9 March 2005 to make a very comprehensive review of the managerial remuneration payable to the whole-time directors of the company. Consequently, the committee did not need to meet during the year.

Remuneration of directors

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 2006, amounted to Rs. 19,027 and Rs. 61 million respectively.

2. Shekhar Bajaj is a director of Hind Musafir Agency Limited, an accredited travel agency. During the year under review, the total value of services availed of by Bajaj Auto from Hind Musafir Agency Limited amounted to Rs. 28 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.

Criteria of making payments to non-executive directors

Non-executive directors of the company play a crucial role in the independent functioning of the board. They bring in an external perspective to decision-making, and provide leadership and strategic guidance while maintaining objective judgement. They also oversee the corporate governance framework of the company.

The criteria of making payments to non-executive directors as approved by the board at its meeting held on 16 July 2005 have been put on the company's web-site www.bajajauto.com

Non-executive directors

Non-executive directors were paid a sitting fee of Rs. 20,000 for every meeting of the board or committee thereof attended by them. Based on their attendance at the board and the committee meetings, the non-executive directors were paid upto an aggregate amount not exceeding Rs. 2.4 million per year by way of commission on net profits.

Executive directors

The revised remuneration payable to Rahul Bajaj, Madhur Bajaj, Rajiv Bajaj and Sanjiv Bajaj came into effect from 1 April 2005. This apart, there was no change in the terms of remuneration of Rahul Bajaj, Madhur Bajaj, Rajiv Bajaj, Sanjiv Bajaj and D S Mehta during the year under review.

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

Bajaj Auto has no stock option plans and hence it does not form a part of the remuneration package payable to any executive and/or non-executive director. During the year under review, none of the directors was paid any performance-linked incentive.

In 2005-06, 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 2005-06.

TABLE 3 : Remuneration paid / payable to directors during 2005-06

Name of director	Relationship with other directors	Sitting fees Rs.	Salary and Perquisites Rs.	Commission Rs.	Total Rs.
Rahul Bajaj	Father of Rajiv Bajaj, Sanjiv Bajaj, father-in-law of Manish Kejriwal	—	16,709,148	21,600,000	38,309,148
Madhur Bajaj	Brother of Shekhar Bajaj	—	11,664,312	15,300,000	26,964,312
Rajiv Bajaj	Son of Rahul Bajaj, brother of Sanjiv Bajaj, brother-in-law of Manish Kejriwal	—	8,073,745	13,500,000	21,573,745
Sanjiv Bajaj	Son of Rahul Bajaj, brother of Rajiv Bajaj, brother-in-law of Manish Kejriwal	—	5,164,942	9,900,000	15,064,942
D S Mehta	—	—	1,617,213	—	1,617,213
Kantikumar R Podar	—	120,000	—	120,000	240,000
Shekhar Bajaj	Brother of Madhur Bajaj	120,000	—	120,000	240,000
D J Balaji Rao	—	180,000	—	180,000	360,000
J N Godrej	—	180,000	—	180,000	360,000
S H Khan	—	200,000	—	200,000	400,000
Suman Kirloskar	—	80,000	—	80,000	160,000
Naresh Chandra	—	220,000	—	220,000	440,000
Nanoo Pamnani	—	80,000	—	80,000	160,000
Tarun Das *	—	80,000	—	80,000	160,000
Manish Kejriwal	Son-in-law of Rahul Bajaj, brother-in-law of Rajiv Bajaj and Sanjiv Bajaj	100,000	—	100,000	200,000

* resigned from the board on 9 April 2006

Notes : Salary and perquisites include all elements of remuneration i.e. salary, allowances and benefits. No bonus, pension or incentive is paid to any of the directors. The company has not issued any stock options to any of the directors. The term of executive directors is for a period not exceeding five years from the date of appointment.

Shares held by non-executive directors

No non-executive director of the company held any shares in the company, except the following :

Name of director	Number of shares held as on 31 March 2006
Shri Shekhar Bajaj	2,870,735
Shri Manish Kejriwal	100

Management

Management discussion and analysis

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

Disclosure of material transactions

Senior management made periodical disclosures to the board relating to all material financial and commercial transactions, where they had or were deemed to have had personal interest, that might have had a potential conflict with the interest of the company at large.

Warning against insider trading

Comprehensive guidelines in accordance with the SEBI Regulations in this regard, 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. The code of conduct and corporate disclosure practices framed by the company helped in ensuring compliance with the requirements.

Shareholders

Disclosure regarding appointment and/or re-appointment of directors

As stated earlier, Rahul Bajaj, Madhur Bajaj and Rajiv Bajaj were re-appointed by the board of directors as Chairman, Vice Chairman and Managing Director, respectively, for a further term of five years effective from 1 April 2005. Sanjiv Bajaj was appointed as Executive Director for a term commencing on 15 September 2004 and ending on 31 March 2009. The shareholders approved the terms of appointment and remuneration in respect of these directors at the meeting held on 16 July 2005.

Naresh Chandra, Nanoo Pamnani and Kantikumar R Podar are retiring by rotation and are eligible for re-appointment. Their brief profiles are given below :

Naresh Chandra

Naresh Chandra (born in 1934) graduated from Allahabad University in 1952 and did his Post Graduation (M.Sc. in Mathematics) in 1954. After a brief stint as Lecturer in Mathematics at Allahabad University, he joined Indian Administrative Service in 1956.

He held important positions in the states of Uttar Pradesh and Rajasthan during the period 1956-1965. He was deputed to the Government of India in 1965 to occupy certain important positions. He subsequently went back to Rajasthan in 1973 and became the Chief Secretary to the Government of Rajasthan during 1985-86. He has also held several senior positions in Government of

India, including as Home Secretary (1990) and Cabinet Secretary (1990-92). He has led delegations of Government of India to a number of countries.

He has held directorships in many Government corporations as well as private companies. On retirement, he served as the Senior Advisor to the Prime Minister of India (1992-95). He also served as Governor of Gujarat (1995-96). Later, he served in Washington DC as the Ambassador of India to the USA (1996-2001) and as Chairman of the Committee on Corporate Governance as also the committee on private companies and limited liability partnership in 2002-03 appointed by the Government of India. He was the chairman of the Committee on Civil Aviation Policy set up by the Government of India.

Directorships

- ACC Ltd.
- Avtec Ltd.
- Balrampur Chini Mills Ltd.
- Bajaj Auto Ltd.
- Electrosteel Castings Ltd.
- Hindustan Motors Ltd.
- Linde Process Technologies (I) Pvt. Ltd.
- Tata Consultancy Services Ltd.
- Vedanta Resources Plc., London

Committee positions

- ACC Ltd. (1)
- Bajaj Auto Ltd. (2)
- Balrampur Chini Mills Ltd. (2)
- Hindustan Motors Ltd. (2)
- Tata Consultancy Services Ltd. (1)
- Vedanta Resources Plc., London (1)

Nanoo Pamnani

Nanoo Pamnani (born in 1945) is B.A. (Hons) and B.Sc. (Economics), London School of Economics. He began his career with Citibank in India as a Management Trainee in 1967.

Between 1967 and 1981, he handled various important assignments in Kolkata and Chennai. Between 1982 and 1995, he was in charge of Citibank's operations and businesses in various countries, including India, Sri Lanka, Nepal, Bangladesh, Philippines, Singapore, Hong Kong, Taiwan, Indonesia, Thailand, Australia and other countries. In 1995, he was appointed as Head of Operations and Technology for its businesses in over 70 countries, and was based in London.

He was appointed as Chairman of Citicorp Finance (India) Ltd in 1997 and soon took over as the Global Consumer Bank Head and as the Chief Executive Officer, Citibank N A, India. In 2001, he was given the additional responsibility as Regional Head for Corporate and Investment Bank for India, Sri Lanka, Bangladesh and Nepal.

In 2002, he was appointed to the position of Chairman, Citibank N A, India on a non-executive capacity. In 2004, he was appointed to the role of Director, Strategic Technology, Operations and Special Projects for Asia Pacific Consumer Business and is based in Singapore.

Directorships

- Bajaj Auto Ltd.
- Citibank Savings Inc.
- e-Serve International Ltd.
- Polaris Software Lab Ltd.

Committee positions

- Bajaj Auto Ltd. (1)

Kantikumar R Podar

Kantikumar R Podar (born in 1935), graduated from Sydenham College of Commerce and Economics, Bombay. He was the youngest Sheriff of Bombay and was Justice of Peace, then a Special Executive Magistrate and is now appointed as Special Executive Officer by the Government of Maharashtra

At international level, he was the President of the SAARC Chamber of Commerce and Industry, Chairman of Indo Polish Joint Business Council, Chairman of Indo Netherlands Joint Business Council, Member of the Committee of International Textile Manufacturers Federation, Zurich, Member, Indian National Committee of International Chamber of Commerce and Industry etc.

At national level, he has headed 16 important Trade and Industry bodies, like Federation of Indian Chambers of Commerce and Industry (FICCI), The Indian Merchants' Chamber (IMC), The Indian Cotton Mills' Federation (ICMF) (now known as Confederation of Indian Textile Industry), All India Organisation of Employers (AIOE), Indian Council of Arbitration (ICA) etc. He has been on the Senate of University of Bombay for six years.

He has travelled widely leading several business delegations. He has nurtured the Children's Aid Society, Bombay and was its Chairman for over 12 years.

His family has set up almost 50 institutions comprising schools, colleges, management institutes, teachers education and vocational training centres, labour recreation centre, ayurvedic hospital, ayurvedic college, ayurvedic research centre, museum, cultural centre, conference halls, hostels, recreation parks, sports complexes, temples etc.

Directorships

Bajaj Auto Ltd.

Ceat Ltd.

Moscow Region Podar International Pvt. Ltd.

Pitti Laminations Ltd.

Podar Infotech Ltd.

Premier Consultant & Traders Ltd.

Sutlej Industries Ltd.

Committee positions

Nil.

The attendance record of these directors in the board / general meetings during the year under review is given in Table 1. None of the three holds any shares in Bajaj Auto Ltd.

Communication to shareholders

Quarterly, half-yearly and annual financial results are published in numerous leading dailies, such as Hindustan Times, Times of India, The Economic Times, Sakal, Kesari, Financial Express, Hindu Businessline, Business Standard and Financial Times 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:

58 AGM	26 July, 2003	at 11.30 a.m.
59 AGM	31 July, 2004	at 11.30 a.m.
60 AGM	16 July, 2005	at 11.30 a.m.

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

Material disclosure of related party transactions

Material transactions entered into with related parties have been already disclosed in this chapter. None of these transactions have had any potential

conflict with the interests of the company.

Details of capital market non-compliance, if any

There has been no non-compliance by the company of any legal requirements nor has there been any penalty, stricture imposed on the company by any stock exchange, SEBI or any statutory authority on any matter related to capital markets during the last three years.

Shareholders' and investors' grievance committee

The board of directors of Bajaj Auto constituted 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.

During the year 2005-06, in order to strengthen the committee, two additional members viz. S H Khan and Tarun Das were appointed.

The committee as on 31 March 2006 consisted of the following non-executive independent directors:

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

* resigned as its member on 9 April 2006.

Meetings, attendance and topics discussed

During the year under review, the shareholders' and investors' grievance committee met on 10 March 2006 to review the status of investors' services rendered. All members were present at the meeting. The secretarial auditor as well as the company secretary (who is the compliance officer for looking into shareholders' grievances on a day-to-day basis), were also present. The committee has focused its attention on various relevant topics concerning investors and shareholders.

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 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 / unresolved, except where the matters were sub-judice.

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

CEO/CFO certification

The CEO and CFO have certified to the board with regard to the financial statements and other matters as required in clause 49 of the listing

agreement and the said certificate is contained in this annual report.

Report on corporate governance

This chapter, read together with the information given in the chapters entitled **Management Discussion and Analysis** and **Additional Shareholder Information**, constitute the compliance report on corporate governance during 2005-06.

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 2005 -06, and will be sent to the stock exchanges along with the annual report to be filed by the company.

Combined code of governance of the London Stock Exchange

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

Additional Shareholder Information

Annual general meeting

- Date : 15 July 2006
- 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.40 per equity share (400 per cent) for the financial year ended 31 March 2006, 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 Saturday, 1 July 2006 to Saturday, 15 July 2006, 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 19 July 2006 :

- 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 Central Depository Services (India) Limited (CDSL) as of the end-of-the-day on Friday, 30 June 2006 and
- b) to all those shareholders holding shares in physical form, after giving effect to all the valid share transfers lodged with the company on or before the closing hours on Friday, 30 June 2006.

Payment of dividend

Dividend will be paid by account payee / not-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 dividend through ECS in all major cities to cover maximum number of shareholders, as per applicable guidelines. 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, 1996-97 and 1997-98 were transferred by the company to the said fund in 2003, 2004 and 2005 respectively. No claims shall lie against the fund or the company in respect of such amounts so transferred.

Unpaid / unclaimed dividend for the year 1998-99 shall become transferable to the fund in the month of September 2006, 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 1998-99 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 2005-06 was 6,115,658 compared to 543,234 shares during 2004-05.

Dematerialisation of shares

During 2005-06, 1,155,781 shares were dematerialised compared to 8,632,204 shares during 2004-05. The distribution of shares in physical and electronic mode as on 31 March 2006 and 31 March 2005 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 2006, 2,320,561 GDRs were outstanding, and represented an equal number of underlying equity shares.

Stock code

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

TABLE 1 : Shares held in physical and electronic mode

Categories	Position as on 31 March 2006		Position as on 31 March 2005		Net change during 2005-06	
	No. of Shares	% to total shareholding	No. of shares	% to total shareholding	No. of shares	% to total shareholding
Physical	43,719,573	43.21	43,560,377	43.05	159,196	0.16
Demat :						
NSDL	56,610,484	55.95	56,646,288	55.98	(35,804)	- 0.03
CDSL	853,453	0.84	976,845	0.97	(123,392)	- 0.13
Sub Total	57,463,937	56.79	57,623,133	56.95	(159,196)	- 0.16
Total	101,183,510	100.00	101,183,510	100.00	—	—

Listing on stock exchanges

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

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

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

During 2005-06, the listing fees payable to each of the above stock exchanges have been paid in full by the company.

Market price data

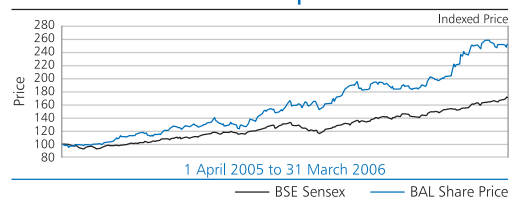
Table 2 gives the monthly highs and lows of Bajaj Auto's shares on the Bombay Stock Exchange (BSE), the National Stock Exchange (NSE) and for the GDRs, on the London Stock Exchange.

TABLE 2 : Monthly highs and lows of Bajaj Auto's shares during 2005-06 (Rs.)

Month	BSE		NSE		LONDON SE (GDRs)	
	High	Low	High	Low	High	Low
Apr-05	1,105.00	966.00	1,096.00	1,033.00	1,082.00	1,028.00
May-05	1,249.00	1,082.00	1,250.00	1,020.00	1,235.00	1,088.00
Jun-05	1,388.45	1,185.50	1,394.90	1,191.10	1,348.00	1,203.00
Jul-05	1,450.00	1,322.25	1,457.00	1,240.00	1,419.00	1,343.00
Aug-05	1,548.90	1,330.05	1,548.00	1,325.00	1,521.00	1,308.00
Sep-05	1,713.00	1,425.00	1,715.00	1,425.00	1,695.00	1,185.00
Oct-05	1,830.00	1,650.00	1,834.80	1,650.00	1,806.00	1,487.00
Nov-05	2,135.25	1,706.20	2,150.00	1,710.00	2,092.00	1,744.00
Dec-05	2,158.00	1,968.00	2,165.00	1,962.10	2,144.00	1,968.00
Jan-06	2,300.00	1,974.00	2,235.00	1,974.00	2,191.00	1,990.00
Feb-06	2,693.00	2,032.45	2,688.00	2,077.25	2,622.00	2,146.00
Mar-06	2,854.00	2,400.00	2,859.00	2,585.10	2,793.00	2,647.00

CHART A depicts the comparable movements of Bajaj Auto's shares against the BSE Sensex, during the year ended 31 March 2006.

Chart A : Bajaj Auto vs BSE Sensex, indexed to 100 on 1 April 2005



Distribution of shareholdings

Table 3 gives details about the pattern of shareholdings among various categories as on 31 March 2006, while Table 4 gives the data according to size classes.

TABLE 3 : Distribution of shareholdings across categories

Categories	31 March 2006		31 March 2005	
	No. of shares	% to total capital	No. of shares	% to total capital
Promoters & persons acting in concert	30,144,292	29.79	30,148,017	29.80
Friends and associates of promoters	16,996,549	16.80	17,149,606	16.95
GDRs *	2,320,561	2.29	3,235,879	3.20
Foreign Institutional Investors	19,648,242	19.42	16,927,506	16.73
Public Financial Institutions	5,442,659	5.38	7,405,160	7.32
Mutual Funds	2,360,340	2.33	1,658,413	1.64
Nationalised & other banks	190,844	0.19	232,237	0.23
NRIs & OCBs	622,989	0.62	517,743	0.51
Others	23,457,034	23.18	23,908,949	23.62
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 2006

No of shares	No of shareholders		Shares held in each class	
	Number	%	Number	%
1 TO 100	28,291	85.12	2,268,634	2.24
101 TO 200	1,646	4.95	1,193,906	1.18
201 TO 500	1,130	3.40	1,627,820	1.61
501 TO 1000	557	1.68	1,391,321	1.37
1001 TO 5000	247	0.74	861,102	0.85
5001 TO 10000	216	0.65	987,616	0.98
10001 TO 100000	465	1.40	3,244,840	3.21
100001 and above	685	2.06	89,608,271	88.56
Total	33,237	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. During the year, in order to strengthen the committee, two additional members were appointed.

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 32 complaints filed by the shareholders on various matters. In respect of each of these complaints - most of which were found to be repetitive and related to matters, which were sub-judice - replies were filed with SEBI in the prescribed format, and no action remained 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) 27406603, 27406063

Fax : (020) 27407380

e-mail : investors@bajajauto.co.in

Web-site : www.bajajauto.com

Directors' Report

Introduction

The directors present their sixty-first annual report and the audited statements of accounts for the year ended 31 March 2006.

Operations

Sales	2005-06 (Nos)	2004-05 (Nos)
Motorcycle	1,912,306	1,449,710
Other two-wheelers	116,870	152,936
Total Two wheeler	2,029,176	1,602,646
Three wheeler	252,054	222,053
Total Two & Three wheeler	2,281,230	1,824,699
Of the above, exports were		
Two wheelers	174,907	130,945
Three wheelers	75,297	65,765
Total Exports	250,204	196,710

Financial results

	2005-06 Rs. In million	2004-05 Rs. In million
Net sales & other income	81,064	63,228
Gross profit before VRS compensation interest & depreciation	17,946	13,215
VRS compensation	226	490
Interest	3	7
Depreciation	1,910	1,854
Profit before taxation	15,807	10,864
Provision for taxation	4,791	3,196
Profit after tax	11,016	7,668
Tax credits pertaining to earlier years	225	—
Prior period adjustment	(8)	(18)
	11,233	7,650
Adjustment on account of write-down of deferred tax assets	—	(358)
Disposable surplus	11,233	7,292
Proposed dividend (inclusive of dividend tax)	4,615	2,884
Balance carried to general reserve	6,618	4,408
Earnings per share (Rs)	111.0	75.6

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

Dividend paid for the year ended 31 March 2005 was Rs.25 per share (250 per cent). The amount of dividend and the tax thereon aggregated to Rs.2,884 million.

New Projects

New plant at Pantnagar, Uttaranchal

The company has currently three manufacturing plants situated in the State of Maharashtra. Keeping in mind the increasing demand for the company's products, the company is planning to set up a manufacturing base in north India. Accordingly, the company has chosen Pantnagar in the State of Uttaranchal to manufacture upto one million 2 & 3 wheelers and parts thereof per annum.

Excise benefits and corporate tax concessions are available on meeting certain conditions.

In line with the company's lean manufacturing systems, a "Bajaj Auto Cluster" of about 16 vendors will be created in the Pantnagar Industrial Area.

The company has reserved around 225 acres of land at the Pantnagar Industrial Area for the company's plant and the auto cluster. It is proposed

to use 65 acres of land for the company's plant and the balance for the auto cluster.

Greenfield project at Chakan, Maharashtra

The company is setting up a greenfield project at Chakan to manufacture a new range of three and four wheelers. In order to implement the project, the company is in the process of acquiring upto 250 acres of land at Chakan.

Special Economic Zone (SEZ)

After considering the desirability of setting up a Special Economic Zone (SEZ), the company has decided to set up a SEZ at Waluj, Aurangabad. Around 260 acres of land will be utilized from the existing Waluj land for setting up this SEZ. Approval for the same has been received from the Ministry of Commerce and Industry, Government of India. Necessary formalities for getting the final approval are in progress.

Research & development and technology absorption

During the year under review :

- R&D designed and introduced new products and variants, which further strengthened the company's position in the motorcycle market and will reinforce its presence in the ungeared scooter market.
- CT100 was upgraded with ExhaustEC and SNS suspension resulting in improved performance, fuel economy and riding comfort.
- In addition to Discover DTSi, Discover 110 was launched in the value segment, which helped the combined sales of Discover and Discover DTSi reach 70,000 units / month.

- R&D designed a new 100cc bike-'Platina', which was launched in April, 2006.
- R&D worked on the development of new technologies to be launched during the current year, such as port fuel injection for high-end motorcycles. These technologies would help achieve better fuel economy, improved performance and lower emissions.
- R&D infrastructure was further upgraded in the areas of design, CAE, prototyping and testing.
- The company would be launching new scooters and motorcycles during 2006-07 to further extend its market penetration into segments ranging from small displacement engines to large displacement engines.

The expenditure on research and development during 2005-06 and in the previous year was:

	2005-06 Rs. in million	2004-05 Rs. in million
i. Capital (including technical know-how)	263.0	274.5
ii. Recurring	504.4	395.1
iii. Total research and development expenditure as a percentage of sales, net of excise duty	1.03	1.17

Conservation of energy

The company continued to benefit in the area of energy conservation through its wind power project. During the year under review, wind energy of 93.3 million units was generated as against 112.3 million units generated in the previous year.

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

- Electrical energy saving was achieved by installation of energy efficient lighting with optimization of illumination levels, installation of Variable Frequency Drives (VFD) for rotating machines, process modifications, optimizing the ventilation system, control of compressed air leakage and regulating compressor running.
- LPG saving was achieved by installation of precise temperature controlling devices and process modifications.
- Water saving was achieved by rain water harvesting, reuse of treated water from Tertiary Treatment Plant (TTP) in place of fresh water for processes and increased use of drip irrigation system for gardening.

Investments for energy conservation

Investment made to reduce use of energy and water consumption during the year was Rs.8 million compared to the investment of Rs.15.8 million made during the previous year.

During the year, the company has undertaken a programme of upgrading the MSEB power supply at Akurdi plant from 22 KV to 132 KV grid, involving an investment of Rs.87.5 million.

This will improve the quality and reliability of MSEB power for the Akurdi plant thereby reducing the use of DG sets and resulting in saving of HSD 123 KL/year.



** ahead

*Geared up for non-stop
INNOVATION with ** ahead,
Bajaj Auto's R&D Facility.*

Impact of measures taken

Due to the initiatives taken for conservation of energy and natural resources, the company has witnessed a reduction in consumption of electrical energy and water by 20 per cent and 23 per cent per vehicle respectively as compared to 18 per cent and 27 per cent during the previous year.

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. 9,439 million, compared to Rs. 7,291 million during the previous year.

Total foreign exchange outflow during the year under review was Rs. 3,782 million, as against Rs. 2,081 million during the previous year.

Industrial relations

The last wage settlement at Waluj plant expired on 31 March 2004. Presently, there are two unions operating; out of which the Bharatiya Kamgar Sena is a recognised union, whereas Bajaj Auto Ltd. Employees' Union is claiming majority following with the workmen. The management has been discussing its charter of expectations with both the unions. However, consensus on issues pertaining to productivity, flexibility etc. remains to be reached. The management has sought to approach the government machinery for intervention. Efforts are also on to arrive at an amicable settlement.

The company announced during the year a voluntary retirement scheme for the workmen at its Akurdi plant. 345 workmen opted for the same.

Relations with staff and workmen across the plants at Akurdi, Waluj and Chakan remained cordial.

Joint ventures

- **Bajaj Allianz General Insurance Company Ltd. (BAGICL)**, the general insurance subsidiary of Bajaj Auto in joint venture with Allianz AG, Germany, recorded a gross written premium of Rs. 12,846 million during the financial year 2005-06, registering an increase of 50 per cent over the previous year. Net premium income grew by 46 per cent to Rs. 6,987 million, while profit after tax increased to Rs. 516 million from Rs. 471 million in the previous year.

Additional funds by way of Share Capital and Share Premium of Rs.367 million were infused during the year to fund the growth of the company, taking the total funds infused by the shareholders in the company to Rs.1,467 million.

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

The company has its presence in 50 locations with a total staff strength of 1,992 employees as on 31 March 2006.

- **Bajaj Allianz Life Insurance Company Ltd. (BALICL)**, the life insurance subsidiary of Bajaj Auto in joint venture with Allianz AG, Germany, was in the first position among the private insurers for the year 2005-06, with a first year premium underwritten of Rs. 27,156 million. The company recorded a gross premium of Rs. 31,336 million during the financial year 2005-06, registering an increase of 213 per cent over the previous year.

Additional funds by way of Share Capital and Share Premium of Rs.2,320 million were infused

during the year to fund the growth of the company, taking the total funds infused by the shareholders in the company to Rs. 4,998 million.

The company has its presence in around 569 locations with a total staff strength of 8,387 employees as on 31 March 2006.

- **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 were to be sold, had been referred to a sole arbitrator, Justice Arvind V Savant (Retd.) with an understanding in writing that arbitral award would be final and binding on both.

The arbitration proceedings which commenced when a joint reference was made on 29 December 2003 before the sole arbitrator have concluded, with the award of the arbitrator dated 14 January 2006, valuing the share price of MSL at Rs. 151.63 per share as the rate at which 30,85,712 equity shares of MSL held by WMDC are to be sold to BAL. WMDC has unfortunately challenged this award by filing a petition in the Bombay High Court.

Rural and community development activities and empowerment of women

The company continued with its Rural Development activities in Pune and Aurangabad Districts of Maharashtra through Jankidevi Bajaj Gram Vikas Sanstha (JBGVS). JBGVS aims at integrated development of thirty selected villages,

which is basically to be carried out by the villagers under their own leadership and through unified efforts forged by local organizations with JBGVS acting as a catalyst. Progress of a village is assessed by studies based on certain indicators. Once the village has reached eighty per cent or higher development, JBGVS stops working in the village and expects the local organizations to provide the moving spirit for development. In the last three years, JBGVS has moved out of five villages in this manner.

During the year, JBGVS remained active conducting a number of rural development programmes on watershed development, sanitation, health care programme, dairy development etc. in the villages.

The micro credit organization DISHA, co-sponsored by JBGVS, VANRAI and Rotary Club of Poona North, currently has 819 groups comprising approximately 4200 women members. So far, DISHA has disbursed micro credit loans of Rs.23 million.

Directors

- 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 had increased the maximum permissible limit of directors from 15 to 18. This was subsequently approved by the shareholders at the last annual general meeting held on 16 July 2005 and the central government on 23 November 2005.
- Tarun Das resigned from the board with effect from 9 April 2006. The board places on record its sincere appreciation of the valuable services rendered by Tarun Das during his tenure as director of the company.

- Naresh Chandra, Nanoo Pamnani and Kantikumar R Podar retire from the board by rotation this year and being eligible, offer themselves for re-appointment.

Directors' responsibility statement

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

- that in the preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- that the directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company 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 statements

The directors also present the audited consolidated financial statements incorporating the duly audited financial statements of the subsidiaries, associates

and joint ventures and as prepared in compliance with the accounting standards and listing agreement as prescribed by SEBI.

Information in aggregate for each subsidiary company is disclosed in one page of the consolidated balance sheet.

Statutory disclosures

The company has received an exemption from the central government under section 212(8) of the Companies Act, 1956 with regard to attaching of the balance sheet, profit and loss account and other documents of the subsidiaries for the year 2005-06. The summary of the key financials of the company's subsidiaries is included in this annual report.

The annual accounts of the subsidiary companies and the related detailed information will be made available to the members of the company and its subsidiary companies, seeking such information at any point of time. The annual accounts of the subsidiary companies will be kept for inspection by any member of the company at its registered office and also at the registered office of the concerned subsidiary company.

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 2005-06 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.

All board members and senior management personnel have affirmed compliance with the code of conduct for the year 2005-06. A declaration to this effect signed by the Chief Executive Officer (CEO) of the company is annexed to this report as Annexure 3.

The CEO and Chief Financial Officer (CFO) have certified to the board with regard to the financial statements and other matters as required in clause 49 of the listing agreement and the said certificate is annexed to this report as Annexure 4.

Reconciliation of accounts under US GAAP

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

A statement of reconciliation of significant differences in shareholders' equity and net income as at and for the year ended on 31 March 2006 and 2005 between the Indian Generally Accepted Accounting Principles (GAAP) and the US GAAP, notes to reconciliation and an independent accountants' review report are set out in this annual report.

Auditors' report

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

Auditors

The members are requested to appoint auditors for the period from the conclusion of the ensuing annual general meeting till the conclusion of the next annual general meeting and to fix their remuneration.

Your company has received a government order for conduct of the audit of cost accounts, maintained by the company for the year ended 31 March 2006. 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

19 May, 2006

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 2006

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	2,58,64,312	B Com, MBA	53	26	21-06-1986	Bajaj International Pvt Ltd.	Chief Executive
2	Bajaj Rahul	Chairman	3,63,72,481	B A (Hons), LLB, MBA (Harvard)	67	46	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	2,08,48,744	B E (Mech), M Sc (M S E)	39	15	19-12-1990	—	—
4	Bajaj Sanjiv	Executive Director	1,53,12,941	B E (Mech), M Sc (M S E), MBA (Harvard)	36	11	01-08-1994	—	—
5	Basu Tapan	General Manager (Electric Veh)	24,84,262	B Tech	61	38	15-01-1990	Jaihind Industries Ltd	Manager (Elec. Div)
6	Chander K P	General Manager (MTD & TE)	34,16,744	B Tech	51	29	19-01-2000	Widia India Ltd. Bangalore	General Manager (SPM)
7	D'Sa Kevin	Vice President (Finance)	53,25,953	B Com, ACA, AICWA	52	27	05-09-1978	—	—
8	Dhoot N N	DGM (Proj Management)	30,44,264	D A E	65	42	01-12-1984	—	—
9	Grihapathy K S	General Manager (Mktg-2W)	42,09,115	B E (E&C), PGDM	39	14	29-04-2004	ICI (India) Ltd.	General Manager (Sales)
10	Gupta Arvind	General Manager (Akurdi)	35,09,357	B E (Mech), D I M	59	35	30-04-1991	Telco, Pune	Dy. Divisional Manager (Projects)
11	Gupta Ranjit	Vice President (Insurance)	51,77,949	Inter Sc, MIME, AMIPE, FIEE	63	40	19-03-1988	Maruti Udyog Ltd.	General Manager
12	Hingorani N H	Vice President (Commercial)	58,92,862	B E (Mech)	57	34	01-03-1997	LML Ltd.	Executive Director (Commercial)
13	Joseph Abraham	General Manager (R & D)	43,16,525	B E (Mech)	38	16	01-07-1989	—	—
14	Khopkar A G	General Manager (Management Information Systems)	37,52,291	B E (Mech), PGDM	51	24	29-03-1994	AI Information Technology Ltd.	Systems Manager
15	Laddha G B	Seconded to Co's Subsidiary	26,97,762	B Com, AICWA	62	42	18-08-1969	Bajaj Tempo Limited	Costing Officer
16	Mengane N G	General Manager (Waluj-Motorcycle Division)	37,78,266	D M E	61	39	16-05-1980	David Brown Greaves Ltd.	Shift Engineer
17	Raghavan V S	Vice President (Corporate Finance)	58,03,250	B Sc , ACA, MAC I	53	26	09-03-1984	Self Employed	Chartered Accountant
18	Rao C K	General Manager (Mktg 3 Wheeler)	38,10,050	B E (Mech), PGD (Int Trade)	52	28	02-07-2000	Hindustan Motors Ltd.	Vice President (Marketing)
19	Rath P K	General Manager (New Projects)	36,23,666	B.sc. (Hons), B.sc. (Engg)	59	37	25-09-1996	STI India Ltd.	Vice President
20	Ravikumar S	Vice President (Business Development)	36,89,027	B Com, C A	48	25	18-06-1984	Enfield India Ltd.	Financial Accountant
21	Saxena Ashok	General Manager (West Asia & Africa)	33,80,095	B E (Mech)	55	32	02-03-1991	Kinetic Engg Ltd.	Purchase Manager
22	Sharma D K	General Manager (TPM)	33,00,722	D M E	65	44	09-03-1975	Tata Exports	Plant Manager Maint
23	Shrivastava Pradeep	Vice President (Engineering)	59,27,763	B Tech, PGDM	46	20	25-04-1986	Tata Engineering & Locomotive Co Ltd	Asst Engineer
24	Sole S W	DGM (Uttaranchal)	25,53,173	B E (Mech)	56	32	20-03-1974	Vanaz Engg. Ltd.	Jr Engineer

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	
25	Sridhar J	Company Secretary	29,94,795	B Com, FCA, FCS, LLB, MMS	51	32	01-07-2001	Maharashtra Scooters Ltd	Cntrlr of Fin & Co Secretary
26	Sridhar S	Vice President (Mktg & Sales 2 Wheeler)	55,48,252	B E (Agri. Engg)	44	20	21-03-2001	TVS Suzuki Ltd	General Manager (Sales)
27	Srinivas K	Vice President (Human Resources)	37,33,115	B E (Elect), DMS	44	23	07-01-2000	Gilbert Tweed Mgmt Group Pvt Ltd	Chief Executive Officer
28	Talapatra A S	DGM (PDC)	26,88,636	L M E	60	40	02-09-1968	The Raja Bahadur Motilal Poona Mills Ltd	Engg Divn Asst Engineer
29	Tripathi C P	Vice President (Operations)	63,62,404	B Sc, B Tech, DIIP	64	40	22-01-1996	Escorts Limited	Chief Gen. Manager (Material & Production)
30	Walawalkar V S	DGM (PE-2 Wheeler)	25,33,984	B E (Mech.)	48	25	23-11-1980	—	—
(B) Employed for part of the financial year									
* 1	Agarwal P K	Sr Manager (Network Development)	7,52,795	B Tech (Elec)	61	39	20-05-1986	Auto Meters Ltd	Marketing Manager
* 2	Banerji N K	General Manager (Corp Affairs)	10,73,691	BA Hons Econ, ASC (London)	66	43	01-02-1993	ICI (India) Ltd.	DGM (Corp.Relations)
3	Biskup Klaus	President (South East Asia)	102,13,244	Graduate In Philosophy & Political Sciences Ludwig-Maximilians Univ. Munich	51	25	16-06-2005	BMW Head Quarters	Head - Strategic Projects Asia
* 4	Hariharan V	ES To Chairman	6,27,456	SSLC	63	46	02-05-1964	Bajaj Tempo Ltd	PA To Dy. Gen. Manager
* 5	Jagannathan M	DGM (Internal Audit)	9,32,344	B Com, Inter CA	61	33	05-04-1983	VIP Industries Ltd	Asst Manager Audit
* 6	Marathe S R	General Manager (PE-3 Wheeler)	17,76,839	M E (Mech)	56	33	15-06-1990	TVS Suzuki Ltd	Member R&D
* 7	Menon P B	Vice President (Projects)	32,98,396	B Sc (Mech Engg), M E (Mech)	61	29	12-07-2000	Appolo Tyres Ltd	Head-Limda Plant
* 8	Prajapati R M	Regional Manager (2 Wheeler)	1,50,883	D A E	47	23	07-12-1982	—	—
* 9	S Narayana Prasad	General Manager (3 Wheelers Div. Waluj)	31,31,184	B E (Elec)	62	41	30-08-1998	BPL Refirgerations, Bangalore	General Manager
10	Saksena Sanjeev	General Manager (Sales-3 Wheeler)	25,51,780	B E (Mech), PGDBM	46	23	15-04-2005	Tata Motors Ltd.	Head-Marketing (M & HCV Trucks)
* 11	Thadani P B	Sr. Manager (Finance)	19,57,791	B A, CA	47	21	01-01-1989	Maharashtra Scooters Ltd	Dy Manager (Audit)

* 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, super annuation fund and other funds.
- All employees have adequate experience to discharge the responsibilities assigned to them.
- The nature of employment in all cases is contractual. Appointment of Rahul Bajaj, Madhur Bajaj and Rajiv Bajaj is for a period of five years with effect from 1 April 2005. Appointment of Sanjiv Bajaj is for a period commencing 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 2006, are terminable by either side by giving three months' notice.
- None of the employees mentioned above is a relative of any directors of the company, other than Madhur Bajaj (Sr. No. 1 under "A") who is brother of Shekhar Bajaj, director of the company and Rahul Bajaj (Sr.No. 2 under "A"), Rajiv Bajaj (Sr. No. 3 under "A") and Sanjiv Bajaj (Sr. No. 4 under "A") who are directors and are related to one another and to Manish Kejriwal, another director of the company.

Annexure 2

Certificate by the Auditors on Corporate Governance

To the members of
Bajaj Auto Limited

We have reviewed the records concerning the Company's compliance of the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement entered into by the Company with the Stock Exchanges of India for the financial year ended on March 31, 2006.

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

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

Based on such a review, and to the best of our information and according to the explanations given to us, in our opinion, the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement of the Stock Exchanges of India.

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

For and on behalf of
Dalal & Shah
Chartered Accountants

Anish Amin
Membership No. 40451
Partner

Mumbai : 19 May 2006

Annexure 3

Declaration by Chief Executive Officer (CEO)

I, Rajiv Bajaj, Managing Director of Bajaj Auto Limited hereby declare that all the board members and senior managerial personnel have affirmed for the year ended 31 March 2006 compliance with the code of conduct of the company laid down for them.

Rajiv Bajaj
Managing Director
Pune : 19 May 2006

Annexure 4

Certificate by Chief Executive Officer (CEO) and Chief Financial Officer (CFO)

We, Rajiv Bajaj, Managing Director and Kevin D'Sa, Vice President (Finance) of Bajaj Auto Limited, certify :

1. That we have reviewed the financial statements and the cash flow statement for the year ended 31 March 2006 and that to the best of our knowledge and belief;
 - these statements do not contain any materially untrue statement nor omit any material fact nor contain statements that might be misleading, and
 - these statements present a true and fair view of the company's affairs and are in compliance with the existing accounting standards, applicable laws and regulations.
2. That there are, to the best of our knowledge and belief, no transactions entered into by the company during the year, which are fraudulent, illegal or violative of the company's code of conduct;
3. That we accept responsibility for establishing and maintaining internal controls, we have evaluated the effectiveness of the internal control systems of the company and we have disclosed to the auditors and the audit committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps that we have taken or propose to take to rectify the identified deficiencies and
4. That we have informed the auditors and the audit committee of:
 - i. significant changes in internal control during the year;
 - ii. significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - iii. instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system.

Rajiv Bajaj
Managing Director
Pune : 19 May 2006

Kevin D'sa
Vice President (Finance)

Report of the Auditors to the Member

We have audited the attached Balance Sheet of **BAJAJ AUTO LIMITED**, as at 31st March 2006 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, 2006, and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on 31st March, 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- (f) In our opinion and to the best of our information and according to the explanations given to us, the said Financial Statements, read with Note No. 9 relating to amortization of carrying costs of fixed income securities resulting in the profit for the year, being lower by Rs. 235.6 million as detailed in the said note 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, 2006,
 - (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 : 19 May 2006

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, 2006.

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

- i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) As explained to us, considering the nature of the Fixed Assets and to ensure minimum disruptions in production schedules, the fixed assets have been physically verified by the management at reasonable intervals during the year in accordance with the verification policy adopted by the Company, whereby all the assets are verified, in a phased manner, once in a block of three years. According to the information and explanations given to us and the records produced to us for our verification, discrepancies noticed on such physical verification were not, in our opinion, material and the same have been properly dealt with in the Books of Account.
- (c) As per the information and explanation given to us on our enquiries the disposal of assets during the year were not substantial and would not have an impact on the operations of the company.
- ii) (a) The inventories have been physically verified by the management at reasonable intervals during the year and partially at the close of the year;
- (b) The procedures of physical verification of inventories followed by the management as explained to us are, in our opinion, reasonable and adequate in relation to the size of the Company and the nature of its business;
- (c) According to the records produced to us for our verification, which in our opinion were adequately maintained, the discrepancies noticed on physical verification of inventories referred to above, as compared to book records, though not material, have been properly dealt with in the books of account;
- iii) (a) As per the information and explanation given to us and the records produced to us for our verification, the company had not granted loans, secured or unsecured, to any Company, Firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956 .
- (b) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- iv) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to the purchase of inventory and fixed assets and 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 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;

Annexure to the Auditors' Report (Contd.)

- 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.
Sales Tax	1,954,989	—	68,427,348	—	70,382,337
Income Tax	621,492,333	—	—	—	621,492,333
Wealth Tax	—	—	—	—	—
Service Tax	—	—	—	5,108,878	5,108,878
Customs Duty	—	—	38,451,545	—	38,451,545
Excise Duty	7,574,651	49,103,699	9,020,748	—	65,699,098

- 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 : 19 May 2006



Balance Sheet as at 31 March

		2006		2005
	Schedule	Rs. In Million	Rs. In Million	Rs. In Million
I. Sources of Funds				
1. Shareholders' Funds				
a) Capital	1	1,011.8		1,011.8
b) Reserves & Surplus	2	<u>46,695.5</u>		40,331.7
			47,707.3	41,343.5
2. Loan Funds				
a) Secured Loans	3	0.2		—
b) Unsecured Loans	4	<u>14,671.3</u>		12,269.9
			14,671.5	12,269.9
3. Deferred Tax Adjustments [See note 13]				
a) Deferred Tax Liabilities		1,902.1		2,128.0
b) Deferred Tax Assets		<u>(1,026.3)</u>		(729.0)
			875.8	1,399.0
	Total		<u>63,254.6</u>	<u>55,012.4</u>
II. Application of Funds				
1. Fixed Assets				
a) Gross Block		28,928.8		27,436.2
b) Less: Depreciation		<u>17,787.2</u>		16,286.4
c) Net Block	5	11,141.6		11,149.8
d) Lease Adjustment Account- Plant and Machinery		<u>175.0</u>		175.0
		11,316.6		11,324.8
e) Capital Work in progress, expenditure to date		<u>241.8</u>		83.5
			11,558.4	11,408.3
2. Technical Know-how	6		13.4	40.6
3. Investments	7		58,569.7	45,605.8
4. Current Assets, Loans and Advances				
a) Inventories		2,729.3		2,241.7
b) Sundry Debtors		3,015.5		1,763.5
c) Cash and Bank Balances		820.9		1,086.9
d) Other Current Assets		721.3		685.3
e) Loans and Advances		<u>21,273.7</u>		20,120.0
		<u>28,560.7</u>		<u>25,897.4</u>
Less: Current Liabilities and Provisions				
a) Liabilities	9	12,288.7		7,850.7
b) Provisions		<u>23,158.9</u>		20,089.0
		<u>35,447.6</u>		<u>27,939.7</u>
Net Current Assets			(6,886.9)	(2,042.3)
	Total		<u>63,254.6</u>	<u>55,012.4</u>
Notes forming part of the Financial Statements	14			

As per our attached report of even date

Rahul Bajaj

Chairman

For and on behalf of Dalal and Shah
Chartered Accountants

Madhur Bajaj

Vice Chairman

Rajiv Bajaj

Managing Director

Sanjiv Bajaj

Executive Director

D.S. Mehta

Anish Amin

Partner

Membership No. 40451

J. Sridhar
Company Secretary

Kantikumar R. Podar

D. J. Balaji Rao

S.H. Khan

Naresh Chandra

Nanoo Pamnani

Directors

Mumbai : 19 May 2006

Profit and Loss Account for the year ended 31 March

		2006		2005
	Schedule	Rs. In Million	Rs. In Million	Rs. In Million
Income				
Sales		85,498.6		65,416.0
Less: Excise Duty		10,804.8		8,176.4
Net Sales		74,693.8		57,239.6
Wind power generated, mainly captively consumed		199.5		249.4
Other Income	10	6,170.2		5,738.8
			81,063.5	63,227.8
Expenditure				
Materials	11	53,246.0		40,896.8
Other Expenses	12	10,118.4		9,314.3
Interest	13	3.4		6.7
Depreciation		1,910.0		1,853.7
		65,277.8		52,071.5
Less : Expenses, included in above items, capitalised		248.1		198.3
		65,029.7		51,873.2
Compensation Paid Under Voluntary Retirement Scheme		226.4		490.2
			65,256.1	52,363.4
Profit for the year before taxation			15,807.4	10,864.4
Taxation				
Current Tax [including Rs. 5.5 million for Wealth tax (previous year Rs. 3.6 million)]		5,135.5		3,383.6
Deferred Tax [See note 13]		(394.4)		(187.3)
Fringe Benefit Tax		50.0		—
			4,791.1	3,196.3
Profit for the year			11,016.3	7,668.1
Tax credits pertaining to earlier years			225.1	—
Prior period expenses			8.7	18.5
			11,232.7	7,649.6
Adjustments on account of write down of deferred tax assets			—	(358.0)
			11,232.7	7,291.6
Transfer to General Reserve			6,617.7	4,407.2
Proposed Dividend			4,047.4	2,529.6
Corporate Dividend Tax thereon			567.6	354.8
Balance Carried to Balance Sheet			—	—
Basic and diluted Earnings Per Share (Rs.)			111.0	75.6
Nominal value per share (Rs.)			10.0	10.0
Net Profit (Rs. In Million)			11,232.7	7,649.6
Weighted average number of Shares			101.2	101.2

As per our attached report of even date

For and on behalf of Dalal and Shah
Chartered Accountants

Anish Amin
Partner
Membership No. 40451

J. Sridhar
Company Secretary

Mumbai : 19 May 2006

Rahul Bajaj	Chairman
Madhur Bajaj	Vice Chairman
Rajiv Bajaj	Managing Director
Sanjiv Bajaj	Executive Director
D.S. Mehta	} Directors
Kantikumar R. Podar	
D. J. Balaji Rao	
S.H. Khan	
Naresh Chandra	
Nanoo Pamnani	

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 2006

Schedule 1 - Share Capital

	As at 31 March 2005	
	Rs. In Million	Rs. In Million
Authorised		
150,000,000 Shares of Rs.10 each	1,500.0	1,500.0
Issued,Subscribed and Paid up		
*101,183,510 Equity Shares of Rs 10 each	1,011.8	1,011.8
Total	1,011.8	1,011.8

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 2,320,561 (3,235,879)

Schedule 2 - Reserves and Surplus

	As at 31 March 2005		
	Rs. In Million	Rs. In Million	Rs. In Million
Capital redemption reserve			
As per last account		182.1	182.1
General Reserve			
As per last account	40,149.6		35,742.4
Less : Transitional adjustment for Gratuity Liability, Net of deferred tax (See note 14)	253.9		—
	<u>39,895.7</u>		<u>35,742.4</u>
Set aside this year	6,617.7		4,407.2
Total		46,513.4	40,149.6
		<u>46,695.5</u>	<u>40,331.7</u>

Schedule 3 - Secured Loans

	As at 31 March 2005	
	Rs. In Million	Rs. In Million
From Banks, against hypothecation of Stores, Raw Materials, Finished Goods, Stock in Process and Book Debts Cash Credit	0.2	—
Total	0.2	—

Schedule 4 - Unsecured Loans

	As at 31 March 2005	
	Rs. In Million	Rs. In Million
Sales tax deferral Liability/Loan, an incentive under Package Scheme of Incentives 1983,1988 and 1993 - Interest free	14,663.2	12,252.4
Fixed Deposits	8.1	17.5
Total	14,671.3	12,269.9

Schedule 5 - Fixed Assets

Particulars	Gross Block (a)				Depreciation				Net Block	
	As at 31st March, 2005	Additions	Deductions and Adjustments	As at 31st March, 2006	Upto 31st March, 2005	Deductions and Adjustments	For the Year (c)	Upto 31st March, 2006	As at 31st March, 2006	As at 31st March, 2005
	Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million
Land Freehold	85.6	—	—	85.6	—	—	—	—	85.6	85.6
Land Leasehold	359.5	10.2	4.3	365.4	—	—	—	—	365.4	359.5
Buildings (b) & (d)	2,312.0	231.9	5.5	2,538.4	758.7	4.1	65.5	820.1	1,718.3	1,553.3
Waterpumps, Reservoirs and Mains	55.4	4.1	(0.1)	59.6	29.9	—	2.7	32.6	27.0	25.5
Plant & Machinery	15,202.0	1,066.7	242.4	16,026.3	10,042.4	210.2	1,066.4	10,898.6	5,127.7	5,159.6
Dies & Jigs	3,116.1	237.8	209.7	3,144.2	1,924.7	139.7	319.5	2,104.5	1,039.7	1,191.4
Electric Installations	422.6	28.9	5.2	446.3	233.8	—	15.2	249.0	197.3	188.8
Factory Equipments	1,224.2	99.8	47.5	1,276.5	599.5	28.2	91.0	662.3	614.2	624.7
Furniture & Fixtures	357.9	54.2	17.5	394.6	241.8	15.6	17.7	243.9	150.7	116.1
Electric Fittings	101.4	14.0	—	115.4	65.9	—	3.3	69.2	46.2	35.5
Vehicles & Aircraft (e)	343.0	304.2	25.2	622.0	149.7	11.4	35.2	173.5	448.5	193.3
Wind Energy Generators	2,839.2	—	2.0	2,837.2	1,222.7	—	293.5	1,516.2	1,321.0	1,616.5
Leased Assets :-										
Plant & Machinery	875.0	—	—	875.0	875.0	—	—	875.0	—	—
Dies & Moulds	142.3	—	—	142.3	142.3	—	—	142.3	—	—
As at 31st March, 2006 Total	27,436.2	2,051.8	559.2	28,928.8	16,286.4	409.2	1,910.0	17,787.2	11,141.6	11,149.8
As at 31st March, 2005 Total	27,029.9	1,058.2	651.9	27,436.2	14,966.8	534.1	1,853.7	16,286.4	11,149.8	

- a) At cost, except leasehold land which is at cost, less amounts written off.
- b) i) Includes Premises on ownership basis in Co-operative Society Rs. 131.8 million and cost of shares therein Rs. 2,750/-
ii) Includes Premises on ownership basis Rs. 53.8 million represented by 66 equity shares and 182 debentures of the face value of Rs. 660/- and Rs. 18.9 million respectively.
- c) Refer Para 3(B) of Statement on Significant Accounting Policies annexed to the Accounts.
- d) Includes office premises given on lease Rs 82.5 million. Accumulated depreciation Rs 7.6 million. Depreciation for the year Rs 1.3 million.
- e) Includes Rs. 271.5 million representing company's share in the cost of Aircraft jointly owned with another company.

Schedule 6 - Technical Know-How

	As at 31 March 2005	
	Rs. In Million	Rs. In Million
(i) Acquired by the company		
As per last account	38.4	72.3
Less : Written off during the year	34.0	33.9
	4.4	38.4
(ii) Developed by the company		
Gross, as per last account	6.7	6.7
Less :		
Written off / amortised upto last account	4.5	2.3
Written off / amortised during the year	2.2	2.2
	6.7	4.5
	—	2.2
Development in Progress	9.0	—
	9.0	2.2
Total	13.4	40.6

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

	As at 31 March 2005		
	Rs. In Million	Rs. In Million	Rs. In Million
Long Term Investments :			
In Government and Trust Securities :			
Quoted :			
— 5.64% Government of India Stock 2019 of face value of Rs.600,000,000	600.7		600.7
— 5.69% Government of India Stock 2018 of face value of Rs.1,300,000,000 (Previous Year Rs.600,000,000)	1,191.7		566.7
— 6.05% Government of India Stock 2019 of face value of Rs.1,200,000,000 (Previous Year Rs.1,100,000,000)	1,215.6		1,125.7
— 6.25% Government of India Stock 2018 of face value of Rs.900,000,000	953.4		953.4
— 6.35% Government of India Stock 2020 of face value of Rs.750,000,000	795.6		795.6
— 6.72% Government of India Stock 2014 of face value of Rs.550,000,000	613.9		613.9
— 6.85% Government of India Stock 2012 of face value of Rs.600,000,000 (Previous Year Rs.550,000,000)	673.4		622.7
— (-) 6.96% Government of India Stock 2009 of face value of Rs.1,350,000,000	1,372.5		—
— 7.37% Government of India Stock 2014 of face value of Rs.1,150,000,000 (Previous Year Rs.1,350,000,000)	1,137.1		1,461.9
— 7.38% Government of India Stock 2015 of face value of Rs.1,150,000,000 (Previous Year Rs.1,050,000,000)	1,251.3		1,148.4
— 7.46% Government of India Stock 2017 of face value of Rs.900,000,000 (Previous Year Rs.700,000,000)	1,002.9		795.1
— 7.49% Government of India Stock 2017 of face value of Rs.950,000,000 (Previous Year Rs.850,000,000)	1,114.2		1,012.5
— 7.95% Government of India Stock 2032 of face value of Rs.925,000,000 (Previous Year Rs. 675,000,000)	1,000.2		735.5
Carried Over	<u>12,922.5</u>		<u>10,432.1</u>
Carried Over		—	—

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

		As at 31 March 2005	
	Rs. In Million	Rs. In Million	Rs. In Million
	Brought over	—	—
In Government and Trust Securities : (Contd.)			
Quoted : (Contd.)	Brought over	12,922.5	10,432.1
— 8.07% Government of India Stock 2017 of face value of Rs.1,200,000,000 (Previous Year Rs.700,000,000)	1,336.4		822.0
— 8.35% Government of India Stock 2022 of face value of Rs.600,000,000 (Previous Year Rs.1,450,000,000)	692.6		1,711.4
— 9.39% Government of India Stock 2011 of face value of Rs.1,050,000,000 (Previous Year Rs.200,000,000)	1,181.3		232.0
— 9.85% Government of India Stock 2015 of face value of Rs.900,000,000	1,255.1		1,255.1
— 10.03% Government of India Stock 2019 of face value of Rs.1,300,000,000	1,787.8		1,787.8
— 10.25% Government of India Stock 2021 of face value of Rs.1,150,000,000 (Previous Year Rs.800,000,000)	1,527.4		1,124.6
— 10.45% Government of India Stock 2018 of face value of Rs.750,000,000	1,085.6		1,085.6
— 10.47% Government of India Stock 2015 of face value of Rs.700,000,000	963.1		963.1
— 10.71% Government of India Stock 2016 of face value of Rs.1,550,000,000	2,229.7		2,229.7
— 11.83% Government of India Stock 2014 of face value of Rs.803,500,000	1,191.7		1,191.7
Others	3,401.8		2,773.8
	<u>29,575.0</u>		<u>25,608.9</u>
Less: Amortisation of Premium/Discount on acquisition (see note 9(c))	<u>303.4</u>		<u>—</u>
Unquoted :		29,271.6	25,608.9
6 Years National Saving Certificates of the face value of Rs.11,500 (Rs.11,500)	—		—
	<u>—</u>		<u>—</u>
Carried Over			
Carried Over		<u>29,271.6</u>	<u>25,608.9</u>

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

			As at 31 March 2005
	Rs. In Million	Rs. In Million	Rs. In Million
		29,271.6	25,608.9
In Government and Trust Securities : (Contd.)			
Unquoted : (Contd.)			
	Brought over	—	—
10 Pass Through Certificates involving Securitisation of Loan Receivables through Loan Securitisation Trust (Series 4) of UTI Bank Limited (Redeemable in parts in terms of schedule specified therein aggregating to Rs.139,783,698)	106.4		106.4
	<u>106.4</u>		<u>106.4</u>
Less: Amortisation of Premium/Discount on acquisition (see note 9(c))	3.3		—
	<u>3.3</u>	103.1	<u>106.4</u>
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	42.5		47.5
— (300,000) 10% Cumulative Non-participating Redeemable Preference Shares of Rs.10 each in Bajaj Electricals Limited	—		30.0
— (200,000) 12% Redeemable Cumulative Preference Shares of Rs.100 each in Duncans Industries Limited	—		20.0
3,000,000 16% Redeemable Cumulative Preference Shares of Rs.10 each in Goodvalue Marketing Company Limited	30.0		30.0
250,000 12% Cumulative Redeemable Preference Shares of Rs.100 each in Himachal Futuristic Communications Limited	25.0		25.0
20,661,200 5% Redeemable Cumulative Preference Shares of Rs.10 each in IFCI Limited	206.6		206.6
— (140,000) 10% Cumulative Redeemable Preference Shares of Rs.100 each in Khandwala Securities Limited	—		14.0
— (170,000) 12% Cumulative Redeemable Preference Shares of Rs.100 each in KJMC Financial Services Limited	—		17.0
	<u>304.1</u>		<u>390.1</u>
Carried Over		<u>29,374.7</u>	<u>25,715.3</u>

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

		As at 31 March 2005		
		Rs. In Million	Rs. In Million	Rs. In Million
Brought over			29,374.7	25,715.3
In Fully Paid Preference Shares : (Contd.)				
Unquoted : (Contd.)				
Brought over		304.1		390.1
2,000,000	9% Non Convertible Cumulative Redeemable Preference Shares of Rs.10 each in Kopran Limited	20.0		20.0
700,000	12% Optionally Convertible Cumulative Redeemable Preference Shares of Rs.100 each in KDL Biotech Limited	74.7		74.7
2,000,000	13.5% Redeemable Cumulative Preference Shares of Rs.10 each in Marvel Industries Limited	20.0		20.0
196,169	0.01% Cumulative Redeemable Preference Shares of Rs.10 each in Mukand Limited	2.0		2.0
100,000	14.75% Cumulative Redeemable Preference Shares of Rs.100 each in PentaFour Products Ltd - balance after part redemption	5.0		5.0
100,000	16% Redeemable Cumulative Preference Shares of Rs.100 each in The Pharmaceutical Products of India Limited	10.0		10.0
—	(5,000,000) 8% Cumulative Redeemable Preference Shares of Rs.10 each in SICOM Limited	—		50.0
300,000	14.50% Redeemable Cumulative Preference Shares of Rs.100 each in Southern Petrochemical Industries Corporation Limited	29.9		29.9
200,000	15% Cumulative Redeemable Preference Shares of Rs.100 each in Viral Filaments Limited - balance after part redemption	19.5		19.5
			485.2	621.2
In Fully Paid Equity Shares :				
Trade :				
Quoted :				
6,597,060	(5,493,800) Shares of Rs.10 each in Bajaj Auto Finance Limited	661.1		219.2
2,742,848	Shares of Rs.10 each in Maharashtra Scooters Limited	2.4		2.4
			663.5	221.6
Carried Over		—		—
Carried Over			30,523.4	26,558.1

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

		As at 31 March 2005		
		Rs. In Million	Rs. In Million	Rs. In Million
	Brought over		30,523.4	26,558.1
In Fully Paid Equity Shares : (Contd.)	Brought over	—		—
	Unquoted :			
	1 Share of Rs.100 each in The Poona District Motor Transport Co-operative Society Limited (Rs.100)	—		—
	In subsidiary Company			
	Unquoted :			
111,173,012	(111,058,238) Shares of Rs.10 each in Bajaj Allianz Life Insurance Co Limited	1,111.7		1,110.6
81,437,000	(81,400,000) Shares of Rs.10 each in Bajaj Allianz General Insurance Co Limited	814.4		814.0
24,500	Shares of Rs.100 each in Bajaj Auto Holdings Limited - a wholly owned subsidiary	2.4		2.4
			1,928.5	1,927.0
	Other			
	Quoted :			
2,139,561	Shares of Rs.10 each in Force Motors Limited - Formerly, Bajaj Tempo Limited	460.6		460.6
24,132,548	(23,061,161) Shares of Rs.10 each in ICICI Bank Limited	4,962.7		3,943.8
3,741,815	(2,000,345) Shares of Rs.10 each in Mukand Limited	219.6		62.0
	Others	2,017.5		1,578.4
			7,660.4	6,044.8
	Unquoted :			
565,000	Shares of Rs.10 each in Durovalves India Private Limited	5.7		5.7
300,000	Shares of Rs.10 each in Endurance Systems India Private Limited	3.0		3.0
300,000	Shares of Rs.10 each in Kowa Spinning Limited	5.3		5.3
1,026,000	Shares of Rs.10 each in Monotona Tyres Limited	10.2		10.2
600,000	Shares of Rs.10 each in SICOM Limited	48.2		48.2
235,000	Shares of Rs.10 each in Kumar Housing Corporation Limited	36.0		36.0
			108.4	108.4
	Carried Over		40,220.7	34,638.3

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

			As at 31 March 2005
	Rs. In Million	Rs. In Million	Rs. In Million
	Brought over	40,220.7	34,638.3
In Debentures:			
Fully Paid:			
Other :			
Quoted:			
200 7.50% Unsecured Redeemable Non Convertible Debentures of Rs.1,000,000 each of Mahindra & Mahindra Financial Services Limited	206.9		206.9
250 11.49% Secured Redeemable Non Convertible Debentures (PPD-V) of Rs.1,000,000 each of Reliance Utilities & Power Limited	278.9		278.9
Others	2,515.1		1,757.2
	<u>3,000.9</u>		<u>2,243.0</u>
Less: Amortisation of Premium/Discount on acquisition (see note 9(c))	34.2		—
		<u>2,966.7</u>	<u>2,243.0</u>
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	16.8		16.8
500 18.75% Secured Redeemable Non Convertible Debentures of Rs.100,000 each of Core Healthcare Limited - balance after part redemption	45.5		45.5
100,000 18% Non Convertible Debentures of Rs.100 each of Goodearth Organic (India) Limited	9.5		9.5
20,000 18% Secured Non Convertible Debentures of Rs.1,000 each of Mafatlal Finance Limited	20.0		20.0
690 Unsecured Redeemable Non Convertible Debentures of Rs.3,625 each of Mahadev Industries Limited (Scheme C-Deep Discount Debentures)	2.5		2.5
	<u>94.3</u>		<u>94.3</u>
Carried Over			
Carried Over		<u>43,187.4</u>	<u>36,881.3</u>

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

		As at 31 March 2005		
		Rs. In Million	Rs. In Million	Rs. In Million
	Brought over		43,187.4	36,881.3
In Debentures : (Contd.)				
Fully Paid : (Contd.)				
Other : (Contd.)				
Unquoted : (Contd.)	Brought over	94.3		94.3
300,000	18% Secured Redeemable Non-Convertible Debentures of Rs.100 each of Punjab Wireless Systems Limited	30.0		30.0
100,000	20% Non Convertible Debentures of Rs.100 each - Series-1 of Shaan Interwell (India) Limited - balance after part redemption	6.1		6.1
			130.4	130.4
In Bonds:				
Fully Paid:				
Other :				
Quoted:				
200	7.60% Bonds Rs.1,000,000 each of Housing & Urban Development Corporation Limited	211.2		211.2
350	(-) 7.15% Secured Non Convertible Redeemable Bonds in the nature of Debentures (Series-VI) of Rs.1,000,000 each of Indian Oil Corporation Limited	354.3		—
250	6.20% Taxable Secured Redeemable Non Convertible Bonds of Rs.1,000,000 each of Indian Railway Finance Corporation Limited -2018 - Series 46AA to 46EE	250.0		250.0
500	6.40% Secured Taxable Non Convertible (Central Government Guaranteed) Bonds of Rs.500,000 each of ITI Limited - Series J - Option I	250.0		250.0
50,000	5.10% Capital Gain Bonds of Rs.10,000 each of National Housing Bank	500.0		500.0
100,000	5.10% Capital Gain Bonds of Rs.10,000 each of National Housing Bank	1,000.0		1,000.0
6,000	12.25% Secured Redeemable Non Convertible Bonds of Rs.50,000 each of Sardar Sarovar Narmada Nigam Limited, Type C, Infrastructure I	300.0		300.0
	Carried Over	2,865.5		2,511.2
	Carried Over		43,317.8	37,011.7

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

				As at 31 March 2005
		Rs. In Million	Rs. In Million	Rs. In Million
	Brought over		43,317.8	37,011.7
In Bonds : (Contd.)				
Fully Paid : (Contd.)				
Other : (Contd.)				
Quoted : (Contd.)	Brought over	2,865.5		2,511.2
7,950,100	6.75% Tax Free US 64 Bonds Guaranteed by Government of India of Rs.100 each	914.1		914.1
7,189,170	(6,594,170) 6.60% Tax Free ARS Bonds Guaranteed by Government of India of Rs.100 each	735.1		673.1
	Others	5,300.7		3,418.6
		9,815.4		7,517.0
	Less: Amortisation of Premium/Discount on acquisition (see note 9(c))	20.0		—
			9,795.4	7,517.0
In Mutual Fund Units:				
Quoted:				
123,536,723.847	(-) Units of Rs.10 each of Standard Chartered Mutual Fund under Standard Chartered Liquidity Manager - Growth Option	1,250.1		—
429,641.679	(-) Units of Rs.1,000 each of Standard Chartered Mutual Fund under Standard Chartered Liquidity Manager Plus - Growth Option	430.0		—
	Others	3,156.1		1,515.3
			4,836.2	1,515.3
Unquoted :				
	- (212.50) Units of Rs.5,000 each of Auto Ancillary Fund		—	0.4
Current Investments :				
In Certificate of Deposit				
Quoted:				
2,500	(-) Certificate of Deposit of Rs.100,000 each of ICICI Bank Limited - 23.06.2006	245.0		—
2,500	(-) Certificate of Deposit of Rs.100,000 each of ICICI Bank Limited - 16.02.2007	231.3		—
	Carried Over	476.3		—
	Carried Over		57,949.4	46,044.4

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

		As at 31 March 2005		
		Rs. In Million	Rs. In Million	Rs. In Million
	Brought over		57,949.4	46,044.4
In Certificate of Deposit (Contd.)				
Quoted: (Contd.)	Brought over	476.3		—
	2,500 (-) Certificate of Deposit of Rs.100,000 each of ICICI Bank Limited - 27.03.2007	229.8		—
	Others	334.9		—
		1,041.0		—
	Add: Amortisation of Premium/Discount on acquisition (see note 9(c))	5.8		—
			1,046.8	—
In Warrants				
Unquoted :				
Partly Paid :				
	3,006,540 (-) Warrants of Rs.410/- each of Bajaj Auto Finance Limited - Rs.41 Paid Up		123.3	—
			59,119.5	46,044.4
	Less: Provision for diminution in value of Investments		649.8	588.6
			58,469.7	45,455.8
	Application Money for Investment in Shares, Bonds & Mutual Fund Units		100.0	150.0
			58,569.7	45,605.8

	Book Value as at		Market Value as at	
	31 March 2006 Rs. In Million	31 March 2005 Rs. In Million	31 March 2006 Rs. In Million	31 March 2005 Rs. In Million
Quoted	55,997.5	42,919.9	* 73,034.1	* 50,336.4
Unquoted	2,472.2	2,535.9		
Total	58,469.7	45,455.8		

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

Notes to Investment Schedule :

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

a) Mutual Funds :

<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	2,900
Unit Trust of India - Mastershares	1,549
Unit Trust of India - UGS 5000	400

(b) Equity Shares :

<u>Name of the Company</u>	<u>No of Shares</u>
Force Motors Ltd - Formerly, Bajaj Tempo Limited	100
The Great Eastern Shipping Co Limited	90
Mahindra Gesco Developers Limited	11
Larsen & Toubro Limited	250
Reliance Capital Limited	100
Reliance Industries Limited	3
Sterlite Industries (India) Limited	800
Sterlite Optical Technologies Limited	600
Tata Chemicals Limited	249
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 Rs. In Million</u>	<u>Sale Proceeds Rs. In Million</u>
ITC Limited	363,050	41.1	51.6
Mahindra & Mahindra Limited	125,500	32.7	45.6
Wipro Limited	40,000	12.2	14.8

(b) Mutual Funds :

<u>Name of the Company</u>	<u>Quantity Nos</u>	<u>Purchase Cost Rs. In Million</u>	<u>Sale Proceeds Rs. In Million</u>
Standard Chartered Mutual Fund under Liquidity Manager Fund - Growth	1,708,579,488.470	17,190.4	17,210.3
Standard Chartered Mutual Fund under Grindlays Cash Fund - Inst Plan C - Growth	6,027,466,513.000	64,872.5	64,916.1
Kotak Mahindra Mutual Fund under Kotak Cash Plus Growth	39,825,731.817	400.0	404.3
Kotak Mahindra Mutual Fund under Kotak Liquid Institutional Premium - Growth	81,417,444.369	1,113.7	1,114.1

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

Notes to Investment Schedule : (Contd.)

(c) Certificate of Deposits :

Name of the Company	Quantity Nos.	Purchase Cost Rs. In Million	Sale Proceeds Rs. In Million
HDFC Bank Limited	2,000	197.0	199.6
HSBC Bank Limited	1,000	98.7	99.9

(d) Debentures :

Name of the Company	Quantity Nos.	Purchase Cost Rs. In Million	Sale Proceeds Rs. In Million
Zero Coupon HDFC Limited	200	194.1	196.3

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

Particulars	Purchase Cost Rs. In Million	Sale Proceeds Rs. In Million
4.83% Government of India Loan, 2006	201.4	201.7
7.27% Government of India Loan, 2013	415.2	418.2
7.40% Government of India Loan, 2035	494.1	505.5
7.50% Government of India Loan, 2034	506.9	509.0
7.55% Government of India Loan, 2010	932.6	940.7
9.39% Government of India Loan, 2011	2,800.8	2,850.8
12.32% Government of India Loan, 2012	761.5	775.0

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

Schedule 8 - Current Assets, Loans and Advances

	As at 31 March 2005			
	Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million
(a) Inventories				
Stores, at cost *		64.9		54.4
Tools, at cost *		129.7		126.6
Stock-in-trade, at cost or market value whichever is lower :				
Raw Materials and Components *		696.3		841.4
Work-in-progress (including factory made components Rs. 260.7 million Previous Year Rs.141 million)		434.0		234.3
Finished Goods:				
Vehicles		879.2		759.8
Auto Spare parts, etc.		396.2		225.2
As valued and certified by Management		2,600.3		2,241.7
Goods in transit, at cost to date		129.0		—
			2,729.3	2,241.7
(b) Sundry Debtors, Unsecured				
Outstanding for a period exceeding six months :				
Good	1.4			2.0
Doubtful	19.7			18.4
Less: Provision	19.7			18.4
	—			—
		1.4		2.0
Others, Good		3,014.1		1,761.5
			3,015.5	1,763.5
(c) Cash and Bank Balances				
Cash on hand (including cheques on hand Rs. 4 million Previous year Rs. 52.7 million)		5.0		53.9
Remittances in Transit		—		1.5
Bank Balances :				
With Scheduled Banks:				
* * In current account		798.0		1,019.0
In margin deposits		10.0		10.0
In fixed deposits		2.5		0.9
Interest accrued on fixed deposits (Rs. 46,577 - Previous Year Rs. 12,344)		—		—
		810.5		1,029.9
With Other Banks :				
In current account [See note 10]		5.4		1.6
			820.9	1,086.9
Carried over			6,565.7	5,092.1

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

	As at 31 March 2005			
	Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million
Brought over			6,565.7	5,092.1
(d) Other Current Assets, good (Unless otherwise stated)				
Dividend and Interest receivable on Investments	89.9			15.8
Doubtful	51.1			51.1
Less: Provision	51.1			51.1
	—			—
		89.9		15.8
Interest receivable on Loans etc:	6.3			3.7
Doubtful	79.5			79.5
Less: Provision	79.5			79.5
	—			—
		6.3		3.7
Export Incentives Receivable		590.6		604.2
Credit receivable for Windpower generated		34.5		61.6
			721.3	685.3
(e) Loans and Advances, unsecured, good (Unless otherwise stated)				
\$ Loan to Bajaj Auto Holdings Limited - wholly owned subsidiary		—		48.5
\$ Loan to Bajaj Auto Finance Limited - an associate		41.0		—
\$ Loan to Mukand Ltd - a company in which Directors are interested		—		200.0
Loan to Suppliers		153.1		144.4
Deposits with Joint Stock Companies: (Including Rs. 92.1 million secured against pledge of Securities Previous Year Rs. 100 million)	92.1			228.1
Doubtful	147.9			151.9
Less: Provision	147.9			151.9
	—			—
		92.1		228.1
Advances Recoverable in Cash or in kind or for value to be received:				
Due from Subsidiaries	3.8			1.8
@ Others, Good	1,919.8			1,064.8
Doubtful	40.1			37.6
Less: Provision	40.1			37.6
	—			—
		1,923.6		1,066.6
Balances with Customs and Central Excise Departments		238.7		77.6
Sundry Deposits		154.8		139.1
Tax paid in Advance		18,670.4		18,215.7
			21,273.7	20,120.0
Total			28,560.7	25,897.4

* Except obsolete and slow moving inventory at estimated realisable value

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

@ Includes amount due from an Officer of the Company Rs. 97,500 (Previous Year Rs. 112,500)

Maximum balance outstanding during the year Rs.112,500 (Previous Year Rs. 127,500)

\$ Maximum amount outstanding during the year Rs. 48.5 million , Rs. 300 million and Rs. 200 million respectively

Schedule 9 - Current Liabilities and Provisions

	As at 31 March 2005		
	Rs. In Million	Rs. In Million	Rs. In Million
(a) Liabilities			
Sundry Creditors:			
Other than small scale industrial undertakings [See note 11]		11,801.8	7,351.4
Advances against Orders		205.3	229.0
Investor Education Protection Fund (Rs. 21,573 - Previous Year Rs. 15,880)		—	—
Unclaimed Dividends		51.6	38.8
Deposit from Dealers and others		229.9	229.6
Unclaimed amount of Sale proceeds of Fractional coupons of Bonus Shares (Rs. 5,595 - Previous Year Rs. 5,595)		—	—
Unclaimed amount on Debentures redeemed		—	1.6
Interest accrued but not due on loans		0.1	0.3
		<u>12,288.7</u>	<u>7,850.7</u>
(b) Provisions			
Provision for Warranty	270.0		140.0
Provision for Gratuity [See note 14]	382.7		—
Provision for Taxation	17,891.2		17,064.6
Proposed Dividend	4,047.4		2,529.6
Provision for Corporate Dividend Tax on Proposed Dividend	567.6		354.8
		<u>23,158.9</u>	<u>20,089.0</u>
Total		<u>35,447.6</u>	<u>27,939.7</u>

Schedule 10 - Other Income

	Rs. In Million	Rs. In Million	Previous Year Rs. In Million
Workshop Receipts		4.9	4.2
Technical Know-how		4.6	4.6
Royalty		3.7	2.4
Dividends			
From Subsidiary	—		17.3
From Trade Investments	48.1		38.4
Other	273.2		274.4
		321.3	330.1
Interest[Gross-Tax Deducted Rs. 139.5 million Previous Year Rs. 144.8 million]			
On Government Securities	1,944.0		1,280.7
On Debentures and Bonds	712.7		605.6
On Loans	55.5		38.8
Other	216.4		154.3
	2,928.6		2,079.4
Less: Amortisation of premium / discount on acquisition of fixed income securities (See note 9(c))	355.2		—
		2,573.4	2,079.4
Income From Units of Mutual Funds		225.1	24.3
Leasing Business			
Lease Rent		—	22.5
Rent		15.5	14.4
Insurance Claims		1.3	1.9
Export Incentives		831.9	1,036.8
Miscellaneous Receipts		564.6	508.5
Surplus on Sale of Assets		70.5	65.4
Profit on Sale of Investments,net *		1,080.4	1,456.9
Surplus on redemption of Securities		91.3	—
Bad Debts Recovered		2.4	—
Sundry Credit balances appropriated		27.3	5.4
Provisions for Doubtful Debts and Advances written back	6.5		9.7
Less: Write backs on account of amounts written off during the year,as per contra	1.1		6.9
		5.4	2.8
Provisions no longer required		346.6	179.2
Total		6,170.2	5,738.8

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

Schedule 11 - Materials

	Rs. In Million	Rs. In Million	Previous Year Rs. In Million
(a) Raw materials and components consumed		51,313.8	39,155.7
(b) Finished Goods purchases			
Two Wheelers	0.3		0.1
Auto Spare-Parts	2,034.4		1,351.4
Steel and Engineering Products, for export	375.4		265.2
		2,410.1	1,616.7
(c) Excise duty on increase / (decrease) in stocks of finished goods, at Plant		12.2	13.4
(d) (Increase)/Decrease in Stocks			
Stocks at close			
Work in progress(including factory made components (Rs. 260.7 million - Previous Year Rs. 141 million)	434.0		234.3
Finished Goods	879.2		759.8
Auto Spare Parts	396.2		225.2
	1,709.4		1,219.3
Less: Stocks at commencement			
Work in progress(including factory made components (Rs. 141 million - Previous Year Rs. 101.2 million)	234.3		162.8
Finished Goods	759.8		921.2
Auto Spare Parts	225.2		246.3
	1,219.3		1,330.3
		(490.1)	111.0
Total		53,246.0	40,896.8

Schedule 12 - Other Expenses

			Previous Year
	Rs. In Million	Rs. In Million	Rs. In Million
Stores and tools consumed		742.3	629.7
Power, fuel and water		590.9	547.9
Repairs			
Buildings and Roads	248.7		113.3
Machinery	498.8		451.0
Other	25.3		18.7
		772.8	583.0
Employees' Emoluments			
Salaries, wages, bonus etc.	2,208.1		2,022.5
Contribution to Provident and other funds and schemes	291.3		233.2
Welfare expenses	241.9		234.9
		2,741.3	2,490.6
Rent		31.9	27.0
Rates and taxes		18.8	13.1
Insurance		25.9	26.9
Auditors' Remuneration		5.4	4.5
Directors' fees and travelling expenses		1.8	2.0
Managing Directors' remuneration			
Salary	4.5		3.0
Commission	13.5		4.2
		18.0	7.2
Wholetime Directors' remuneration			
Salary	17.0		4.2
Commission	46.8		2.4
		63.8	6.6
Commission to Non Executive Directors		1.4	1.5
Miscellaneous expenses		931.7	855.1
Sales tax / VAT expenses		261.8	135.8
Packing, forwarding etc.		891.6	786.8
Advertisement		1,069.8	1,438.7
Vehicle service charges and other expenses		1,051.7	936.9
Commission and Discount		68.6	59.3
Incentives & Sales Promotion		297.4	153.3
Royalty		296.2	324.9
Donations		60.1	50.4
Contribution to Prime Minister's National Relief Fund		—	20.0
Bad debts and other irrecoverable debit balances written off	1.5		7.4
Less: Provisions made in earlier years in respect of amounts written off during the year, adjusted as per contra	1.1		6.9
		0.4	0.5
Loss on assets sold, demolished, discarded and scrapped		66.8	83.2
Loss on redemption of securities		—	36.6
Provision for Doubtful Debts and Advances		6.3	9.4
Provision for Diminution in Value of Investments		61.2	43.0
Amount written off against Technical Know-how		36.2	36.2
Amount written off against leasehold land		4.3	4.2
Total		10,118.4	9,314.3

Schedule 13 - Interest

			Previous Year
	Rs. In Million	Rs. In Million	Rs. In Million
Interest:			
On Fixed Loans		0.7	1.7
Others		2.7	5.0
Total		3.4	6.7

Schedule 14 - Notes forming part of financial statements

	As at 31 March 2006	As at 31 March 2005
	Rs. In Million	Rs. In Million
1. (A) Contingent liabilities not provided for in respect of :		
(i) Sales Bills Discounted	18.0	16.6
(ii) Claims against the Company not acknowledged as debts	2,373.6	2,365.3
(iii) Guarantees given by the Company to Housing Development Finance Corporation Ltd. - for loans to Employees	21.9	35.8
(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	626.2	563.8
(v) Income-Tax matters under dispute - Appeal by Company	1,232.4	704.6
Appeal by Department	1,880.1	1,276.3
	3,112.5	1,980.9
(vi) Sales Tax matters under dispute	86.3	84.2
(vii) Claims made by temporary workmen Pending before various courts in respect of similar matters adjudicated by the Supreme Court in the past. The matter is contingent on the facts and evidence presented before the courts / adjudicating authorities and not necessarily likely to be influenced by the Supreme Courts order	Liability unascertained	362.3
(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 aggregate to USD 151.45 million (Previous Year USD 189.66 million). Minimum Export obligation to be fulfilled by the Company under the said scheme, by 31st March, 2006 has been fulfilled, Non fulfillment of the balance of such future obligations in the manner required, if any, entails options/rights to the Government to confiscate capital goods imported under the said licences and other penalties under the above-referred scheme.		
2. Estimated amounts of contracts remaining to be executed on capital account and not provided for, Net of Advances.	952.1	1,028.1

3. Payments to Auditors :

	Auditors		Cost Auditors	
	2005-2006 Rs. In Million	2004-2005 Rs. In Million	2005-2006 Rs. In Million	2004-2005 Rs. In Million
(i) As Auditors	4.2	3.3	0.3	0.3
(ii) In other capacity :				
For tax audit	0.5	0.5	—	—
For limited review	0.3	0.2	—	—
Certificates & other matters	0.1	0.2	—	—
	5.1	4.2	0.3	0.3
(iii) For expenses	0.3	0.3	—	—
Total	5.4	4.5	0.3	0.3

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

	As at 31 March 2006	As at 31 March 2005
	Rs. In Million	Rs. In Million
4. C.I.F Value of Imports, Expenditure and Earnings in Foreign Currencies etc :		
(a) C.I.F. Value of Imports *		
(i) Raw materials:		
Steel and Non-Ferrous Material	722.5	512.1
Components	1,628.0	636.5
	2,350.5	1,148.6
(ii) Machinery Spares	25.2	63.6
(iii) Capital Goods	897.8	300.2
* Excluding C.I.F. Value of Stores, Tools, etc. Rs. 124.4 million (Previous Year Rs. 130.2 million)		
(b) Expenditure in foreign currencies:		
(i) Travelling expenses	20.1	12.3
(ii) Royalty, net of tax	237.1	259.6
(iii) Technical Consultancy, net of tax	62.2	75.8
(iv) Commission on Exports	0.5	—
(v) Research and Development Expenses	0.3	0.1
(vi) Advertisement & publicity	0.8	39.8
(vii) Other matters	59.4	50.3
(viii) Capital Expenditure at Dubai Office (Rs. Nil - Previous year Rs. 1,191)	—	—
(ix) Capital Expenditure at Indonesia Office	2.9	0.4
(x) Capital Expenditure at Sri Lanka Office	0.3	—
(c) Earnings in foreign currencies :		
(i) F.O.B. Value of exports	8,990.3	6,949.5
(ii) F.O.B. Value of exports - goods traded in*	343.5	240.7
(iii) Forwarding charges exports recovered	95.4	93.0
(iv) Interest	5.8	5.2
(v) Royalty	3.7	2.4
(vi) Technical Know-how	0.4	0.6
*Excluding indirect export Rs. 3.7 million		
(d) Exchange differences on account of fluctuations in foreign currency rates		
(a) Exchange difference gains/(loss) recognised in the Profit and Loss account.		
(i) relating to Exports during the year as a part of "Sales"	33.7	41.1
(ii) on settlement of other transactions including cancellation of forward contracts as a part of "Other income/(Other Expenses)"	(17.2)	(76.0)
(iii) on realignment of open forward contracts against exports of the year	3.5	(3.5)
(b) amount of premium/discount on open forward contracts		
(i) recognised for the year in the profit and loss account	2.9	0.7
(ii) to be recognised in the subsequent accounting period	5.9	5.6
(e) Foreign exchange derivatives and exposures outstanding at close of the year : (disclosed in equivalent US Dollars for sake of brevity, uniformity and comparability)		

Nature of Instrument	Aggregate amount in US Dollars (Millions)		Purpose of Hedging / Speculations
	2006	2005	
(I) Forward sale	34	40	Hedging
(II) Open Foreign Exchange Exposures			
(a) Receivables	3.7	3.8	
(b) Payables	9.1	5.9	

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

	2005-2006	
	Rs. In Million	Rs. In Million
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		11,232.7
Add : Managing Directors' Remuneration (including perquisites)	21.6	
Wholetime Directors' Remuneration(including perquisites)	81.9	
Commission to Non-Executive Directors	1.4	
Provision for Taxation	4,791.1	
		4,896.0
Less : Excess of Sales price over cost of assets sold	14.8	
Provision for doubtful debts and advances written back	6.5	
Provisions no longer required	346.6	
		367.9
Profit on which commission is payable		15,760.8
(ii) Commission to Chairman - Shri Rahul Bajaj		
Commission @ 1% on Rs. 15,760.8 in million		157.6
Maximum Commission payable as determined by the Board of Directors to be limited to an amount equal to thrice the annual salary for the year		21.6
(iii) Commission to Wholetime Director - Shri Madhur Bajaj		
Commission @ 1% on Rs. 15,760.8 in million		157.6
Maximum Commission payable as determined by the Board of Directors to be limited to an amount equal to thrice the annual salary for the year		15.3
(iv) Commission to Managing Director - Shri Rajiv Bajaj		
Commission @ 1% on Rs. 15,760.8 in million		157.6
Maximum Commission payable as determined by the Board of Directors to be limited to an amount equal to thrice the annual salary for the year		13.5
(v) Commission to Executive Director - Shri Sanjiv Bajaj		
Commission @ 1% on Rs. 15,760.8 in million		157.6
Maximum Commission payable as determined by the Board of Directors to be limited to an amount equal to thrice the annual salary for the year		9.9
(vi) Commission to Non-Executive Directors		
Commission @ 1% on Rs. 15,760.8 in million		157.6
Maximum Commission restricted to Rs.20,000/- per Board meeting or committee thereof attended, per person, subject to an overall ceiling of Rs. 2.4 million		1.4

(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*	
	2005-2006@ Rs. In Million	2004-2005 Rs. In Million	2005-2006@ Rs. In Million	2004-2005 Rs. In Million	2005-2006* Rs. In Million	2004-2005 Rs. In Million
(i) Salary	4.5	1.2	—	1.8	17.0	4.2
(ii) Commission	13.5	2.4	—	1.8	46.8	2.4
(iii) Privilege Leave Entitlement	1.7	0.1	—	0.2	5.8	1.2
(iv) Contribution to Provident Fund, Superannuation & Gratuity	1.7	0.4	—	0.6	6.0	1.2
(v) Other perquisites	0.2	5.0	—	0.1	0.8	0.2
(vi) Estimated monetary value of perquisite in form of:						
Unfurnished Accommodation	—	0.4	—	—	3.9	0.4
Furniture at Residence	—	1.0	—	—	1.6	0.3
Personal use of Company's car (For both MD and JMD Rs. Nil - Previous year Rs. 26,400 each)	—	—	—	—	—	0.1
	21.6	10.5	—	4.5	81.9	10.0

* Including erstwhile 'Chairman and Managing Director' now as 'Chairman' of Board of Directors @ Jt. Managing Director appointed as Managing Director w.e.f. 1st April 2005.

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

6. Details of raw materials consumption, goods traded in and Machinery Spares Consumption	Unit	2005-2006		2004-2005	
		Qty.	Rs. In Million	Qty.	Rs. In Million
(i) Raw materials (including components) consumed					
(a) Ferrous Metal	M.T.	24,146	912.5	22,304	756.4
	Mtrs.	1,333	0.1	574	0.1
(b) Non-Ferrous Metal	M.T.	11,856	1,069.9	14,835	1,309.6
(c) Tyres & tubes	Nos.	10,203,908	1,765.4	8,256,385	1,329.6
(d) Other Components			47,304.7		35,207.3
(e) Others			261.2		552.7
Total			51,313.8		39,155.7
(ii) Imported and indigenous raw material consumption (including components)					
		Rs. In Million	Percentage	Rs. In Million	Percentage
(a) Imported (including Customs Duty and other related charges)		2,355.3	4.59	865.1	2.21
(b) Indigenous		48,958.5	95.41	38,290.6	97.79
Total		51,313.8	100.00	39,155.7	100.00
(iii) Imported and indigenous Machinery Spares Consumed					
		Rs. In Million	Percentage	Rs. In Million	Percentage
(a) Imported (including Customs Duty and other related charges)		79.2	39.03	55.8	24.44
(b) Indigenous		123.7	60.97	172.5	75.56
Total		202.9	100.00	228.3	100.00
(iv) Details of goods traded in-Purchases					
		Nos.	Rs. In Million	Nos.	Rs. In Million
Two Wheelers		10	0.3	4	0.1
Auto Spare Parts			2,034.4		1,351.4
Alloy Steel			375.4		265.2
Total			2,410.1		1,616.7

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

7. Details of Licensed & Installed Capacity, Production, Stocks and Turnover Class of Goods	2005-2006		2004-2005	
	Nos.	Rs. In Million	Nos.	Rs. In Million
(I) Motorised Two Wheelers & Three Wheelers upto 350cc 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)	3,180,000		2,700,000	
(iii) Production	2,291,110		1,814,799	
(iv) Stocks:				
At commencement:				
Two & Three-Wheelers	25,328	759.8	35,232	921.2
Goods Traded in:				
Two Wheelers	—	—	—	—
Auto Spare Parts (c)		225.2		246.3
Steel and Engineering Products, for export	—	—	—	—
Total		985.0		1,167.5
At Close				
Two & Three-Wheelers	35,190	879.2	25,328	759.8
Goods Traded in:				
Two Wheelers (Rs. 19,887-Previous year Rs.Nil)	1	—	—	—
Auto Spare Parts (c)		396.2		225.2
Steel and Engineering Products, for export	—	—	—	—
Total		1,275.4		985.0
(v) Turnover (d)				
Two & Three-Wheelers	2,281,230	81,238.4	1,824,699	62,032.8
Goods Traded in:				
Two Wheelers	9	0.2	4	0.1
Auto Spare Parts (including factory made parts)		3,921.9	—	3,146.4
Steel and Engineering Products, for export		338.1	—	236.7
Total		85,498.6		65,416.0
(vi) Other:				
Dismantled, Scrapped, Free of Charge	18		4	
(vii) Details of c.k.d.packs included in above				
Stocks at commencement	457		864	
Production	93,425		63,815	
Turnover:				
Maharashtra Scooters Ltd.	10,990		11,404	
Export	81,368		52,818	
Stocks at Close	1,524		457	
(II) Special Purpose Machine Tools				
(i) Licensed Capacity (a)	80		80	
(ii) Installed Capacity (b)	40		40	
(iii) Production	34		17	
(iv) Capitalised	34		17	
(III) Windpower Generation				
Installed Capacity (b) - Mega Watts Generated,	65.2 Units		65.2 Units	
Captively consumed	87,627,319	184.6	112,282,513	249.4
Sold	5,658,161	14.9	—	—

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

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

Notes :

- (a) Licensed Capacity is stated as per the Original License held by the Company, however, the Company's products are exempt from Licensing requirements under New Industrial Policy in terms of notification no. s.o. 477 (E) dated 25th July, 1991.
- (b) As certified by the General Manager (Akurdi) and being a technical matter, accepted by the Auditors as correct. Enhanced capacities have been implemented in a phased manner during the second half of the year.
- (c) Stocks at Commencement and at Close include stock of factory made Auto Spare Parts of value **Rs. 74.9 million** and **Rs. 43.3 million** respectively (Previous Year Rs. 68.3 million and Rs. 74.9 million respectively)
- (d) Includes **101 Nos.** Capitalised at cost **Rs. 3.6 million** (Previous Year 112 Nos. Rs. 4.1 million)

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

9. Investments:

- (a) Disclosure of details of Investments in Investment Schedule-annexed to the Accounts is made in accordance with the approval of Department of Company Affairs, Ministry of Law, Justice & Company Affairs, Government of India, under Section 211(4) of the Companies Act, 1956, vide its letter dated 17.02.2006.
- (b) Investments made by the Company other than those with a maturity of less than one year, being of long-term nature, diminution in the value of quoted Investments are not considered to be of a permanent nature. However, on an assessment of the non-performing investments (quoted and unquoted) as per guidelines adopted by the Company during the year the management has determined an additional amount during the year of **Rs. 61.2 million** (previous year Rs. 43 million) for possible diminution/losses, which has been provided for in the accounts.
- (c) In view of the continuing increase in deployment of surplus funds into fixed income securities, the management from this year, as a matter of prudence considers such investments as "deemed to be held to maturity" and accordingly premium / discount on acquisition have been amortised to the Profit and Loss Account as against past practice of considering the same as the carrying cost of investments.

As a result of such amortisation aggregating Rs. 355.2 million, computed on the basis of the yield to maturity as at the close of the year, the carrying costs of Investments are lower by an equivalent amount and the profit for the year being lower by Rs. 235.6 million, net of deferred tax asset amounting to Rs. 119.6 million.

10. Balances with Non-scheduled foreign banks:

	Name of Bank	Country	Balance as at 31st March (Rs. In Million)		Maximum Balance outstanding during the year (Rs. In Million)	
			2006	2005	2006	2005
1	Citi Bank	Indonesia	5.0	1.5	21.1	2.8
2	Standard Chartered Bank	Sri Lanka	0.2	—	0.4	—
3	Danamon	Indonesia	0.1	—	0.1	—
4	Standard Chartered Bank	Dubai	0.1	0.1	1.8	0.6
Total			5.4	1.6	23.4	3.4

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. 37.5 million** (Previous year Rs. 37.5 million) against use of premises on a Leave License basis, placed with Directors and their relatives, jointly and severally.

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

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

Particulars	Balance carried As at 31st March, 2005	Arising during the year	Arising on adjustments to General Reserve	Balance carried as at 31st March, 2006
Deferred Tax Liabilities:				
On account of timing difference in				
a) Depreciation and Amortisation	2,128.0	(225.9)	—	1,902.1
Total	2,128.0	(225.9)	—	1,902.1
Deferred Tax Assets:				
On account of timing difference in				
a) Voluntary Retirement Scheme costs	246.4	(23.8)		222.6
b) Inventory Valuation (Section 145 A of the Income Tax Act, 1956)	43.5	60.7		104.2
c) Diminution in the value of investments	61.8	6.9		68.7
d) Provision for bad and doubtful debts, DEPB, ICDs etc.	117.1	(0.1)		117.0
e) Provision for privilege leave etc.	76.9	3.4		80.3
f) Taxes, duties etc.	124.4	1.8		126.2
g) Short term Capital loss	58.9	—		58.9
h) Amortisation of premium / discount on acquisition of fixed income securities	—	119.6		119.6
i) Transitional adjustments on account of gratuity provisions	—	—	128.8	128.8
Total	729.0	168.5	128.8	1,026.3
Net	1,399.0	(394.4)	(128.8)	875.8

14. Gratuity liability was recognised as a retirement benefit expense each year, determined on the basis of the contributions demanded by Life Insurance Corporation of India (LIC), which LIC considered necessary to fund the accrued benefit obligations payable at a future date.

In view of the revision to Accounting Standard 15 - "Employee Benefits", mandatory in application with effect from 1st April 2006 and as a matter of prudence, the transitional liability as at 31st March 2006 (adoption date) has been determined with reference to the present value of the defined benefit obligation and fair value of plan assets aggregating Rs. 382.7 million and has been adjusted against the balance in the General Reserve net of deferred tax asset amounting to Rs. 128.8 million.

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, 2006:

- (a) Receivable within one year - **Rs. 15.2 million** (Rs. 13.7 million)
- (b) Receivable between one year and five years - **Rs. 60.7 million** (Rs. 2.7 million)
- (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, 2006:
- (a) Payable within one year- **Rs. 35.4 million** (Rs. 22.3 million)
 - (b) Payable between one year and five years- **Rs. 104.7 million** (Rs. 16.4 million)
 - (c) Payable after five years - **Rs. 6.2 million** (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. Amounts less than Rs. 50,000 have been shown at actuals against respective line items statutorily required to be disclosed.
19. Previous year's figures have been regrouped wherever necessary to make them comparable with those of the current year.
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Signature to Schedules "1" to "14"

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 : 19 May 2006	J. Sridhar Company Secretary	Kantikumar R. Podar D. J. Balaji Rao S.H. Khan Naresh Chandra Nanoo Pamnani	Directors

Annexure referred to in Note 8 in Schedule 14 to the Financial Statements for the year ended 31st March 2006

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 is recognized on the contract date.
- (4) Benefit on account of entitlement to import goods free of duty under the "Duty Entitlement Pass Book Scheme" is accounted in the year of export.

3) Fixed Assets and Depreciation

(A) Fixed Assets

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

(B) Depreciation and Amortisation:

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

Annexure referred to in Note 8 in Schedule 14 to the Financial Statements for the year ended 31st March 2006

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

Assets	Rate on Straight Line Method		Status As at 31 st March, 2006
	Over the primary Period of lease %	As Specified in Schedule XIV %	
Plant & Machinery			
High Efficiency Boiler	16.67	* 5.28	Fully Provided for
Dies and Moulds			
Primary period 3 years	33.33	11.31	Fully Provided for
Primary period 5 years	20.00	11.31	Fully Provided for

* at the rates applicable to Continuous Process machinery

- (c) On Pressure Die Casting (PDC) Dies:
Depreciation on certain PDC Dies is provided over the estimated economic life of the asset or at the rates specified in Schedule XIV to the Companies Act, 1956, whichever is higher, proportionate from the month they are put to use.
- (d) On other Fixed Assets
Depreciation on all assets is provided on 'Straight Line basis' in accordance with the provisions of Section 205 (2) (b) of the Companies Act, 1956 in the manner and at the rates specified in Schedule XIV to the said Act.
- 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

a) Technical know-how acquired

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

b) Technical know-how developed by the company

- 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 equally over its estimated life i.e. three years.

Annexure referred to in Note 8 in Schedule 14 to the Financial Statements for the year ended 31st March 2006

5) Investments

- a) Investments other than fixed income securities, are valued at cost of acquisition, less provision for diminution as necessary.
- b) Fixed income securities are from this year, carried at cost, less amortisation and provision for diminution as considered necessary. See Note 9 (c).
- c) Investments made by the Company are of a long-term nature. Hence diminutions in value of quoted Investments are generally not considered to be of a permanent nature, except current investments representing fixed income securities with a maturity less than 1 year are stated at cost adjusted for amortisation and diminution as considered necessary.
- d) The management has laid out guidelines for the purpose of assessing likely impairments in investments and for making provisions based on given criteria. Appropriate provisions are accordingly made which in the opinion of the management are considered adequate.

6) Inventories

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

- a) Finished stocks, Auto spare parts and Work-in-progress are valued at cost or net realisable value whichever is lower. Finished stocks lying in the factory premises, Branches, Depots are valued inclusive of excise duty.
- b) Stores and Tools are valued at cost arrived at on weighted average basis 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 on 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) Profits and losses arising from either cancellation or utilization of the contract and revalorizing the contract at the close of the year, are recognised in the profit and loss account as detailed in Note No. 4 (d) in Schedule 14 to the accounts.

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 expensed out upto the stage of completion. However, expenditure incurred at development phase, where it is reasonably certain that outcome of research will be commercially exploited to yield economic benefits to the company, is considered as an Intangible asset and accounted in the manner specified in clause 4 b) above.

Annexure referred to in Note 8 in Schedule 14 to the Financial Statements for the year ended 31st March 2006

9) Employee Benefits

a) Privilege Leave entitlements

Privilege leave entitlements are recognised as a liability, in the calendar year of rendering of service, as per the rules of the company, irrespective of encashment or availment. Being in the nature of unfunded long term benefits, the liability is recognised on the basis of the actual accumulated obligation.

b) Gratuity

Payment for present liability of future payment of gratuity is being made to approved Gratuity Fund, which fully covers the same under Cash Accumulation Policy of the Life Insurance Corporation of India. However, any deficits in Plan Assets managed by LIC as compared to the actuarial liability, from this year will be recognised as a liability immediately. (See note 14)

c) Superannuation

Defined Contribution to Superannuation fund is being made as per the Scheme of the Company.

d) Provident Fund Contributions

are made to Company's Provident Fund Trust. Deficits, if any, of the fund as compared to aggregate liability is additionally contributed by the company and recognised as an expense.

e) Defined Contribution to Employees Pension Scheme 1995

is made to Government Provident Fund Authority.

10) Taxation

a) Provision for Taxation

is made 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. However, in case of deferred tax assets (representing unabsorbed depreciation or carried forward losses) are recognised, if and only if there is virtual certainty that there would be adequate future taxable income against which such deferred tax assets can be realised. Deferred tax is recognised on adjustments to revenue reserves to the extent allowable as deductions in determination of taxable income and would reverse out in future periods.

11) Provisions

Necessary provisions are made for present obligations that arise out of events prior to the balance sheet date entailing future outflow of economic resources. Such provisions reflect best estimates based on available information.

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

Name of related party and Nature of relationship	Nature of transaction	2005-06		2004-05	
		Transaction Value	Outstanding amounts carried in the Balance Sheet	Transaction Value	Outstanding amounts carried in the Balance Sheet
		Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million
[a] Subsidiaries :					
Bajaj Auto Holdings Ltd. (Fully owned subsidiary)	Contribution to Equity [24,500 shares of Rs. 100 each]	—	2.4	—	2.4
	Loan refunded	49.5	—	144.5	48.5
	Loan taken	1.0	—	56.0	—
	Interest received	0.7	—	7.8	7.8
	Dividend received	—	—	17.3	—
Bajaj Allianz General Insurance Co. Ltd. (74 % shares held by Bajaj Auto Ltd.)	Contribution to Equity [81,437,000 shares of Rs. 10 each (Previous year 81,400,000 shares) of Rs. 10 each]	0.4	814.4	—	814.0
	Rent received	12.1	—	11.9	—
	Deposit received	—	11.8	0.5	12.3
	Insurance premia paid	49.0	2.5	36.5	1.8
	Insurance claims received	—	—	17.9	—
	Sale of 7.10% NCDs of Tata Sons Ltd.	—	—	53.1	—
	Services rendered	—	—	1.4	—
Bajaj Allianz Life Insurance Co. Ltd. (74 % shares held by Bajaj Auto Ltd.)	Contribution to Equity [111,173,012 shares (Previous year 111,058,238 shares) of Rs. 10 each]	1.1	1,111.7	0.1	1,110.6
	Rent received	0.1	—	0.1	—
	Premium paid	5.8	—	2.4	—
	Services rendered	2.7	1.3	2.0	—
	Sale of 7.10% NCDs of Tata Sons Ltd.	—	—	53.1	—
[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]	—	2.4	—	2.4
	Sale of CKD	111.3	7.6	91.9	—
	Sale of Machinery	—	—	0.7	—
	Sale of Bonds	—	—	609.1	—
	Technical knowhow fees received	4.8	—	4.5	—
	Dividend received	6.9	—	5.5	—
	Purchase of dies / fixtures	20.4	—	23.6	(5.2)
	Other purchases	3.1	—	—	—
	Services rendered	1.0	—	2.1	—
	Warranty paid	0.4	—	1.0	—
	Other credits	0.6	—	0.2	—

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

Name of related party and Nature of relationship	Nature of transaction	2005-06		2004-05	
		Transaction Value	Outstanding amounts carried in the Balance Sheet	Transaction Value	Outstanding amounts carried in the Balance Sheet
		Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million
Bajaj Auto Finance Ltd. (31.4 % shares held by Bajaj Auto Ltd.)	Contribution to Equity (6,597,060 shares of Rs. 10 each (Previous year 5,493,800 shares) of Rs. 10 each) Contribution to warrants (3,006,540 warrants of Rs.410 each Rs. 41 paid up) Loan refunded Loan taken Interest received Dividend received Subvention charges paid for finance scheme Services rendered Service incentive received Bad debts sharing Other debits Other Credits	441.9 123.3 259.0 300.0 9.4 41.2 101.4 3.7 — 10.8 0.2 0.5	661.1 123.3 — 41.0 — — — 1.0 — — — —	— — 100.0 100.0 0.9 33.0 42.0 2.3 0.2 — 0.3 —	219.2 — — — — — — — — — 0.1 —
Allianz AG	Nil	—	—	—	—
Western Maharashtra Development Corporation	Nil	—	—	—	—
[c] Directors & Relatives:					
Mr. Rahul Bajaj — Chairman (Also key management personnel)	Remuneration Commission Rent paid for premises Deposit paid against premises taken on lease	16.7 21.6 0.2 —	— 21.6 — 4.3	8.1 2.4 0.2 —	— 2.4 — 4.3
Mr. Madhur Bajaj — Wholetime Director (Also key management personnel)	Remuneration Commission Rent paid for premises Deposit paid against premises taken on lease	11.6 15.3 0.2 —	— 15.3 — 4.1	2.6 2.4 0.2 —	— 2.4 — 4.1
Mr. Rajiv Bajaj — Managing Director (Also key management personnel)	Remuneration Commission Rent paid for premises Deposit paid against premises taken on lease	8.1 13.5 0.2 —	— 13.5 — 4.3	2.7 1.8 0.2 —	— 1.8 — 4.3
Mr. Sanjiv Bajaj — Executive Director (Also key management personnel)	Remuneration Commission	5.2 9.9	— 9.9	5.4 —	— —
Rahul Kumar Bajaj (HUF)	Rent paid for premises Deposit paid against premises taken on lease	0.2 —	— 4.3	0.2 —	— 4.3
Kamalnayan Bajaj (HUF)	Rent paid for premises Deposit paid against premises taken on lease	0.2 —	— 4.3	0.2 —	— 4.3
Shekhar Bajaj — Non Executive Director	Commission Sitting fees Rent paid for premises Deposit paid against premises taken on lease	0.1 0.1 0.2 —	0.1 — — 4.1	0.1 0.1 0.2 —	0.1 — — 4.1

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	2005-06		2004-05	
		Transaction Value	Outstanding amounts carried in the Balance Sheet	Transaction Value	Outstanding amounts carried in the Balance Sheet
		Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million
Shekhar Bajaj (HUF)	Rent paid for premises	0.2	—	0.2	—
	Deposit paid against premises taken on lease	—	4.1	—	4.1
Ramkrishna Bajaj (HUF)	Rent paid for premises	0.2	—	0.2	—
	Deposit paid against premises taken on lease	—	4.1	—	4.1
Niraj Bajaj (HUF)	Rent paid for premises	0.2	—	0.2	—
	Deposit paid against premises taken on lease	—	4.1	—	4.1
[d] Key Management Personnel:					
Mr. D. S. Mehta — Whole time Director (Key management personnel)	Remuneration	1.6	—	1.6	—
[e] Enterprise over which any person described in (c) or (d) above is able to exercise significant influence:					
Mukand Ltd.	Contribution to Equity [3,741,815 shares (Previous year 2,000,345 shares) of Rs. 10 each]	157.6	219.6	(24.3)	62.0
	0.01% Redeemable Preference Shares [196,169 shares of Rs. 10 each]	—	2.0	—	2.0
	Redemption proceeds of 16% Secured Redeemable NCDs	—	—	—	14.8
	Interest received on NCDs	9.0	—	—	—
	Advances refunded	540.0	—	152.6	200.0
	Advance taken	340.0	—	320.0	—
	Interest received — others	14.6	—	8.5	—
	Purchases	—	—	2.0	—
	Purchases for Export	369.1	(175.2)	242.4	(232.8)
	Scrap Sale	10.7	—	6.6	—
	Other Debits	0.2	—	0.1	—
	Mukand International Ltd.	Agency Line Export sale	339.5	158.4	219.2
Other Debit		1.0	—	—	—
Bajaj Electricals Ltd.	Contribution to Equity [1,153,384 shares of Rs. 10 each]	—	88.8	(43.6)	88.8
	10 % Cumulative Non—participating Redeemable Preference Shares [3,000,000 shares of Rs. 10 each]	—	—	—	30.0
	Dividend received—Equity shares	3.5	—	4.7	—
	Dividend received—Preference shares	2.6	—	—	—
	Purchase / Processing of material	—	—	0.1	—
	Other credits	0.1	—	0.1	0.1
Hind Musafir Agency Ltd.	Services received	28.0	(0.2)	25.7	—

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	2005-06		2004-05	
		Transaction Value	Outstanding amounts carried in the Balance Sheet	Transaction Value	Outstanding amounts carried in the Balance Sheet
		Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million
Varroc Engg Pvt. Ltd.	Purchases	6,089.6	(782.6)	3,993.7	(380.8)
	Purchases of capital Goods	22.2	—	—	—
	Sale of Material	26.6	—	10.7	—
	Other debits	3.9	—	6.6	—
	Tooling advance given	—	1.1	1.1	1.1
	Warranty debits	5.9	—	7.7	—
Varroc Lighting	Purchases	593.6	(81.3)	360.7	(19.4)
	Sale of Material	0.9	—	—	—
	Tooling advance given	2.0	1.6	1.5	0.8
	Tooling advance recovered	1.2	—	0.8	—
	Warranty debits	0.2	—	0.1	—
	Contribution to Equity (300,000 shares of Rs.10 each)	—	3.0	—	3.0
Endurance Transmission (I) Pvt. Ltd.	Purchases	3,513.4	(389.1)	2,251.3	(193.9)
	Sale of Material	5.4	—	1.9	—
	Other debits	3.1	—	0.5	—
	Warranty debits	2.5	—	3.7	—
	Contribution to Equity (565,000 shares of Rs.10 each)	—	5.7	—	5.7
Endurance Systems (India) Pvt. Ltd.	Purchases	2,322.1	(255.0)	1,201.3	(112.5)
	Sale of Material	56.6	—	24.3	—
	Other debits	0.4	—	5.3	—
	Warranty debits	9.4	—	6.5	—
	Dividend received	0.7	—	0.6	—
Anurang Engg Co.Pvt. Ltd.	Purchases	1,263.6	(139.8)	852.7	19.6
	Sale of Material	82.5	—	4.6	—
	Other Debit	6.3	—	12.9	—
	Tooling advance given	100.0	99.7	—	81.0
	Tooling advance recovered	81.3	—	—	—
	Loan given	50.0	50.0	—	—
	Interest on Advance	2.0	—	0.4	—
	Other Credits	0.8	—	12.9	—
	Other Debit	0.1	—	0.1	—
Durovalves (I) Pvt. Ltd.	Purchases	346.5	(11.5)	250.8	(8.9)
	Warranty debits	—	—	0.1	—
	Other Debit	0.1	—	0.1	—
Mouldkraft (Hindustan) Pvt. Ltd.	Purchases	7.4	20.7	0.1	—
	Other Debit	27.8	—	—	—
Infin Machine Tools Pvt. Ltd.	Purchases	0.1	—	—	—
Mukand Global Finance Ltd.	Loan taken	—	—	—	140.0
	Loan refunded	100.0	40.0	—	140.0
	Interest Received	24.0	—	—	—
	Rent received	0.6	—	0.6	—
	Other credits	—	—	0.1	—

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	2005-06		2004-05	
		Transaction Value	Outstanding amounts carried in the Balance Sheet	Transaction Value	Outstanding amounts carried in the Balance Sheet
		Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million
Hind Lamps Ltd.	Loan refunded	40.0	—	—	40.0
	Interest Received	8.3	—	4.3	—
Bajaj Ventures Ltd.	Purchases	—	—	0.1	—
Bajaj Hindustan Ltd.	Contribution to Equity(8,560,532 shares of Rs.1 each, previous year 818,926 shares of Rs. 10 each)	61.4	135.4	—	74.0
	Dividend Received	4.3	—	3.3	—
	Services rendered	—	—	—	—
Mukand Engineers Ltd.	Purchases	—	—	0.2	—

Following is the list of related parties coming under (e) above, with whom Bajaj Auto Ltd. does not have any transactions during the financial year 2005-06

Anant Trading Co.
 Bachhraj & Co. Pvt. Ltd.
 Bachhraj Factories Pvt. Ltd.
 Bachhraj Trading Co.
 Bajaj International Pvt. Ltd.
 Bajaj Sevashram Pvt. Ltd.
 Bajaj Trading Co.
 Baroda Industries Pvt. Ltd.
 Benchmark Asset Management Co. Pvt. Ltd.
 Bhoopati Shikshan Pratisthan
 Catalyst Finance Ltd.
 Conquest Investments & Finance Ltd.
 Econium Investments & Finance Ltd.
 Friendly Financial Services Ltd.
 Fusion Investments & Financial Services Ltd.
 Hercules Hoists Ltd.
 Hospet Steels Ltd.
 Jammalal Sons Pvt. Ltd.
 Kamalnayan Investments & Trading Pvt. Ltd.
 Lineage Investments Ltd.
 Madhur Securities Pvt. Ltd.
 Mahakalp Arogya Pratisthan
 Niche Financial Services Pvt. Ltd.
 Niraj Holdings Pvt. Ltd.
 Primus Investments & Finance Ltd.
 Rahul Securities Pvt. Ltd.
 Rishabh Trading Co. (Formerly Kushagra Trading Co.)
 Shekhar Holdings Pvt. Ltd.
 Shishir Holdings Pvt. Ltd.
 Sikkim Janseva Pratisthan Pvt. Ltd.
 Yogesh Securities Pvt. Ltd.

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

(a) Primary Segment : Business Segment

	Automotive	Investments and Others	Insurance *	Consolidated
	Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million
Revenue *				
External Sales and Other Income	76,728.2	4,253.9	38,402.7	119,384.8
Inter segment Sales and Other Income	—	216.8	37.7	254.5
Total Revenue	76,728.2	4,470.7	38,440.4	119,639.3
Segment Result				
Interest Expense	11,826.9	4,142.0	(167.4)	15,801.5
Income Taxes	3.4	—	—	3.4
	—	—	—	5,093.7
Net Profit	11,823.5	4,142.0	(167.4)	10,704.4
Segment Assets				
Unallocated Corporate Assets	19,648.8	60,513.1	47,907.8	128,069.7
	—	—	—	18,678.1
Total Assets	19,648.8	60,513.1	47,907.8	146,747.8
Segment Liabilities				
Unallocated Corporate Liabilities	12,809.0	187.4	42,267.7	55,264.1
	—	—	—	22,507.0
Total Liabilities	12,809.0	187.4	42,267.7	77,771.1
Capital Employed	6,839.8	60,325.7	5,640.1	68,976.7
Capital Expenditure	2,052.4	13,314.5	25,884.8	41,251.7
Depreciation	1,618.3	294.4	237.5	2,150.2
Non Cash Expenses other than Depreciation	48.2	61.2	5.0	114.4

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

- a) Business segments of the consolidated group have been identified as distinguishable components that are engaged in a group of related product or services and that are subject to risks and returns different from other business segments. Accordingly Automotive, Insurance and Investment and others have been identified as the business segments.
- b) Secondary Segment : Geographic Segment
The geographic segments identified as secondary segments are "Domestic Market" and "Export Market". Since the Export market Revenue, is less than 10 % of the total, the same has not been disclosed. Capital employed overseas amounts to Rs. 3.6 million.

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
	Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million
Revenue *				
External Sales and Other Income	59,213.9	3,843.5	14,286.4	77,343.8
Inter segment Sales and Other Income	—	251.7	39.0	290.7
Total Revenue	59,213.9	4,095.2	14,325.4	77,634.5
Segment Result	7,233.4	3,877.8	402.1	11,513.3
Interest Expense	6.7	—	—	6.7
Income Taxes	—	—	—	3,493.2
Net Profit	7,226.7	3,877.8	402.1	8,013.4
Segment Assets	16,924.6	47,555.7	18,220.7	82,701.0
Unallocated Corporate Assets	—	—	—	18,222.4
Total Assets	16,924.6	47,555.7	18,220.7	100,923.4
Segment Liabilities	7,839.7	201.1	14,865.0	22,905.8
Unallocated Corporate Liabilities	—	—	—	19,952.3
Total Liabilities	7,839.7	201.1	14,865.0	42,858.1
Capital Employed	9,084.9	47,354.6	3,355.7	58,065.3
Capital Expenditure	1,058.8	7,461.7	9,458.0	17,978.5
Depreciation	1,562.0	294.6	217.1	2,073.7
Non Cash Expenses other than Depreciation	52.8	42.9	5.0	100.7

* Segment revenues for insurance business represents the premiums earned and other income. However, for the purpose of consolidated financials 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. 421.3 million prior to elimination of inter segment revenue amounting to Rs. 41.3 million for the year ended 31 March 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. 1.3 million.

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

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

I. REGISTRATION DETAILS		
Registration No.		4656
State Code		11
Balance Sheet date		31st March 2006
		<u>Rs. In Thousands</u>
II. CAPITAL RAISED DURING THE YEAR ENDED 31st MARCH 2006		
Public Issue		—
Rights Issue		—
Bonus Issue		—
Private Placement		—
Others		—
		<u>—</u>
III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS AS AT 31st MARCH 2006		Rs. In Thousands
Total liabilities		63,254,610
Total assets		63,254,610
SOURCES OF FUNDS		
Paid-up capital		1,011,835
Reserves and surplus		46,695,507
Secured loans		155
Unsecured loans		14,671,348
Deferred Tax Adjustments		875,765
		<u>63,254,610</u>
APPLICATION OF FUNDS		
Net Fixed Assets		11,558,402
Investments		58,569,729
Net Current Assets		(6,886,907)
Misc. Expenditure-Technical Know-how		13,386
		<u>63,254,610</u>
IV. PERFORMANCE OF THE COMPANY FOR THE YEAR ENDED 31st MARCH 2006		Rs. In Thousands
i) Turnover (sale of products and other income)		81,063,521
ii) Total Expenditure		65,256,040
iii) Profit before tax and extraordinary items		15,807,481
iv) Profit after tax		11,016,343
v) Expenses for earlier years		(216,407)
vi) Net Profit		11,232,750
vii) Earning per share Rs.(See Note 2)(Face Value Rs.10/-)		111.00
viii) Dividend Rate (%)		400%
V. PRODUCTS OF THE COMPANY		
Item Code No.		
(ITC Code)	: 8711	
Product Description	: Scooters, Autorikshaws, Motorcycles and Mopeds	

Notes :

- The above particulars should be read along with the balance sheet as at 31st March, 2006, the profit and loss account for the year ended on that date and the schedules forming part thereof.
- Earning per share is arrived at by dividing the Net Profit [Item IV(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	
	D. J. Balaji Rao	
	S.H. Khan	
	Naresh Chandra	
	Nanoo Pamnani	
	J. Sridhar	Company Secretary
Mumbai : 19 May 2006		

Cash Flow Statement

	2005-2006		2004-2005
	Rs. In Million	Rs. In Million	Rs. In Million
I. CASH FROM OPERATIONS:			
A) Profit before Taxation		15,807.4	10,864.4
B) Adjustments:			
Add:			
i) Depreciation	1,910.0		1,853.7
ii) Amount written off against Technical know-how	36.2		36.2
iii) Amount written off against Leasehold land	4.3		4.2
iv) Loss on Assets Sold, Demolished, Discarded and Scrapped	66.8		83.2
v) Provision for Diminution in Value of Investments	61.2		43.0
vi) Provision for Doubtful Debts, Advances & Investments	6.3		9.4
vii) Interest on cash credit	0.8		1.5
viii) Interest on Fixed Deposit	0.7		1.7
		2,086.3	2,032.9
		17,893.7	12,897.3
Less:			
i) Investment and Other Non-operating Income included in above:			
Dividends	321.3		330.1
Interest on Debenture and Bonds	712.7		605.6
Interest on Government Securities	1,944.0		1,280.7
Interest on Inter-Corporate Deposits and Others	141.8		104.9
Income from units of Mutual funds	225.1		24.3
Lease Rent	—		22.5
Profit on sale of leased assets	—		6.9
Profit/(Loss) on Sale of Investments, net	1,080.4		1,456.9
Surplus/(Loss) on Redemption of Treasury Bills, etc on maturity	91.3		(36.6)
Bad debts recovered	2.2		—
Provision for doubtful advances written back	4.0		—
Amortisation of premium/discount on acquisition of fixed income securities	(355.2)		—
	4167.6		3,795.3
ii) Surplus on Sale of Assets	70.5		65.4
iii) Expenses relating to earlier years	8.7		18.5
iv) Tax Credits in respect of earlier years	(225.1)		—
v) Income Tax, Wealth Tax and Dividend Tax paid	5,168.4		4,606.6
vi) Provision for Doubtful debts and Advances written back	5.4		2.8
		(9,195.5)	(8,488.6)
CASH FROM OPERATIONS		8,698.2	4,408.7
	Carried Forward	8,698.2	4,408.7

Cash Flow Statement (Contd.)

	2005-2006		2004-2005
	Rs. In Million	Rs. In Million	Rs. In Million
brought forward		8,698.2	4,408.7
C) (Increase)/Decrease in Current Assets			
i) Inventories	(487.6)		(216.1)
ii) Sundry Debtors	(1,253.3)		(425.7)
iii) Other Current Assets and Loans and Advances	(786.2)		(472.1)
	<u>(2,527.1)</u>		<u>(1,113.9)</u>
Increase/(Decrease) in Current Liabilities			
i) Liabilities	4,555.1		1,260.1
		<u>2,028.0</u>	<u>146.2</u>
NET CASH FROM OPERATIONS		<u>10,726.2</u>	<u>4,554.9</u>
II) INVESTMENT ACTIVITIES			
i) (Increase)/Decrease in Investment, net	(13,380.3)		(7,094.3)
ii) Capital Expenditure	(2,210.1)		(1,059.1)
iii) Sales Proceeds of Assets/Adjustment to Gross block	149.4		95.8
iv) Technical know-how	(9.0)		—
v) Lease Security Deposit	—		(6.9)
vi) (Increase)/Decrease in Deposits with Joint Stock Companies, Loan to Bajaj Auto Holdings Ltd and Bills purchased	143.5		241.0
	<u>(15,306.5)</u>		<u>(7,823.5)</u>
vii) Investment and other Non-operating Income included in above			
Dividends	321.3		330.1
Interest on Debenture and Bonds	712.7		605.6
Interest on Government Securities	1,944.0		1,280.7
Interest on Inter-Corporate Deposits and Others	141.8		105.0
Income from units of Mutual funds	225.1		24.3
Lease Rent	—		22.5
Profit on sale of leased assets	—		6.9
Profit/(Loss) on Sale of Investments, net	1,080.4		1,456.9
Surplus/(Loss) on Redemption of Treasury Bills, etc on maturity	91.3		(36.6)
Bad debts recovered	2.2		—
Provision for doubtful advances written back	4.0		—
(Increase)/decrease in non-operating income receivable & dues	(91.7)		74.9
	<u>4,431.1</u>		<u>3,870.3</u>
NET CASH FROM INVESTMENT ACTIVITIES		<u>(10,875.4)</u>	<u>(3,953.2)</u>
Carried forward		(149.2)	601.7

Cash Flow Statement (Contd.)

	2005-2006		2004-2005
	Rs. In Million	Rs. In Million	Rs. In Million
brought forward		(149.2)	601.7
III) FINANCING ACTIVITIES			
i) Cash Credit from Banks	0.2		—
ii) Interest on cash credit	(0.8)		(1.5)
iii) Repayment of Fixed Deposits	(9.5)		(9.3)
iv) Interest on Fixed Deposit	(0.7)		(1.7)
v) Increase in Unsecured Loans -Sales tax deferral liability	2,410.8		2,222.0
vi) Dividend Paid	(2,516.8)		(2,518.0)
NET CASH FROM FINANCING ACTIVITIES		(116.8)	(308.5)
NET CHANGE IN CASH & CASH EQUIVALENTS		(266.0)	293.2
Cash and Cash Equivalents as at 01.04.2005 [Opening Balance]		1,086.9	793.7
Cash and Cash Equivalents as at 31.03.2006 [Closing Balance]		820.9	1,086.9

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 : 19 May 2006

Rahul Bajaj	Chairman
Madhur Bajaj	Vice Chairman
Rajiv Bajaj	Managing Director
Sanjiv Bajaj	Executive Director
D.S. Mehta	} Directors
Kantikumar R. Podar	
D. J. Balaji Rao	
S.H. Khan	
Naresh Chandra Nanoo Pamnani	

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 2006	31st March 2006	31st March 2006
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.62.4 million	Profit Rs. 381.6 million	Loss Rs. 729.2 million
5 Net aggregate Profits or Losses for the previous financial years since becoming subsidiary so far as concern the Members of the Holding Company,not dealt with or provided for in the Accounts of the Holding Company	Profit Rs. 286.5 million	Profit Rs. 509.1 million	Loss Rs. 782.7 million
6 Net aggregate amounts received as dividends for previous financial years since becoming subsidiary dealt with in the accounts of the Holding Company in relevent years	Rs.106.2 million	Nil	Nil
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 : 19 May 2006	J. Sridhar Company Secretary	Kantikumar R. Podar D. J. Balaji Rao S.H. Khan Naresh Chandra Nanoo Pamnani	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, 2006, 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 for the year ended 31st March 2006 reflect total assets of **Rs. 351.4 million** (Previous Year Rs. 337.4 million) and total Revenues of **Rs. 65.7 million** (Previous Year Rs. 46.1 million) for the year then ended.

We have also, jointly with another firm of Chartered Accountants, audited the financial statements of Bajaj Allianz Life Insurance Company Limited whose financial statements reflect total assets of **Rs. 35,429.9 million** (Previous Year Rs. 10,411.0 million) and total a revenue for the year of **Rs. 106.9 million** (Previous year Rs. 88.3 million) and our opinion, in so far as it relates to the amounts included in respect of these subsidiaries, is based on our joint report.

However, the financial statements of Bajaj Allianz General Insurance Company Limited, a subsidiary, which reflect total assets of **Rs. 2,767.4 million** (Previous Year Rs. 1,824.2 million) and total a revenue for the year of **Rs. 837.7 million** (Previous year Rs. 775.6 million), have been audited by two independent firm of Chartered Accountants. Our opinion, in so far as it relates to the amounts included in respect of this subsidiary is based on their report.

We have also audited the Financial Statements of 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. 15,138.1 million** (Previous Year Rs. 9,560.9- million) and revenues of **Rs. 2,427.4 million** (Previous Year Rs. 1,691.0 million).

The financial statements of a Joint Venture company viz. Maharashtra Scooters Limited, which reflect a total assets of **Rs. 1,994.7 million** (Previous Year Rs. 1,841.1 million and revenues of **Rs. 422.8 million** (Previous Year Rs. 464.0 million), 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, 2006 and on the basis of the separate audited financial statements of Bajaj Auto Limited, it's 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 it's aforesaid subsidiaries, associates and Joint ventures, we are of the opinion that, read with Note No 9 relating to amortization of carrying costs of fixed income securities resulting in the profit for the year, being lower by Rs. 244.4 million as detailed in the said note and read together with the other notes thereon:

- 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, 2006; 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

ANISH AMIN
Partner
Membership No.40451

Mumbai : 19 May 2006

Consolidated Balance Sheet as at 31 March

		2006	2005
	Schedule	Rs. In Million	Rs. In Million
I. Sources of funds :			
1. Shareholders' Funds			
a) Capital	1	1,011.8	1,011.8
b) Reserves & Surplus	2	50,926.8	42,537.1
Fair value change account		71.4	28.1
			43,577.0
2. Policy Liabilities			4,056.7
3. Provision for Linked Liabilities			25,693.2
4. Funds for future appropriation in Policyholders' Account	3		682.3
5. Minority Interest			1,487.9
6. Loan Funds:			
a) Secured Loans	4	1.5	0.8
b) Unsecured Loans	5	14,692.9	12,290.9
			14,694.4
7. Deferred Tax liability (net)			875.8
	Total		99,500.3
			65,899.2
II. Application of Funds :			
1. Fixed Assets:			
a) Gross Block		30,397.0	28,568.2
b) Less: Depreciation		18,516.9	16,778.2
c) Net Block	6	11,880.1	11,790.0
d) Lease Adjustment Account-Plant and Machinery		175.0	175.0
		12,055.1	11,965.0
e) Capital Work in progress, expenditure to date (includes share of Capital Work in progress of joint ventures Rs. Nil Previous Year Rs. Nil)		252.6	91.4
			12,307.7
			259.8
2. Goodwill on investments in associates			13.4
3. Technical Know-how	7		40.6
4. Investments	8		68,654.3
5. Policyholders' Investments			4,766.1
6. Assets held to cover linked liabilities			25,693.2
7. Deferred Tax Assets		53.6	84.2
Share of deferred tax assets (net) of joint ventures		10.7	7.8
			64.3
8. Current Assets, Loans and Advances :	9		
a) Inventories		2,744.7	2,247.0
b) Sundry Debtors		3,025.4	1,769.7
c) Cash and Bank Balances		4,764.8	2,668.8
d) Other Current Assets		2,606.9	1,225.3
e) Loans and Advances		21,899.5	20,428.7
		35,041.3	28,339.5
Less : Current Liabilities and Provisions :	10		
a) Liabilities		20,355.5	12,292.1
b) Provisions		26,944.3	22,817.4
		47,299.8	35,109.5
Net Current Assets			(12,258.5)
9. Miscellaneous expenditure to the extent not written off	11		5.1
	Total		99,500.3
			65,899.2
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

J. Sridhar
Company Secretary

Mumbai : 19 May 2006

Rahul Bajaj

Chairman

Madhur Bajaj

Vice Chairman

Rajiv Bajaj

Managing Director

Sanjiv Bajaj

Executive Director

D.S. Mehta

Kantikumar R. Podar

D. J. Balaji Rao

S.H. Khan

Naresh Chandra

Nanoo Pamnani

Directors

Consolidated Profit and Loss Account for the year ended 31 March

		2006		2005
	Schedule	Rs. In Million	Rs. In Million	Rs. In Million
Income:				
Sales including Excise Duty		85,498.6		65,416.0
Share of Sales including excise duty of joint ventures		56.8		76.9
		<u>85,555.4</u>		<u>65,492.9</u>
Less:				
Excise Duty		10,804.8		8,176.4
Share of Excise Duty of joint ventures		8.4		11.3
		<u>10,813.2</u>		<u>8,187.7</u>
Net Sales		<u>74,742.2</u>		<u>57,305.2</u>
Wind power generated, mainly captively consumed		199.5		249.4
Other Income	12	6,535.8		5,942.7
Operating result from insurance business	13	645.4		643.0
Contribution to the policyholder fund		(1,085.5)		(451.2)
			<u>81,037.4</u>	<u>63,689.1</u>
Expenditure:				
Materials	14	53,281.5		40,946.8
Other Expenses	15	10,155.0		9,335.7
Interest	16	3.4		6.7
Depreciation		1,910.1		1,853.7
Share of depreciation of joint ventures		2.7		2.9
		<u>65,352.7</u>		<u>52,145.8</u>
Less: Expenses, included in above items, capitalised		<u>248.1</u>		<u>198.4</u>
		248.1		198.4
		65,104.6		51,947.4
Compensation Paid Under Voluntary Retirement Scheme		226.4		490.2
Share of VRS amortised of joint ventures		1.4		3.1
			<u>65,332.4</u>	<u>52,440.7</u>
Profit for the year before income from associates and taxation			15,705.0	11,248.4
Income from associates after tax (See note 5. D) 2.)			93.1	258.2
Profit before Provision for Taxation			<u>15,798.1</u>	<u>11,506.6</u>
Provision for Taxation [including Rs. 5.5 million for Wealth tax (Previous year Rs. 3.6 million)]				
Current tax		5,395.6		3,719.9
Deferred tax		(363.8)		(226.7)
Share of deferred tax of joint ventures		(2.4)		—
Fringe Benefit Tax		64.2		—
Share of Fringe Benefit Tax of joint ventures		0.1		—
			<u>5,093.7</u>	<u>3,493.2</u>
Profit for the year			<u>10,704.4</u>	<u>8,013.4</u>
Tax credits / (debits) pertaining to earlier years		225.1		—
Share of tax credits / (debits) pertaining to earlier years of joint ventures		3.1		(2.6)
			<u>228.2</u>	<u>(2.6)</u>
Prior Period adjustments:				
Expenses			8.7	18.5
			<u>10,923.9</u>	<u>7,992.3</u>
Minority Interest			(122.1)	26.9
			<u>11,046.0</u>	<u>7,965.4</u>
Adjustments on account of write down of deferred tax assets			—	(362.0)
Profits attributable to consolidated group			<u>11,046.0</u>	<u>7,603.4</u>
Transfer to Reserve fund in terms of Section 45-1C of the Reserve Bank of India Act, 1934			—	5.7
Transfer to General Reserve			6,431.0	4,711.3
Corporate Dividend Tax on interim dividend paid			—	2.0
Proposed Dividend			4,047.4	2,529.6
Corporate Dividend Tax thereon			567.6	354.8
Balance Carried to Balance Sheet			—	—
Notes forming part of the Accounts	17			
Basis and diluted Earnings Per Share (Rs.)			<u>109.2</u>	<u>78.7</u>
Nominal value per share (Rs.)			10	10
Net Profit (Rs. In Million)			<u>11,046.0</u>	<u>7,965.4</u>
Weighted average number of shares (In Millions)			<u>101.2</u>	<u>101.2</u>

As per our attached report of even date

Rahul Bajaj Chairman

For and on behalf of Dalal and Shah
Chartered Accountants

Madhur Bajaj Vice Chairman
Rajiv Bajaj Managing Director
Sanjiv Bajaj Executive Director

Anish Amin
Partner
Membership No. 40451

J. Sridhar
Company Secretary

D.S. Mehta
Kantikumar R. Podar
D. J. Balaji Rao
S.H. Khan
Naresh Chandra
Nanoo Pamnani
Directors

Mumbai : 19 May 2006

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, 2006

Schedule 1 - Share Capital

	As at 31 March 2005	
	Rs. In Million	Rs. In Million
Authorised:		
150,000,000 Shares of Rs.10 each	1,500.0	1,500.0
Issued,Subscribed and Paid up:		
* 101,183,510 Equity Shares of Rs.10 each	1,011.8	1,011.8
	1,011.8	1,011.8

Notes

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

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 2,320,561 (3,235,879)

Schedule 2 - Reserves and Surplus

	As at 31 March 2005			
	Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million
Capital redemption reserve :				
As per last account			182.1	182.1
Share premium				
As per last account				730.2
(Share of share premium of subsidiary)		870.7		
Received during the year		1,987.1		140.5
			2,857.8	870.7
Reserve Fund in terms of Section 45-1C of Reserve Bank of India Act, 1934				
As per last account		25.3		19.5
Set Aside this Year		—		5.8
			25.3	25.3
General Reserve:				
As per last account		41,434.0		36,729.5
Add: Share of accumulated reserves of associate for the year		235.6		—
Less:				
Dividend tax on distribution of reserve by Associate		(8.0)		(5.8)
Dividend tax on distribution of reserve by joint ventures		(1.0)		(0.7)
Dividend tax on distribution of reserve by subsidiary		—		(0.3)
Transitional adjustment for Gratuity Liability, Net of deferred tax		(253.9)		—
Share of Transitional adjustment for Gratuity Liability of joint venture, Net of deferred tax		(1.1)		—
Add:				
Set aside this year	6,394.1			4,692.3
Share of profit/(loss) of joint ventures for the year	36.9			19.0
		6,431.0		4,711.3
			47,836.6	41,434.0
Capital Reserve arising on consolidation of joint ventures			25.0	25.0
Total			50,926.8	42,537.1

Schedule 3 - Policyholders Account

	As at 31 March 2005	
	Rs. In Million	Rs. In Million
Premiums Earned -Net		
(a) Premium	31,335.8	10,016.8
(b) Reinsurance ceded	(53.6)	(36.4)
(c) Reinsurance accepted	—	—
Sub-Total	<u>31,282.2</u>	<u>9,980.4</u>
Income from Investment		
(a) Interest, Dividend & Rent - Gross	211.1	85.6
(b) Profit on sale / redemption of investments	106.6	2.4
(c) Loss on sale / redemption of investments	(5.3)	(3.7)
Other Income		
Interest on overdue premium	12.8	7.5
Unit Linked Fund Administration / Management charges	218.1	28.0
Others	59.4	17.5
Contribution from the Shareholders Account	1,085.5	451.2
Sub-total	<u>1,688.2</u>	<u>588.5</u>
Total (A)	<u>32,970.4</u>	<u>10,568.9</u>
Commission	3,418.7	1,458.4
Operating Expenses related to Insurance Business	4,868.1	2,143.9
Provision for doubtful receivables	—	10.7
Provision for FBT	41.0	—
Total (B)	<u>8,327.8</u>	<u>3,613.0</u>
Benefits Paid (Net)	6,534.8	565.1
Interim Bonuses Paid	1.2	0.3
Change in valuation of liability against life policies in force		
(a) Gross	1,912.3	1,362.0
(b) Fund Reserve	15,576.1	5,054.8
(c) Amount ceded in Reinsurance	—	—
(d) Amount accepted in Reinsurance	—	—
Total (C)	<u>24,024.4</u>	<u>6,982.2</u>
Surplus / (Deficit) (D) = (A) - (B) - (C)	618.2	(26.3)
Surplus as per Last Balance Sheet	64.1	66.9
Surplus of joint venture now classified as a subsidiary	—	23.5
	<u>682.3</u>	<u>64.1</u>
Appropriations		
Reserve for lapsed unit linked policies unlikely to be revived (Refer Schedule 17 Note 4 A) e) and Note 5. A) 1.)	117.8	—
Balance being funds for future appropriation	564.5	64.1
Total	<u>682.3</u>	<u>64.1</u>

Schedule 4 - Secured Loans

	As at 31 March 2005	
	Rs. In Million	Rs. In Million
From Banks, against hypothecation of Stores, Raw Materials Finished Goods, Stock in Process and Book Debts		
Cash Credit	0.2	—
Share of cash credit of joint ventures	1.3	0.8
Total	1.5	0.8

Schedule 5 - Unsecured Loans

	As at 31 March 2005	
	Rs. In Million	Rs. In Million
Sales tax deferral Liability/ Loan under Package Scheme of Incentives 1983,1988 and 1993	14,663.2	12,252.4
Share of sales tax deferral liability / loan of joint ventures	21.6	21.0
Fixed Deposits	8.1	17.5
Total	14,692.9	12,290.9

Schedule 6 - Fixed Assets

Particulars	Gross Block (a)				Depreciation				Net Block		
	As at 31st March, 2005	Change in Opening Balance *	As at 31st March, 2005	Additions	Deductions and Adjustments	As at 31st March, 2005	Deductions and Adjustments	For the Year (c)	Upto 31st March, 2006	As at 31st March, 2006	As at 31st March, 2005
	Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million
Land Freehold	86.0	—	86.0	—	—	—	—	—	—	86.0	86.0
Land Leasehold	359.6	—	359.6	10.2	4.3	365.5	—	—	—	365.5	359.6
Buildings (b) & (d)	2,522.2	—	2,522.2	231.9	5.5	2,748.6	778.3	69.9	844.1	1,904.5	1,743.9
Lease hold Improvements	191.1	—	191.1	86.3	—	277.4	92.6	47.4	140.0	137.4	98.5
Waterpumps, Reservoirs and Mains	55.4	—	55.4	4.1	(0.1)	59.6	29.9	2.7	32.6	27.0	25.5
Plant & Machinery	15,686.7	—	15,686.7	1,234.7	243.5	16,677.9	10,320.3	1,197.7	11,306.7	5,371.2	5,366.4
Dies & Jigs	3,116.1	—	3,116.1	237.8	209.7	3,442.2	1,924.7	319.5	2,104.5	1,039.7	1,191.4
Electric Installations	422.6	—	422.6	28.9	5.2	446.3	233.8	15.2	249.0	197.3	188.8
Factory Equipments	1,224.2	—	1,224.2	99.8	47.5	1,276.5	599.5	91.0	662.3	614.2	624.7
Furniture, Fixtures, Office equipment etc	575.9	—	575.9	135.7	17.9	693.7	331.6	69.5	385.2	308.5	244.3
Electric Fittings	105.5	—	105.5	14.0	—	119.5	66.8	3.6	70.4	49.1	38.7
Vehicles & Aircraft	366.4	—	366.4	308.0	27.1	647.3	160.7	40.2	188.6	458.7	205.7
Wind Energy Generators	2,839.2	—	2,839.2	—	2.0	2,837.2	1,222.7	293.5	1,516.2	1,321.0	1,616.5
Leased Assets :-											
Plant & Machinery	875.0	—	875.0	—	—	875.0	875.0	—	875.0	—	—
Dies & Moulds	142.3	—	142.3	—	—	142.3	142.3	—	142.3	—	—
Total	28,568.2	—	28,568.2	2,391.4	562.6	30,397.0	16,778.2	2,150.2	18,516.9	11,880.1	11,790.0
Share of fixed assets of joint ventures	68.3	—	68.3	0.6	1.0	67.9	35.2	0.8	37.0	30.9	33.1
Previous Year Total	27,713.5	213.6	27,927.1	1,324.2	683.1	28,568.2	15,189.1	2,073.7	16,778.2	11,790.0	
Share of fixed assets of joint ventures - Previous Year	74.1	—	74.1	0.6	6.4	68.3	38.4	6.1	35.2	33.1	

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

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

ii) Includes Premises on ownership basis Rs. 53.8 million represented by 66 equity shares and 182 debentures of the face value of Rs. 660/- and Rs. 18.9 million respectively.

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

d) Includes office premises given on lease Rs. 82.5 million. Accumulated depreciation Rs. 7.6 million. Depreciation for the years Rs. 1.3 million.

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

* In accordance with a 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.

Schedule 7 - Technical Know-How

	As at 31 March 2005	
	Rs. In Million	Rs. In Million
(I) Acquired by the company		
As per last account	38.4	72.3
Less: Written off	34.0	33.9
	<u>4.4</u>	<u>38.4</u>
(II) Developed by the company		
As per last account	6.7	6.7
Less:		
Written off / amortised upto last account	4.5	2.2
Written off / amortised during the year	2.2	2.3
	<u>6.7</u>	<u>4.5</u>
	—	2.2
Development in Progress	9.0	—
Development in Progress	9.0	2.2
Total	<u>13.4</u>	<u>40.6</u>

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

	As at 31 March 2005		
	Rs. In Million	Rs. In Million	Rs. In Million
In Government and Trust Securities		33,136.4	29,077.6
In fully Paid Preference Shares		485.2	621.2
In Equity Shares			
Long Term: Associate Company	1,833.5		1,387.8
Others	8,026.2		6,374.4
Share of joint ventures	203.2		203.2
		<u>10,062.9</u>	<u>7,965.4</u>
In Debentures, Bonds and Secured Premium Notes	8,917.9		13,715.5
Share of joint ventures	—		152.7
		<u>8,917.9</u>	<u>13,868.2</u>
In Bonds	10,299.0		—
Share of joint ventures	178.7		—
		<u>10,477.7</u>	<u>—</u>
In Mutual Fund Units	4,921.1		1,606.7
Share of joint ventures	52.8		62.4
		<u>4,973.9</u>	<u>1,669.1</u>
In Certificate of Deposits		1,046.8	—
In Warrants		123.3	—
		<u>69,224.1</u>	<u>53,201.5</u>
Less: Provision for diminution in value of Investments		669.8	613.2
		<u>68,554.3</u>	<u>52,588.3</u>
Add: Application Money for investment in Shares and Bonds		100.0	150.0
Total		<u>68,654.3</u>	<u>52,738.3</u>

Schedule 9 - Current Assets, Loans and Advances

	As at 31 March 2005			
	Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million
(a) Inventories:				
Stores, at cost *		64.9		54.5
Share of stores of joint ventures		0.1		0.2
Tools, at cost *		129.7		126.6
Share of tools of joint ventures		0.1		0.2
Stock-in-trade, at cost or market value whichever is lower :				
Raw Materials and Components		696.3		841.4
Share of raw materials and components of joint ventures		0.1		0.7
Work-in-progress [including factory made components Rs. 260.7 million (Previous Year Rs. 141.0 million)]		434.0		234.3
Share of work-in-progress of joint ventures		3.8		3.3
Finished Goods:				
Vehicles		879.2		759.8
Share of vehicles of joint ventures		11.2		0.8
Auto Spare parts, etc.		396.2		225.2
As valued and certified by Management		2,615.7		2,247.0
Goods in transit, at cost to date		129.0		—
			2,744.7	2,247.0
(b) Sundry Debtors, Unsecured:				
Outstanding for a period exceeding six months :				
Good	1.4			2.0
Share of good debtors of joint ventures	9.9			—
	11.3			2.0
Doubtful	19.7			18.4
Less: Provision	19.7			18.4
	—			—
		11.3		2.0
Others, Good		3,014.1		1,761.5
Share of other debts of joint ventures		—		6.2
			3,025.4	1,769.7
(c) Cash and Bank Balances:				
Cash on hand				
[including cheques on hand				
Rs. 438.9 million				
(Previous year Rs. 373.8 million)]		507.1		425.7
Remittances in Transit		—		1.5
Bank Balances:				
With scheduled banks :				
* * In current accounts		3,566.3		1,888.4
Share of current bank accounts of joint ventures		1.0		1.8
In margin deposits		22.5		12.0
In fixed deposits		662.5		337.8
		4,252.3		2,240.0
With Other Banks:		5.4		1.6
			4,764.8	2,668.8
Carried over			10,534.9	6,685.5

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

	As at 31 March 2005			
	Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million
Brought over			10,534.9	6,685.5
(d) Other Current Assets, good: (Unless otherwise stated)				
Dividend and Interest receivable on Investments				
Good	421.6			252.1
Doubtful	51.1			51.1
Less : Provision	51.1			51.1
	—			—
		421.6		252.1
Outstanding Premiums		265.7		141.9
Interest receivable on Loans etc:				
Good	6.4			3.8
Doubtful	109.0			109.0
Less : Provision	109.0			109.0
	—			—
		6.4		3.8
Export Incentives Receivable		590.6		604.2
Credit receivable for Windpower generated Agent's Balances	19.5	34.5		61.7
Less: Provision for Doubtful Recoveries	4.2			3.0
		15.3		14.0
Dues from other entities carrying on insurance business		1,272.8		147.6
			2,606.9	1,225.3
(e) Loans and Advances, unsecured, good : (Unless otherwise stated)				
\$ Loan to Bajaj Auto Finance Limited - an associate company		41.0		—
\$ Loan to Mukand Ltd - a company in which Directors are interested		—		200.0
Loan to others		153.1		144.4
Deposits with Joint Stock Companies: [Including Rs.92.1 million secured against pledge of Securities (Previous Year Rs. 100 million)]				
Good	142.5			452.0
Doubtful	169.5			—
Less : Provision	169.5			173.5
	—			(173.5)
		142.5		278.5
Carried over		336.6		622.9
Carried over			13,141.8	7,910.8

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

	As at 31 March 2005			
	Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million
Brought over			13,141.8	7,910.8
(e) Loans and Advances, unsecured, good: (Contd.)				
Brought over		336.6		622.9
Advances Recoverable in Cash or in kind or for value to be received:				
@ Others, Good	2,335.0			1,165.3
Share of advances recoverable of joint ventures	11.4			11.1
Doubtful	40.1			37.6
Less : Provision	40.1			37.6
	—			—
		2,346.4		1,176.4
Balances with Customs and Central Excise Departments		238.7		77.6
Share of balances with excise departments of joint ventures		0.4		0.2
Sundry Deposits		282.2		225.8
Deposit pursuant to Section 7 of Insurance Act, 1938		0.1		88.7
Tax paid in Advance		18,686.3		18,229.3
Share of taxes paid in advance of joint ventures		7.7		6.7
Others (Deposit with IDBI)		1.1		1.1
			21,899.5	20,428.7
Total			35,041.3	28,339.5

* 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. 97,500 (Previous Year Rs. 112,500)
Maximum balance outstanding during the year Rs. 112,500 (Previous Year Rs. 127,500)

\$ Maximum amount outstanding during the year Rs. 300 million and Rs. 200 million respectively

Schedule 10 - Current Liabilities and Provisions

	As at 31 March 2005		
	Rs. In Million	Rs. In Million	Rs. In Million
(a) Liabilities:			
Sundry Creditors:			
Other than small scale industrial undertakings	14,032.4		8,329.1
Share of other creditors of joint ventures	11.6		9.5
		14,044.0	8,338.6
Advances against Orders		205.3	229.0
Share of advance against orders of joint ventures		27.5	27.5
Unclaimed Dividends		51.6	38.8
Share of unclaimed dividends of joint ventures		0.7	0.8
Deposit from Dealers and others		218.1	217.8
Share of deposits from dealers and others of joint ventures		1.0	0.9
Unclaimed amount on Debentures redeemed		—	1.6
Interest accrued but not due on loans		0.1	0.3
		14,548.3	8,855.3
Agent's Balances	783.1		280.5
Balances due to other insurance companies	264.6		415.6
Premiums received in advance	106.4		141.3
Unallocated Premiums	462.2		259.9
Claims Outstanding	2,616.6		1,414.2
Solatium Fund	5.4		83.7
Premium Deficiency	48.7		19.4
Temporary overdraft as per books of accounts only	414.1		413.5
Premium & Other Deposits	1,106.1		408.7
		5,807.2	3,436.8
		20,355.5	12,292.1
(b) Provisions:			
Provision for Warranty	270.0		140.0
Share of provision for warranty of joint ventures	-		0.1
Provision for Gratuity	382.7		-
Share of provision for gratuity of joint ventures	1.7		-
Provision for Taxation	17,900.5		17,139.1
Share of provision for taxation of joint ventures	0.8		3.4
Proposed Dividend	4,047.4		2,529.6
Corporate Dividend Tax thereon	567.6		354.8
Reserve for unexpired risk	3,773.6		2,650.4
		26,944.3	22,817.4
Total		47,299.8	35,109.5

Schedule 11 - Miscellaneous expenses to the extent not written off

	As at 31 March 2005	
	Rs. In Million	Rs. In Million
Preliminary expenses	—	3.7
Share of unamortised VRS amount of joint venture	—	1.4
	—	5.1

Schedule 12 - Other Income

			Previous Year
	Rs. In Million	Rs. In Million	Rs. In Million
Workshop Receipts		4.9	4.2
Technical Know-how		4.6	4.6
Royalty		3.7	2.4
Dividends:			
Other		302.2	302.0
Interest			
On Government Securities	1,944.0		1,280.7
On Debentures and Bonds	712.7		605.6
On Loans	54.8		31.0
Other	441.7		326.7
	3,153.2		2,244.0
Less : Amortisation of premium/discount on acquisition of fixed income securities	334.5		—
Less : Share of amortisation of premium / discount on acquisition of fixed income securities of joint venture	2.1		—
		2,816.6	2,244.0
Income From Units of Mutual Funds		225.1	24.3
Leasing Business			
Lease Rent		—	22.5
Rent		3.3	2.3
Insurance Claims		1.3	1.9
Export Incentives		831.9	1,036.8
Miscellaneous Receipts		606.5	525.3
Share of Miscellaneous receipts of joint ventures		0.7	0.8
Surplus on Sale of Assets		70.6	65.4
Profit on Sale of Investments, net		1,170.8	1,501.3
Surplus on redemption of securities		91.3	-
Share of profit on sale / redemption of investments of joint ventures (net)		15.8	10.7
Bad Debts Recovered		2.4	5.4
Sundry Credit balances appropriated		27.3	—
Provisions for Doubtful Debts and Advances written back	6.5		9.7
Less : Written back on account of amounts written off during the year, as per contra	1.1		6.9
		5.4	2.8
Provision for diminution in value of investment written back		4.5	5.6
Provisions no longer required		346.6	179.2
Share of provision no longer required of joint ventures		0.3	1.2
Total		6,535.8	5,942.7

Schedule 13 - Revenue Account for the period ended 31 March 2006

	Previous Year	
	Rs. In Million	Rs. In Million
Premiums earned - (Net)	5,863.7	3,709.1
Profit /Loss on sale/redemption of Investments (Net)	38.2	53.4
Other Income - miscellaneous income	9.2	7.7
Provision no longer required written back	—	0.2
Amortisation of discount / (premium)	61.2	54.8
Exchange rate difference gain	—	(0.8)
Interest, Dividend & Rent-Gross	289.3	177.1
	<u>397.9</u>	<u>292.4</u>
	<u>6,261.6</u>	<u>4,001.5</u>
Claims incurred (Net)	4,099.9	2,263.3
Contribution to Solatium Fund	(69.9)	34.6
Commission	(622.2)	(419.4)
Change in Premium Deficiency	29.3	0.7
Operating Expenses related to Insurance Business	2,179.1	1,479.3
	<u>5,616.2</u>	<u>3,358.5</u>
Operating Profit/(Loss) from Insurance Business	645.4	643.0
Balance carried to Profit and Loss Account	645.4	643.0

Schedule 14 - Materials

	Rs. In Million	Rs. In Million	Previous Year Rs. In Million
(a) Raw materials and components consumed	51,313.8		39,155.6
Share of raw material and components consumed of joint ventures	44.6		46.3
		51,358.4	39,201.9
(b) Finished Goods purchases			
Two Wheelers	0.3		0.1
Auto Spare-Parts	2,034.4		1,351.5
Steel and Engineering Products, for export	375.4		265.2
		2,410.1	1,616.8
(c) Excise duty on increase / (decrease) in stocks of finished goods, at Plant	12.2		13.4
Share of Excise duty on increase / (decrease) in stocks of finished goods, at Plant of joint ventures	1.8		(1.0)
		14.0	12.4
(d) (Increase)/Decrease in Stocks			
Stocks at close:			
Work in progress [including factory made components Rs. 260.7 million - (Previous Year Rs. 141 million)]	434.0		234.3
Share of work in progress of joint ventures	3.8		3.3
Finished Goods	879.2		759.8
Share of finished goods of joint ventures	11.2		0.8
Auto Spare Parts	396.2		225.2
	1,724.4		1,223.4
Less: Stocks at commencement			
Work in progress [including factory made components Rs. 141 million - (Previous Year Rs. 101.2 million)]	234.3		162.8
Share of work in progress of joint ventures	3.3		1.9
Finished Goods	759.8		921.2
Share of finished goods of joint ventures	0.8		6.9
Auto Spare Parts	225.2		246.3
	1,223.4		1,339.1
		(501.0)	115.7
Total		53,281.5	40,946.8

Schedule 15 - Other Expenses

	Rs. In Million	Rs. In Million	Previous Year Rs. In Million
Stores and tools consumed		742.3	629.7
Share of stores & tools consumed of joint ventures		0.6	0.5
Power, fuel and water		590.9	547.9
Share of power, fuel and water of joint ventures		2.4	2.3
Repairs:			
Buildings and Roads	248.7		113.4
Share of building repairs of joint ventures	0.1		0.1
Machinery	498.8		450.9
Share of machinery repairs of joint ventures	0.3		0.3
Other	25.3		18.7
Share of other repairs of joint ventures	0.3		0.3
		773.5	583.7
Employees' Emoluments:			
Salaries,wages,bonus etc.	2,208.1		2,022.5
Share of salaries, wages, bonus etc. of joint ventures	19.7		19.6
Contribution to Provident and other funds and schemes	291.3		233.2
Share of contribution to funds and schemes of joint ventures	2.6		2.4
Welfare expenses	240.6		232.5
Share of welfare expenses of joint ventures	1.3		1.3
		2,763.6	2,511.5
Rent		31.9	27.0
Share of rent of joint ventures		—	0.1
Rates and taxes		18.8	13.2
Share of rates and taxes of joint ventures		0.1	0.1
Share of insurance of joint ventures		0.2	0.2
Auditors' Remuneration		5.4	4.5
Share of auditors' remuneration of joint ventures		0.1	0.1
Directors' fees and travelling expenses		1.8	2.0
Managing Director's remuneration			
Salary	4.5		3.0
Commission	13.5		4.2
		18.0	7.2
Wholetime Directors' remuneration			
Salary	17.0		4.2
Commission	46.8		2.4
		63.8	6.6
Commission to Non Executive Directors		1.4	1.5
Miscellaneous expenses		951.5	859.1
Share of miscellaneous expenses of joint ventures		1.0	1.4
Carried over		5,967.3	5,198.6

Schedule 15 - Other Expenses

			Previous Year
	Rs. In Million	Rs. In Million	Rs. In Million
Brought over		5,967.3	5,198.6
Sales tax / VAT expenses		261.8	135.8
Packing,forwarding etc.		882.3	780.8
Share of packing, forwarding etc. of joint ventures		—	1.9
Advertisement		1,069.8	1,438.7
Share of advertisement of joint ventures		—	0.1
Vehicle service charges and other expenses		1,051.7	936.9
Share of vehicle service charges and other expenses of joint ventures		0.7	1.0
Commission and Discount		68.6	59.3
Incentives & Sales Promotion		297.4	153.3
Royalty		296.2	324.9
Donations		60.1	50.4
Contribution to Prime Minister's National Relief Fund		—	20.0
Bad debts and other irrecoverable debit balances written off	1.5		7.4
Less:Provisions made in earlier years in respect of amounts written off during the year, adjusted as per contra	1.1		6.9
		0.4	0.5
Loss on assets sold,demolished,discarded and scrapped		66.8	83.2
Share of loss on assets sold etc. of joint ventures		—	—
Loss on redemption of securities		17.5	45.4
Provision for Doubtful Debts and Advances		6.3	16.6
Provision for Diminution in Value of Investments		61.2	42.9
Investment Write Down		—	0.8
Amount written off against Technical Know-how		36.2	36.2
Share of technical know-how fees of joint ventures		1.0	1.0
Amount written off against leasehold land		4.3	4.2
Preliminary expenses written off		5.4	—
Share of Preliminary expenses written off of joint ventures		—	3.2
Total		10,155.0	9,335.7

Schedule 16 - Interest

			Previous Year
	Rs. In Million	Rs. In Million	Rs. In Million
Interest:			
Fixed Loans		0.7	1.7
Others		2.7	5.0
Total		3.4	6.7

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.

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	41.51%	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 financial statements of the insurance companies have been consolidated, to the extent possible in the format as adopted by the parent, as required by Accounting Standard AS-21 "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.
2. Notes to these Consolidated Financial Statements are intended to serve as a means of informative disclosure and a guide to better understanding of the consolidated position of the companies. Recognising this purpose, the Company has disclosed only such Notes from the individual financial statements, which fairly present the needed disclosures.
3. No adjustments have been made to the financial statements of the two insurance subsidiaries on account of diverse accounting policies as the same, being insurance companies, have been prepared under a regulated environment in contrast to those of Bajaj Auto Ltd, and hence not practicable to do so. Also differences in accounting policies followed by the other entities consolidated have been reviewed and no adjustments have been made, since the impact of these differences is not significant.
4. **Significant Accounting Policies followed by Subsidiaries, Joint Ventures and Associates, to the extent, different from the parent.** (The accounting policies of the parent are best viewed in its independent financial statements, Note no 8 of schedule 14).

A) Bajaj Allianz Life Insurance Company Limited

Significant Accounting Policies followed by the Company

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.

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

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

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

Income earned on investments

Interest income is recognised on an accrual basis.

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

Premium or discount on acquisition, as the case may be, in respect of fixed income securities, pertaining to non-linked investments is 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 determined 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 net 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 premium

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

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 recoveries are accounted for in the same period as the related claims and netted off against the claim expense incurred.

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

Note No. 4. (Contd.)

Bajaj Allianz Life Insurance Company Limited (Contd.)

Repudiated claims disputed before judicial authorities are provided for based on the best judgement of the management considering the facts and evidence 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 incurred. Accounting for additional first year commission is done on an accrual basis, after considering estimated lapsations. Claw back of the first year commission paid, in future, if any, will be accounted for in the year in which it is recovered.

e) Liability for life policies

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

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

f) Investments

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

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

i) Classification

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

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

Deficits in the Policyholders' Revenue Accounts determined at the close of the year are funded by transferring shareholder investments.

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

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

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

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

Note No. 4. (Contd.)

Bajaj Allianz Life Insurance Company Limited (Contd.)

iii) Valuation – linked business

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

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

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

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

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

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

iv) Transfer of investments

Transfer of investments from Shareholders' Fund to the Policyholders' Fund is at cost or market price; whichever is lower, except for

Policyholders' Fund where fund size does not exceed Rs. 50 crores. Such transfers are carried at market price.

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

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

g) Loans

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

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.

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

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

Note No. 4. (Contd.)

Bajaj Allianz Life Insurance Company Limited (Contd.)

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

i) **Interim Bonus**

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

j) **Provisions and Contingent liabilities**

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

k) **Service Tax**

Service Tax liability on taxable premium is setoff against available service tax credits from service tax payments made for Insurance Auxiliary and other eligible services. Unutilised credits if any are carried forward under "Advances and other Assets" for adjustments setoff in subsequent periods. CENVAT asset has been carried forward on the estimated certainty of their availability or sufficiency of amounts retained from agents and available for adjustment. The remaining unutilized credits have been recognized as operating expenses related to insurance business, deferred to be recognized as income, as and when they are utilized.

B) Bajaj Allianz General Insurance Company Limited

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 ('the Regulations'), 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 ('ICAI') (to the extent applicable) and current practices prevailing in the Insurance industry.

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

b. **Revenue recognition**

Premium

Premium, including reinstatement 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.

Interest / dividend income

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

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

Note No. 4. (Contd.)

Bajaj Allianz General Insurance Company Limited (Contd.)

Premium / discount on purchase of investments

Premium or discount on acquisition, as the case may be, in respect of fixed income securities, is 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

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

Commission on Reinsurance Ceded

Commission received on reinsurance ceded is 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 and as intimated by reinsurer.

c. Reinsurance ceded

Reinsurance cost, in respect of proportional reinsurance, is accrued at policy inception. Non-proportional reinsurance cost is recognized when incurred and due. 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, subject to a minimum of 100% in case of Marine Hull business and 50% in case of other businesses based on net premium earned for the year as required by Section 64 V(1)(ii)(b) of the Insurance Act, 1938. (Also refer 4. B) n).

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. The Company considers maintenance costs as relevant costs incurred for ensuring claim handling operations.

h. Claims incurred

Claims are recognized as and when reported. Claims paid (net of recoveries including salvage retained by the insured) are charged to the respective revenue account when approved for payment. Where salvage is retained by

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

Note No. 4. (Contd.)

Bajaz Allianz General Insurance Company Limited (Contd.)

the Company, the recoveries from sale of salvage are recognised at the time of sale. Provision is made for estimated value of outstanding claims at the balance sheet date net of reinsurance, salvage and other recoveries. Such provision is made on the basis of the ultimate amounts that are likely to be paid on each claim, established by the management in light of past experience and modified for changes as appropriate.

Amounts received/receivable from the re-insurers, under the terms of the reinsurance arrangement, are 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.

i. IBNR and IBNER (Claims Incurred but not reported and claims incurred but not enough reported):

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

j. Income from investments and other income

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

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

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

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

Note No. 4. (Contd.)

Bajaj Allianz General Insurance Company Limited (Contd.)

i. 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 in the revenue accounts and profit & loss account over the period held to maturity /holding.

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 first in first out cost basis.

Equities (Listed & Actively Traded):

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

The realised gain or loss on the listed & actively traded equities is the difference between the sale consideration and the cost as on the date of sale determined on first in first out cost basis and included the accumulated changes in the fair value previously recognized in the fair value change account in respect of the particular security which is transferred to the Profit and Loss account on the trade date.

Mutual Fund Units

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

The realised gain or loss on 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 and included the accumulated changes in the fair value previously recognized in the fair value change account in respect of the particular security which is transferred to the Profit and Loss account on the trade date.

Fair Value Change account represents unrealised 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' funds 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.

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

Note No. 4. (Contd.)

Bajaj Allianz General Insurance Company Limited (Contd.)

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 31 December 2005 as per the last provisional statement. 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 Solatium and Environment Relief funds as per requirement of regulations/circulars.

C) Bajaj Auto Finance Limited

Significant accounting policies followed by the Company

Depreciation on assets relating to Leasing Business:

Depreciation on Assets relating to Leasing Business is being provided at the rates worked on Straight Line Method over the primary period of Lease as stated in the lease agreement or at the rates specified in Schedule XIV to the Companies Act, 1956, whichever is higher.

Assets	Rates on Straight Line Method	
	Over the Primary Period of lease %	As specified in Schedule XIV %
Plant and Machinery:		
Electrostatic precipitation system	10.00	5.28
Boiler	14.29	5.28
Furnace	16.67	5.28
Heat Pumps		
Primary period 5 years	20.00	4.75
Computers		
Primary Period 3 Years	33.33	16.21
Primary Period 5 Years	20.00	16.21
Primary Period 6 Years	16.67	16.21
Primary Period 7 Years	14.29	16.21
Others	20.00	4.75
Furniture & Fittings & Home Appliances	20.00	6.33

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

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

A) Bajaj Allianz Life Insurance Company Limited

1. Actuarial Valuation

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

Non-linked business is reserved using a prospective gross premium method of valuation. The non-linked business is predominantly participating and reserves are established having regard to assumptions as to future experience, including the interest that will be earned on premiums not yet received, together with associated bonus rates. Regular premium participating business is reserved using an interest rate of 7.25% per annum which compares with a rate of 7% per annum used at 31 March 2005.

Single premium participating business is reserved using a rate of 6.25% per annum compared with 5.75% per annum as used at 31 March 2005. The rate is determined after having regard to the yield being obtained on relevant matching assets.

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

Linked business is reserved using the 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.

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

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.

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

Note No. 5. (Contd.)

Bajaj Allianz Life Insurance Company Limited (Contd.)

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

2. Expenses directly attributable to shareholders are charged to the Shareholders' Account.
3. At the year-end the shareholders transferred funds to Policyholders' Account, to make good the deficit, which existed in the Policyholders' Account. The transfer by the shareholders is irreversible in nature and shall not be recouped by the shareholders in the future. The necessary approvals of the shareholders for the said transfer has been taken at the Extra Ordinary General Meeting of the shareholders held on 5 May 2006.
4. Reinsurance is in place on lives where cover is in excess of the Company's retention limit and this has been reflected in the Accounts.

B) Bajaj Allianz General Insurance Company Limited

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

Where sufficient data is available, the actuary has chosen to adopt the chain ladder method. The chain ladder method has accordingly been applied to such lines of business, which constitute over 90% (Previous year - 93%) 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.

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

C) Maharashtra Scooters Limited

1. On 31st March 2006, the Company has announced that geared scooter production will cease from April 2006, since CKD packs are not available as Bajaj Auto Ltd., has stopped production of geared scooters. The Company continues to produce pressure die casting and shall continue to sell 2,402 scooters in stocks in the next couple of months. The Company is exploring different alternatives available in this situation and various options are under consideration.

D) Bajaj Auto Finance Limited

1. The company has received show cause notices from Central Excise – Service Tax Cell, for recovery of Service Tax on the income from Hire Purchase Financing business of the Company for the period from 16th July, 2001 to 31st March, 2005 amounting to Rs. 260.6 million. The Company has obtained an opinion from legal counsel in this regard and accordingly is of the opinion that there will be no liability of Service Tax on the income arising from its financing business.
2. The company has during the year revised the basis of determination of taxable income arising from financial lease transactions, with retrospective effect. As a result, the provision for tax (including deferred tax) for the financial year ended 31st March, 2006 has been enhanced by Rs.164.9 million and for the past two years by Rs. 166.1 million respectively.

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

6. Consolidated Contingent Liability:

		As at 31st March, 2006 (Rs. In Million)	As at 31st March, 2005 (Rs. In Million)
(i)	Sales Bills Discounted	18.0	16.6
(ii)	Claims against the Company not acknowledged as debts (Including Rs. 0.2 million (previous year Rs. 0.3 million being share of Joint Ventures and Associates)	2,379.8	2,371.2
(iii)	Guarantees given by the Company to HDFC - for loans to Employees (Including Rs. Nil (previous year Rs. Nil) being share of Joint Ventures)	21.9	35.8
(iv)	Taxes, duties and other sums due (Including Rs. 19.8 million (previous year Rs. 17.8 million) being share of Joint Ventures)	3,204.7	2,711.8
(v)	Claims made by temporary workmen	Liability unascertained	362.3
(vi)	Claims, under policies, not acknowledged as debts	5.6	10.1
(vii)	Uncalled liability on Partly Paid Investments	24.6	17.5

7.

Particulars	As at 31st March, 2006 (Rs. In Million)	As at 31st March, 2005 (Rs. In Million)
Capital Commitments to the extent not provided for, net of advances (including Rs. 1.4 million - (previous year Rs. 0.9 million) being share of Joint ventures and Associates)	991.6	1,043.0

8. Deferred Taxes

Particulars	As at 31st March, 2006 (Rs. In Million)	As at 31st March, 2005 (Rs. In Million)
Liabilities (including Rs. 7.1 million (previous year Rs 7.3 million) being share of Joint ventures)	1,909.2	2,135.4
Assets (including Rs. 18.5 million (previous year Rs. 15.1 million) being share of Joint ventures)	1,097.7	828.4
Net	811.5	1,307.0

9. In view of the continuing increase in deployment of surplus funds into fixed income securities, the management of Bajaj Auto Limited and Maharashtra Scooters Limited from this year, as a matter of prudence considers such investments as "deemed to be held to maturity" and accordingly premium / discount on acquisition have been amortised to the Profit and Loss Account as against past practice of considering the same as the carrying cost of investments.

As a result of such amortisation aggregating Rs. 364 million, computed on the basis of the yield to maturity as at the close of the year, the carrying costs of Investments are lower by an equivalent amount and the profit for the year being lower by Rs. 244.4 million, net of deferred tax asset amounting to Rs. 119.6 million.

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

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

Particulars	For 2005-06 (Rs. In Million)	For 2004-05 (Rs. In Million)
From Operating Activities	30,885.0	13,536.7
From Investment Activities	(31,305.0)	(12,702.6)
From Financing Activities	2,515.4	(228.9)
Net Change	2,095.4	605.2
Cash & Cash Flow Equivalents at the beginning of the year	2,255.3	1,650.1
Cash & Cash Flow Equivalents at the end of the year	4,350.7	2,255.3

11. Consequent to an issue and allotment of Equity Share Capital by Bajaj Auto Finance Limited (an associate), privately placed with Bajaj Auto Limited and other investors in January 2006, Bajaj Auto Limited's holding stood diluted thereafter. Consequently the share of profits of associates are proportionate to holdings during the year. Impact of such dilutions has been given effect to in the consolidated general reserves and investments.
12. 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.
13. 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

J. Sridhar
Company Secretary

Mumbai : 19 May 2006

Rahul Bajaj

Chairman

Madhur Bajaj

Vice Chairman

Rajiv Bajaj

Managing Director

Sanjiv Bajaj

Executive Director

D.S. Mehta

Kantikumar R. Podar

D. J. Balaji Rao

S.H. Khan

Naresh Chandra

Nanoo Pamnani

Directors

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

Name of related party and Nature of relationship	Nature of transaction	2005-06		2004-05	
		Transaction Value	Outstanding amounts carried in the Balance Sheet	Transaction Value	Outstanding amounts carried in the Balance Sheet
		(Rs. In Million)	(Rs. In Million)	(Rs. In Million)	(Rs. In Million)
[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]	—	2.4	—	2.4
	Sale of CKD	111.3	7.6	91.9	—
	Sale of Machinery	—	—	0.7	—
	Sale of Bonds	—	—	609.1	—
	Technical knowhow fees received	4.8	—	4.5	—
	Dividend received	6.9	—	5.5	—
	Purchase of dies / fixtures	20.4	—	23.6	(5.2)
	Other purchases	3.1	—	—	—
	Services rendered	1.0	—	2.1	—
	Warranty paid	0.4	—	1.0	—
	Other credits	0.6	—	0.2	—
Bajaj Auto Finance Ltd. (31.4 % shares held by Bajaj Auto Ltd.)	Contribution to Equity [6,597,060 shares of Rs. 10 each (Previous year 5,493,800 shares) of Rs. 10 each]	441.9	661.1	—	219.2
	Contribution to warrants (3,006,540 warrants of Rs.410 each Rs. 41 paid up)	123.3	123.3	—	—
	Loan refunded	259.0	—	100.0	—
	Loan taken	300.0	41.0	100.0	—
	Interest received	9.4	—	0.9	—
	Dividend received	41.2	—	33.0	—
	Subvention charges paid for finance scheme	101.4	—	42.0	—
	Services rendered	3.7	1.0	2.6	—
	Service incentive received	—	—	0.2	—
	Bad debts sharing	10.8	—	—	—
	Support charges for insurance business	16.4	—	8.7	1.0
	Insurance premia paid	1.0	—	0.7	—
	Insurance claims received	0.2	—	0.1	—
	Unallocated premium	—	4.3	—	—
	Other debits	0.3	—	0.3	0.1
	Other Credits	0.5	—	—	—
Allianz AG	Contribution to equity of BALICL	2,319.1	3,885.9	189.9	1,566.8
	Contribution to equity of BAGICL	366.7	652.7	—	286.0
	Development & training fees for Opus	9.8	—	5.0	—
	Licence fees for Opus	14.9	—	14.5	—
	Pre—Paid Licence fees for Opus	14.9	—	—	—
	Billable expenses incurred on behalf of Allianz AG	3.1	(11.0)	1.5	(1.3)
	Software Consultancy Fees	19.1	—	—	—
Allianz Versicherungs-AG-Germany	Reinsurance premium paid/payable	9.2	0.4	16.1	1.4
	Commission on reinsurance received/receivable	2.1	—	3.6	—
	Claims recovery on reinsurance	0.3	—	3.5	—

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	2005-06		2004-05	
		Transaction Value	Outstanding amounts carried in the Balance Sheet	Transaction Value	Outstanding amounts carried in the Balance Sheet
		(Rs. In Million)	(Rs. In Million)	(Rs. In Million)	(Rs. In Million)
Allianz CP General Ins Co. Ltd	Reinsurance premium received/receivable	20.5	(15.7)	0.2	—
	Commission on reinsurance paid/payable	1.0	—	—	—
	Software Consultancy Fees	1.2	(1.6)	2.0	(0.4)
Allianz AG Reinsurance, branch Asia Pacific	Reinsurance premium paid/payable	717.0	(209.9)	617.2	(10.4)
	Reinsurance claims receivable	8.0	—	—	—
	Commission on reinsurance received/receivable	237.4	—	243.9	2.1
	Claims recovery on reinsurance	1,044.3	—	148.9	9.5
	No claim Bonus on XOL premium	—	—	10.0	—
	Portfolio Premium withdrawal	163.1	—	125.8	—
	Portfolio Claims withdrawal	52.9	—	29.9	—
	Portfolio Premium Entry	108.7	—	99.8	—
Portfolio Claims Entry	35.2	—	23.9	—	
Assurances Generales de France (M/s AGF)	Reinsurance premium paid/payable	20.3	13.9	10.0	(0.2)
	Commission on reinsurance received/receivable	5.1	—	2.5	—
Euler Hermes UK Plc	Reinsurance premium paid/payable	18.5	0.1	20.0	0.1
	Commission on reinsurance received/receivable	1.7	—	1.5	—
	Claims recovery on reinsurance	1.8	—	11.3	—
Euler Hermes Cr Uwr (Hong Kong)	Reinsurance premium paid/payable	1.6	—	—	—
	Commission on reinsurance received/receivable	0.1	—	—	—
	Claims recovery on reinsurance	0.6	—	0.6	—
Allianz Marine and Aviation Versicherungs AG	Reinsurance premium paid/payable	8.1	—	10.4	3.4
	Commission on reinsurance received/receivable	1.6	—	2.1	—
	Claims recovery on reinsurance	—	—	1.1	—
Allianz AG Branch Asia Pacific	Billable expenses incurred on behalf of AZAP	4.7	(3.0)	1.6	(2.3)
Allianz Insurance Company- Guangzhou Branch, China	Software Consultancy Fees	—	1.9	0.3	1.9
	Billable expenses incurred on behalf of Allianz China	—	(0.3)	0.1	(0.3)
Allianz Srilanka	Income from Management Consultancy	—	—	1.4	(1.4)
Allianz Ost-West Allianz, Moscow	Income from Software Consultancy	18.7	(3.4)	0.4	(0.4)
Allianz - Rosno- Moscow	Income from Software Consultancy	2.6	—	0.2	—
Allianz Ins Co of Singapore - PTE	Reinsurance premium paid/payable	0.1	—	—	—
Allianz Cornhill Ins - PLC	Reinsurance premium paid/payable	0.4	—	—	—
Allianz Elementar Versicherungs	Reinsurance premium paid/payable	0.1	—	—	—
	Commission on reinsurance received/receivable	0.1	—	—	—
AGF IART - Franch	Reinsurance premium paid/payable	0.1	—	—	—
	Commission on reinsurance received/receivable	0.1	—	—	—

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	2005-06		2004-05	
		Transaction Value	Outstanding amounts carried in the Balance Sheet	Transaction Value	Outstanding amounts carried in the Balance Sheet
		(Rs. In Million)	(Rs. In Million)	(Rs. In Million)	(Rs. In Million)
Euler Hermes Cr Insurance (S) Ltd.	Reinsurance premium paid/payable	17.3	14.5	—	—
	Commission on reinsurance received/receivable	2.8	—	—	—
	Billable expenses incurred on behalf of Euler Hermes	6.7	(6.7)	—	—
Allianz Insurance Management Asia Pacific Pte. Ltd.	Revenue expenditure incurred on behalf of Allianz Insurance Management Asia Pacific Pte. Ltd.	0.4	—	2.7	—
	Reimbursement of Salary	—	—	5.2	—
Western Maharashtra Development Corporation	Nil	—	—	—	—
[c] Directors & Relatives:					
Mr. Rahul Bajaj	Remuneration	16.7	—	8.1	—
- Chairman	Commission	21.6	21.6	2.4	2.4
(Also key management personnel)	Rent paid for premises	0.2	—	0.2	—
	Deposit paid against premises taken on lease	—	4.3	—	4.3
Mr. Madhur Bajaj	Remuneration	11.6	—	2.6	—
- Wholetime Director	Commission	15.3	15.3	2.4	2.4
(Also key management personnel)	Rent paid for premises	0.2	—	0.2	—
	Deposit paid against premises taken on lease	—	4.1	—	4.1
Mr. Rajiv Bajaj	Remuneration	8.1	—	2.7	—
- Managing Director	Commission	13.5	13.5	1.8	1.8
(Also key management personnel)	Rent paid for premises	0.2	—	0.2	—
	Deposit paid against premises taken on lease	—	4.3	—	4.3
Mr. Sanjiv Bajaj - Executive Director	Remuneration	5.2	—	5.4	—
(Also key management personnel)	Commission	9.9	9.9	—	—
Rahul Kumar Bajaj (HUF)	Rent paid for premises	0.2	—	0.2	—
	Deposit paid against premises taken on lease	—	4.3	—	4.3
Kamalayan Bajaj (HUF)	Rent paid for premises	0.2	—	0.2	—
	Deposit paid against premises taken on lease	—	4.3	—	4.3
Shekhar Bajaj	Commission	0.1	0.1	0.1	0.1
- Non Executive Director	Sitting fees	0.1	—	0.1	—
	Rent paid for premises	0.2	—	0.2	—
	Deposit paid against premises taken on lease	—	4.1	—	4.1
Shekhar Bajaj (HUF)	Rent paid for premises	0.2	—	0.2	—
	Deposit paid against premises taken on lease	—	4.1	—	4.1
Ramkrishna Bajaj (HUF)	Rent paid for premises	0.2	—	0.2	—
	Deposit paid against premises taken on lease	—	4.1	—	4.1
Niraj Bajaj (HUF)	Rent paid for premises	0.2	—	0.2	—
	Deposit paid against premises taken on lease	—	4.1	—	4.1

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	2005-06		2004-05	
		Transaction Value	Outstanding amounts carried in the Balance Sheet	Transaction Value	Outstanding amounts carried in the Balance Sheet
		(Rs. In Million)	(Rs. In Million)	(Rs. In Million)	(Rs. In Million)
[d] Key Management Personnel :					
Mr. D. S. Mehta - Whole time Director (Key management personnel)	Remuneration	1.6	—	1.6	—
Mr. Dipak Poddar (Managing Director-BAFL)	Remuneration	3.8	1.2	1.5	0.3
	Dividend paid	0.7	—	0.6	—
Mr. C. S. Ravindran (President - BAFL)	Remuneration	5.7	—	4.6	—
	Staff loan recovery	0.4	0.3	0.1	0.7
Mr. Sam Ghosh (CEO-BALICL)	Remuneration	7.1	(1.8)	6.5	(3.5)
Mr. Kamesh Goyal (CEO-BAGICL)	Remuneration	7.0	—	6.4	—
[e] Enterprise over which any person described in (c) or (d) above is able to exercise significant influence:					
Mukand Ltd.	Contribution to Equity [3,741,815 shares (Previous year 2,000,345 shares) of Rs. 10 each]	157.6	219.6	(24.3)	62.0
	0.01% Redeemable Preference Shares [196,169 shares of Rs. 10 each]	—	2.0	—	2.0
	Redemption proceeds of 16% Secured Redeemable NCDs	—	—	—	14.8
	Interest received on NCDs	9.0	—	—	—
	Advances refunded	540.0	—	152.6	200.0
	Advance taken	340.0	—	320.0	—
	Interest received - others	14.6	—	8.5	—
	Purchases	—	—	2.0	—
	Purchases for Export	369.1	(175.2)	242.4	(232.8)
	Scrap Sale	10.7	—	6.6	—
	Insurance premia paid	0.2	—	11.8	—
	Insurance claims received	1.4	—	5.7	—
	Other Debits	0.2	—	0.1	—
	Risk inspection fees received	—	—	0.7	—
Mukand International Ltd.	Agency Line Export sale	339.5	158.4	219.2	—
	Other Debit	1.0	—	—	—
Bajaj Electricals Ltd.	Contribution to Equity [1,153,384 shares of Rs. 10 each]	—	88.8	(43.6)	88.8
	10 % Cumulative Non-participating Redeemable Preference Shares [3,000,000 shares of Rs. 10 each]	—	—	—	30.0
	Dividend received-Equity shares	3.5	—	4.7	—
	Dividend received-Preference shares	2.6	—	—	—
	Purchase / Processing of material	—	—	0.1	—
	Insurance premia paid	11.0	—	6.6	—
	Insurance claim received	45.4	—	1.8	—
	Other credits	0.1	—	0.1	0.1
Hind Musafir Agency Ltd.	Services received	28.1	(0.2)	25.7	—
Varroc Engg Pvt. Ltd.	Purchases	6,089.6	(782.6)	3,993.7	(380.8)
	Purchases of capital Goods	22.2	—	—	—
	Sale of Material	26.6	—	10.7	—
	Other debits	3.9	—	6.6	—
	Tooling advance given	—	1.1	1.1	1.1
	Warranty debits	5.9	—	7.7	—

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	2005-06		2004-05	
		Transaction Value	Outstanding amounts carried in the Balance Sheet	Transaction Value	Outstanding amounts carried in the Balance Sheet
		(Rs. In Million)	(Rs. In Million)	(Rs. In Million)	(Rs. In Million)
Varroc Lighting	Purchases	593.6	(81.3)	360.7	(19.4)
	Sale of Material	0.9	—	—	—
	Tooling advance given	2.0	1.6	1.5	0.8
	Tooling advance recovered	1.2	—	0.8	—
	Warranty debits	0.2	—	0.1	—
Endurance Transmission (I) Pvt. Ltd.	Contribution to Equity (300,000 shares of Rs.10 each)	—	3.0	—	3.0
	Purchases	3,513.4	(389.1)	2,251.3	(193.9)
	Sale of Material	5.4	—	1.9	—
	Other debits	3.1	—	0.5	—
	Warranty debits	2.5	—	3.7	—
Endurance Systems (India) Pvt. Ltd.	Purchases	2,322.1	(255.0)	1,201.3	(112.5)
	Sale of Material	56.6	—	24.3	—
	Other debits	0.4	—	5.3	—
	Warranty debits	9.4	—	6.5	—
Anurang Engg Co.Pvt. Ltd.	Purchases	1,263.6	(139.8)	852.7	19.6
	Sale of Material	82.5	—	4.6	—
	Other Debit	6.3	—	12.9	—
	Tooling advance given	100.0	99.7	—	81.0
	Tooling advance recovered	81.3	—	—	—
	Loan given	50.0	50.0	—	—
	Interest on Advance	2.0	—	0.4	—
	Other Credits	0.8	—	12.9	—
Durovalves (I) Pvt. Ltd.	Contribution to Equity(565,000 shares of Rs.10 each)	—	5.7	—	5.7
	Dividend received	0.7	—	0.6	—
	Purchases	346.5	(11.5)	250.8	(8.9)
	Warranty debits	—	—	0.1	—
	Other Debit	0.1	—	0.1	—
Mouldkraft (Hindustan) Pvt. Ltd.	Purchases	7.4	20.7	0.1	—
	Other Debit	27.8	—	—	—
Infin Machine Tools Pvt. Ltd.	Purchases	0.1	—	—	—
Mukand Global Finance Ltd.	Loan taken	—	—	—	140.0
	Loan refunded	100.0	40.0	—	—
	Interest Received	24.0	—	—	—
	Rent received	0.6	—	0.6	—
	Other credits	—	—	0.1	—
Hind Lamps Ltd.	Loan refunded	40.0	—	—	40.0
	Interest Received	8.3	—	4.3	—
Bajaj Ventures Ltd.	Purchases	—	—	0.1	—
Bajaj Hindustan Ltd.	Contribution to Equity(8,560,532 shares of Rs.1 each, previous year 818,926 shares of Rs. 10 each)	61.4	135.4	—	74.0
	Dividend Received	4.3	—	3.3	—
Mukand Engineers Ltd.	Purchases	—	—	0.2	—
	Insurance premia paid	0.2	—	0.3	—

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

Name of related party and Nature of relationship	Nature of transaction	2005-06		2004-05	
		Transaction Value	Outstanding amounts carried in the Balance Sheet	Transaction Value	Outstanding amounts carried in the Balance Sheet
		(Rs. In Million)	(Rs. In Million)	(Rs. In Million)	(Rs. In Million)

Following is the list of related parties coming under (e) above, with whom Bajaj Auto Limited; does not have any transactions during the financial year 2005-06.

Anant Trading Co.
 Bachhraj & Co. Pvt. Ltd.
 Bachhraj Factories Pvt. Ltd.
 Bachhraj Trading Co.
 Bajaj International Pvt. Ltd.
 Bajaj Sevashram Pvt. Ltd.
 Bajaj Trading Co.
 Baroda Industries Pvt. Ltd.
 Benchmark Asset Management Co. Pvt. Ltd.
 Bhoopati Shikshan Pratisthan
 Catalyst Finance Ltd.
 Conquest Investments & Finance Ltd.
 Econium Investments & Finance Ltd.
 Friendly Financial Services Ltd.
 Fusion Investments & Financial Services Ltd.
 Hercules Hoists Ltd.
 Hospet Steels Ltd.
 Jammalal Sons Pvt. Ltd.
 Kamalnayan Investments & Trading Pvt. Ltd.
 Lineage Investments Ltd.
 Madhur Securities Pvt. Ltd.
 Mahakalp Arogya Pratisthan
 Niche Financial Services Pvt. Ltd.
 Niraj Holdings Pvt. Ltd.
 Primus Investments & Finance Ltd.
 Rahul Securities Pvt. Ltd.
 Rishabh Trading Co. (Formerly Kushagra Trading Co.)
 Shekhar Holdings Pvt. Ltd.
 Shishir Holdings Pvt. Ltd.
 Sikkim Janseva Pratisthan Pvt. Ltd.
 Yogesh Securities Pvt. Ltd.

Financial information of Subsidiaries for the year ended March 31, 2006

Particulars	Bajaj Auto Holdings Ltd.	Bajaj Allianz General Insurance Co. Ltd	Bajaj Allianz Life Insurance Co.Ltd
	Rs. In Million	Rs. In Million	Rs. In Million
(a) Paid -Up Share Capital	2.5	1,100.5	1,502.3
(b) Share Premium	—	366.6	3,495.3
Other reserves	348.9	1,300.3	(2,042.4)
(c) Total Assets	351.4	2,767.4	35,429.9
(d) Total Liabilities	351.4	2,767.4	35,429.9
(e) Investments*	287.0	7,580.2	2,780.9
(f) Turnover/Operating result	65.7	837.7	106.9
(g) Profit Before Taxation	64.8	818.3	(985.4)
(h) Provision for Taxation	2.4	302.6	—
(i) Profit After Taxation	62.4	515.7	(985.4)
(j) 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") and US Generally Accepted Accounting Principles ("US GAAP") of Bajaj Auto Limited and its subsidiaries ("the Company") as of March 31, 2006 and 2005, 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.

As explained in note 2, the Company has restated the Reconciliation as of and for the year ended March 31, 2005.

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

KPMG

Mumbai : 19 May 2006

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	2005	2006	2006
		Restated		
1. Reconciliation of consolidated shareholders' equity				
Consolidated shareholders' equity as reported under Indian GAAP	1	43,577	52,010	1,160,419
US GAAP adjustments increasing/(decreasing) consolidated shareholders' equity as reported under Indian GAAP				
Export incentives	2	(383)	(346)	(7,720)
Equity method of accounting	3	(271)	(518)	(11,557)
Accounting for investments	4	(607)	(177)	(3,949)
Unrealised investment gains/(losses), net of tax effect	4	7,958	15,098	336,859
Fixed assets and depreciation	5	(403)	(276)	(6,158)
Non-monetary exchange of asset	6	(80)	(78)	(1,740)
Retirement benefits	7	—	310	6,917
Share warrants	8	—	594	13,253
Premium on insurance venture	9	(858)	(780)	(17,403)
Deferred taxes	10	(115)	(199)	(4,440)
Proposed dividend (including dividend tax thereon)	11	2,884	4,615	102,967
Consolidated shareholders' equity in conformity with US GAAP		51,702	70,253	1,567,448

* Solely for the convenience of the reader and without any representation on rates used, the reconciliation as of March 31, 2006 have been translated into United States dollars at \$ 1 = Rs 44.82 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	2005	2006	2006
2. Reconciliation of consolidated net income				
		Restated		
Consolidated net income as reported under Indian GAAP	1	7,603	11,046	246,452
US GAAP adjustments increasing/(decreasing) consolidated net income as reported under Indian GAAP				
Export incentives	2	(383)	37	826
Equity method of accounting	3	(636)	(53)	(1,182)
Accounting for investments	4	283	430	9,594
Fixed assets and depreciation	5 & 6	120	129	2,878
Retirement benefits	7	—	56	1,249
Share warrants	8	—	159	3,548
Premium on insurance venture	9	78	78	1,740
Deferred taxes	10	42	(84)	(1,874)
Consolidated net income in conformity with US GAAP		7,107	11,798	263,231
3. Basic and diluted earnings per share				
		(Rs.)	(Rs.)	(US \$)
Based on consolidated net income in conformity with US GAAP	12	70.24	116.60	2.60
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, 2006 have been translated into United States dollars \$ 1 = Rs 44.82 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 2006 and 31 March 2005

1. Basis of preparation of the Reconciliation

Bajaj Auto Limited ('the Company') prepares its consolidated financial statements in rupees in accordance with Indian GAAP, which differ in certain respects from US GAAP. The significant differences between Indian GAAP and US GAAP, which impact consolidated shareholders' equity and consolidated net income as of March 31, 2006 and 2005 and for the years then ended respectively, are shown as reconciling amounts in the Reconciliation. Such significant differences between Indian GAAP and US GAAP are discussed below.

2. Export incentives

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

Under Indian GAAP, such target based export incentives are recognized in the year of exports when it is determined that the Company is entitled to the incentive and has the ability to utilise the same.

While the Company has the ability to utilise these target based export incentives in future, keeping in view the absence of transferability of such benefit to a third party, the Company reassessed the policy of recognition of such target based export incentives under US GAAP and determined that these incentives would be recognized as income in the year when the goods are imported and the benefit is utilised.

Accordingly, the Company has restated the Reconciliation as of and for the year ended March 31, 2005 to exclude such target based export incentives amounting to Rs. 383 million from the consolidated net income and consolidated shareholders' equity. Related deferred tax asset amounting to Rs. 141 million has also been recognized.

3. Equity method of accounting

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

BAFL

Under US GAAP and Indian GAAP, the Company's 41.51% equity holding (fiscal 2005: 46.15%) in BAFL

is being accounted under the equity method of accounting. During the current year, BAFL allotted additional equity shares to the Company and other parties on a private placement basis. This resulted in a reduction of the Company's equity holding in BAFL from 46.15% to 41.51%.

MSL

Under Indian GAAP, the Company's 24% equity holding (fiscal 2005: 24%) in MSL is accounted as per the joint venture method of accounting, which requires the investor to report its interest using proportionate consolidation method. Under US GAAP these investments are accounted as per equity method of accounting. The difference in method of accounting under Indian GAAP and US GAAP does not require any further reconciliation adjustment in the consolidated net income or the consolidated shareholders' equity of the Company.

BAGICL and BALICL

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

Under US GAAP 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 are accounted by the equity method after eliminating all material inter-company transactions. The difference in method of accounting under Indian GAAP and US GAAP do not result in any adjustment to the consolidated net income or consolidated shareholders' equity.

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

Insurance premium and claims

Under Indian GAAP, premium income with respect to life insurance contracts is 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.

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 2006 and 31 March 2005

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

Acquisition costs

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

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

4. Accounting for investments

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

Under US GAAP, the Company classifies these investment securities as either 'held-to-maturity' or 'available-for-sale'. Held to maturity securities are those

securities in which the Company has the ability and intent to hold the security until maturity. Securities not classified as held-to-maturity are classified as available-for-sale securities.

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

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

A decline in market value of available-for-sale or held-to-maturity security below cost that is deemed to be other than temporary, results in reduction in carrying amount to fair value. The impairment is charged to income and a new cost basis is established.

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

5. Fixed assets and depreciation

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

6. Non-monetary exchange of asset

Under US GAAP, the exchange of a non-monetary asset for a similar non-monetary asset used in the earnings process is recorded at the carrying value of the asset surrendered. During 1999, the Company exchanged its tenancy rights in a property, which had no recorded value, for ownership rights in a similar property. Accordingly, for US GAAP, the transaction was recorded at zero value whereas under Indian GAAP, the excess of fair value of acquired property over the carrying value of tenancy rights surrendered was recorded as a gain in the income statement. In December 2004, FASB issued Statement of Financial Accounting Standard No. 153 (SFAS 153) - "Exchanges of Nonmonetary Assets"

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 2006 and 31 March 2005

which amends the earlier Accounting Principles Board Opinion No. 29 "Accounting for Non-monetary Transactions". This standard is applicable prospectively for non-monetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. Adoption of SFAS 153 did not have any impact on the Company's consolidated net income and consolidated shareholders' equity.

7. Retirement benefits

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

The Company measures and accounts for its gratuity liability in accordance with Statement of Financial Accounting Standard No. 87, "Employers' Accounting for Pensions" under US GAAP.

8. Share warrants

On January 18, 2006, BAFL issued share warrants to BAL under a scheme of private placement on a preferential basis. BAL has the option to convert these warrants into equity shares within a period of 18 months from the date of grant.

Under Indian GAAP, these options are recorded at cost.

Under US GAAP, these options are recognized as derivative asset and recorded at its fair value. The fair value of this derivative asset as on the date of grant amounting to Rs. 435 million has been recognized as other asset with a corresponding credit to shareholders equity. Change in fair value between the date of grant of the options and the balance sheet date amounting to Rs. 159 million has been recognized in the consolidated income statement.

9. Premium on insurance ventures

During fiscal 2002 the Company received an upfront non-refundable payment of Rs. 1,170 million from Allianz AG, the overseas joint venture partner in BAGICL and BALICL. This sum was received from Allianz AG, for the Company's reputation, its commitment to be associated in the joint venture, value, goodwill and other considerations and obligations specified in the shareholders' agreements. Under Indian GAAP, the upfront non-refundable payment was 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 period of 15 years.

10. Deferred taxes

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.

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. Such deferred tax assets and liabilities are measured using enacted tax rates. The measurement of deferred tax assets under US GAAP is reduced, if necessary, by a valuation allowance for tax benefits whose future realization is uncertain.

11. Proposed dividend

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

12. Earnings per share

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



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