

Bajaj Finserv Limited
3rd Annual Report
2009-10



BAJAJ
FINSERV



Rahul Bajaj, Chairman; Sanjiv Bajaj, Managing Director and Nanoo Pamnani, Vice Chairman unveiling the new identity of Bajaj Finserv Limited on May 5, 2010

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Board of Directors

Rahul Bajaj
Chairman

Nanoo Pamnani
Vice Chairman

Sanjiv Bajaj
Managing Director

Rajiv Bajaj

D J Balaji Rao

S H Khan

Naresh Chandra

Management

Sanjiv Bajaj
Managing Director

Ranjit Gupta
President (Insurance)

Kevin D'sa
CFO & President (Business Dev.)

Kamesh Goyal
CEO, Bajaj Allianz Life
Insurance Company Limited

Hemant Kaul
CEO, Bajaj Allianz General
Insurance Company Limited

Rajeev Jain
CEO, Bajaj Auto Finance Limited

Arpit Agarwal
CEO, Bajaj Financial Solutions Limited

Company Secretary

Sonal R Tiwari

Auditors

Dalal & Shah
Chartered Accountants

**Registered under the
Companies Act, 1956**

Bankers

Citibank N A
HDFC Bank
ICICI Bank

Registered Office

Bajaj Auto Limited Complex,
Mumbai-Pune Road,
Akurdi, Pune 411 035.

Corporate Office

Survey No.208/1-B, 6th Floor,
Behind Weikfield IT Park,
Off Pune-Ahmednagar Road,
Viman Nagar, Pune – 411 014.

Management Team



Sanjiv Bajaj



Ranjit Gupta



Kevin D'sa



Kamesh Goyal



Hemant Kaul



Rajeev Jain



Arpit Agarwal



Chairman's Letter

Dear Shareholder,

This is the third year of your Company's operations — and my third letter to you in the annual report.

Last year, I began the letter in a sombre tone. That was to be expected. It was a terrible year for the world economy, which started with global inflation across all commodity classes, followed by global financial meltdown and widespread economic depression. Although India maintained positive GDP growth of 6.7% in 2008-09, there was an acute credit crunch and a significant slowdown in consumer demand.

Thankfully, the Government of India came up with three stimulus packages; and the Reserve Bank of India (RBI) reduced all the key rates and pursued a highly accommodative monetary policy from December 2008 right up to the fourth quarter of 2009-10. These initiatives helped. From H2 2009-10, consumer demand has begun to grow, especially for motorcycles and cars. Home loans have picked up. There has been a distinct uptick in insurance products after a forgettable 2008-09. And real GDP growth is expected to post 7.2% for 2009-10 - if not a bit higher.

In India, therefore, the 'green shoots' have become healthy young saplings.

In such a milieu, your Company has performed well. Bajaj Finserv has always taken the stance that while growth is welcome and shall be pursued, safety and profit will remain paramount. This philosophy applies to all its businesses.

Let me share with you some key aspects of Bajaj Finserv's three major businesses: life insurance, general insurance, and consumer finance.

Bajaj Allianz Life Insurance Company (BALIC)

BALIC has done well in a difficult year. Gross written premium has risen by 7.5% — from Rs.106.2 billion in 2008-09 to Rs. 114.2 billion in 2009-10. The company has taken a conscious decision to balance its new business growth and the resulting high first year cost with a strong focus on increasing persistency. Thus, new business premiums, which had fallen sharply to Rs.44.9 billion in 2008-09, remained low at Rs.44.5 billion in 2009-10. Simultaneously, it succeeded in raising renewal premium from Rs.61.3 billion to Rs.69.7 billion.

BALIC posted a shareholders' profit of Rs. 5.4 billion in 2009-10 and your Company's share stood at Rs. 4.0 billion. The capital base was maintained at Rs.12.1 billion, with no fresh infusions in 2009-10. BALIC's solvency ratio was 268% as on 31 March 2010, versus the minimum regulatory requirement of 150%.

Total investments as on 31st March 2010, stood at Rs. 334.2 billion.

As I write, there is a dispute between the Insurance Regulatory and Development Authority (IRDA) and Securities and Exchange Board of India (SEBI) as to which should regulate unit-linked insurance products (ULIP). I hope this will be sensibly and amicably resolved as soon as possible.

Bajaj Allianz General Insurance Company (BAGIC)

BAGIC is the second largest private general insurance company in India, with a market share of 7.2%. The company has always been prudent in its selection of risks and businesses, which shows up in its consistent track record of profits since inception.

The gross written premium for 2009-10 (excluding premiums from the Motor Third Party Pool) was Rs.25.2 billion, versus Rs. 26.5 billion in 2008-09. Net earned premium for 2009-10 (excluding the Motor Third Party Pool) was Rs.16.7 billion, versus Rs. 16.9 billion in 2008-09. During 2009-10, BAGIC sold 6.0 million policies, compared to 7.6 million in 2008-09. The number of claims reported in 2009-10 was 525,258 versus 516,316 in 2008-09.

On account of capable underwriting and higher investment income, BAGIC's profit before tax (PBT) increased by 20.1% to Rs. 1.8 billion in 2009-10, compared to Rs.1.5 billion in 2008-09. Profit after tax for the year was Rs. 1.2 billion, as against Rs. 0.9 billion recorded in 2008-09.

Going forward, BAGIC will continue to focus on profitability by careful selection of risk, strong underwriting and targeting a healthy return of equity that adequately covers the cost of capital.

Bajaj Auto Finance Limited (BAFL)

A listed company, BAFL is a leading diversified financier of loans to consumers and small businesses. Notwithstanding muted consumer sentiments, BAFL has had an excellent year.

During 2009-10, loan deployment grew by 87% to Rs.45.85 billion. Receivables under financing as on 31 March 2010 were up by 59% to Rs.40.3 billion. Total income was up by 53% to Rs.9.16 billion. BAFL's profits rose substantially in 2009-10. Profit before tax (PBT) increased from Rs.510 million in 2008-09 to Rs.1.34 billion in 2009-10. Profit after tax (PAT) grew from Rs.339 million last year

to Rs.894 million in 2009-10. And earnings per share (EPS) rose by 164% from Rs.9.27 in 2008-09 to Rs.24.43 in 2009-10.

In 2010-11, you will witness three other developments.

The first is the setting up of an asset management company as a joint venture with Allianz Global Investor (Allianz GI), one of the world's largest asset managers.

The second is Bajaj Financial Solutions Limited (FinSol), which will look after wealth advisory part of your Company's business. By understanding the portfolio needs and risk profiles of customers, it will offer portfolio advisory and investment planning services. Five cities have been identified for the pilot branches of the business, and these are expected to offer the services by the end of September 2010.

The third is your Company's branding initiative. Given the different business under its stewardship, the Company decided to have a visually appealing and unifying brand identity. It has been launched.

The brand is Bajaj Finserv. It is defined both by its logo – which contains the letters B and F in a single image – and by the words, Bajaj Finserv. This brand identity is expected to align the various businesses for consumers and partners. Clearly distinguishable from competing entities, it should promote the strong ethical and core business values of the Bajaj Group.

Given that India is back on its higher growth path, I expect your Company to do well in 2010-11, and in the near future. On your behalf, I congratulate the managing director of Bajaj Finserv and his team – by which I include the heads of BALIC, BAGIC and BAFL – for delivering an excellent performance in a difficult year. I urge them to do even better in 2010-11.

Thank you for your support.



Rahul Bajaj
Chairman

Management Discussion and Analysis

Bajaj Finserv Limited ('Bajaj Finserv' or 'the Company') came into being on 30 April 2007, out of a demerger from the erstwhile Bajaj Auto Limited, with the objective of being the financial services arm of the Bajaj group. This is the Company's third annual report to its shareholders.

Bajaj Finserv is the holding company under which various businesses reside. These are:

- **Protection**
 - Life Insurance, under Bajaj Allianz Life Insurance Company (BALIC).
 - General Insurance, under Bajaj Allianz General Insurance Company (BAGIC).
- **Consumer Lending**
 - Structured under Bajaj Auto Finance Limited (BAFL), a company listed on the Bombay Stock Exchange and the National Stock Exchange
- **Investments**
 - Asset Management. Bajaj Finserv has proposed to form an asset management company (AMC) in a joint venture with the Allianz group for which necessary application papers have been filed with the regulatory bodies.
- **Financial Advisory and Wealth Management**
 - Bajaj Financial Solutions Limited (Bajaj Finsol). The objective is to offer portfolio advisory and investment planning services to its customers. The team is on board; and company proposes to launch this business by September 2010, starting with five offices-with a plan to increase the number of offices by another five in the next six months.

In addition, the Company has wind-farm assets, comprising 138 windmills in Maharashtra with an installed capacity of 65.2 MW.

Subsequent pages of this chapter give details on each of these businesses and their rationale. Before doing so, it is important to discuss two aspects. The first is Bajaj Finserv's new brand identity. And the second is its emphasis on profits and shareholder value-versus growth at the expense of profits.

The New, Unifying Brand Identity

Given the different financial service businesses under its stewardship, the Company decided to have a visually appealing and unifying brand identity that shares Bajaj Finserv's values of Reliability, Innovation and Efficiency. It has been unveiled on May 5th, 2010.

The brand is Bajaj Finserv. It is defined both by its logo-which contains the letters B and F in a single symbol-and by the words, Bajaj Finserv.

The brand has a distinctive and contemporary character. It will be used consistently across the Company's businesses and will serve as an immediately recognisable identity-common, yet subtly differentiated for each of the businesses, and be the platform for all future marketing and communication activities.

Focus on Profits

Bajaj Finserv has always centred on profits. After the slowdown in 2008-09 and most of 2009-10, the Company decided, more than ever, that profits will not be sacrificed for top-line growth. The focus on each of the businesses is to improve profitability – focus on profitable lines of business, cut expenses and increase productivity.

Thus, even in a very difficult year, the life insurance business earned its best profits; general insurance gave up some revenue but also reported its best bottom-line ever; and Bajaj Auto Finance tightened costs, focused on better customer selection and earned its highest ever profits.

Bajaj Finserv has taken a conscious decision. All companies under it will focus first on customer service, productivity, efficiency and profits, and then on revenue. None will sacrifice profits to the altar of top-line growth.

Protection

Bajaj Allianz Life Insurance Company Limited (BALIC)

Life insurance in India has seen rapid growth from when the sector was opened up in 2000-01 till today. In 2000, there was just one company-the Life Insurance Corporation of India (LIC). Today, there are 23 companies in the life insurance space: 22 in the private sector and the LIC. Total premium of the industry has increased eight fold, from Rs. 271 billion in 2000-01 to Rs. 2,218 billion in 2008-09, of which 29.1% was accounted for by the private sector.

The potential is significant. While penetration levels have increased to around 4% of GDP, the per capita spend on insurance is poor compared to other emerging economies. If one considers a realistic scenario of India's nominal GDP doubling in the next five years, the opportunity in life insurance is enormous.

The Life Insurance Market

Growth of life insurance is closely linked to disposable income and savings. The global economic crisis and the growth downturn in 2008-09 had their consequential effects on consumer income and household savings. This led to fall in new business premiums - for the first time after posting years of double-digit growth.

Table 1 gives the data from 2004-05.

Table 1: Growth in New Business Premiums, Life Insurance

	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
Private sector	12.4%	1.0%	73.6%	89.9%	84.5%	128.8%
LIC	33.9%	-10.5%	5.8%	118.1%	29.6%	21.8%
Industry	25.5%	-6.3%	23.9%	110.1%	41.6%	35.7%

Private sector life insurers saw negative growth in April-September 2009. Thankfully, sentiments picked up in the second half of the year. Private insurers were back to the growth track, and were able to achieve a growth of 34% in H2 2009-10 versus the same period in the previous year.

For 2009-10 as a whole, the life insurance industry registered a growth of 25.5%, and garnered new business (NB) premiums of Rs. 1,093 billion compared to Rs.871 billion in 2008-09.

Table 2 gives the market data.

Table 2: Industry Performance for the Year Ended 31 March 2010

(Rs. In Million)

Insurer	NB, YTD Mar 10	Market Share	Group as a % of NB
SBI Life	70,407	6.4%	36.2%
ICICI Prudential	63,343	5.8%	17.7%
Bajaj Allianz	44,511	4.1%	12.7%
Reliance Life	39,205	3.6%	13.6%
HDFC Standard	32,611	3.0%	15.5%
Birla Sun Life	29,584	2.7%	22.7%
Other Private	104,333	9.5%	8.1%
Private Total	383,994	35.1%	17.7%
LIC	708,910	64.9%	29.3%
Total	1,092,904	100.0%	25.2%

The fall in new business premium growth has made most industry players review their business models. The major effects of the business crunch were:

- Capital became scarce. This meant that companies which were ploughing in capital to fund losses in expectation of future premiums had to start looking at capital efficiency.
- Fixed expenses started becoming a constraint – which meant companies started cutting expansion of the branch and distribution network.
- It became vital for insurers to ensure that existing customers continued to pay their renewal premiums.
- Customers started looking more for guaranteed products like endowments. Private companies, in particular, which were heavily reliant on unit linked business, had to restructure their product range.

Performance of BALIC

Even in such a difficult environment, BALIC performed well. BALIC's gross premium written for 2009-10 was Rs.114.2 billion, which was 7.5% higher than Rs.106.2 billion of 2008-09. The growth was due to the increase in renewal collections from Rs. 61.3 billion in 2008-09 to Rs.69.7 billion in 2009-10.

BALIC strategically chose not to chase new business (NB) at high costs. Consequently, new business premium for 2009-10 was Rs.44.5 billion-which was marginally lower than Rs.44.9 billion in the previous year.

Within the private sector, BALIC's market share of NB premium was 11.6% for 2009-10. Despite the slight decline, the company maintained its third position among the private life insurers on NB premium for 2009-10. BALIC ranks second among the private life insurers, based on the number of new policies issued - 2.23 million policies issued in 2009-10 versus 2.59 million in the previous year.

Among the new products launched by BALIC, the product guaranteeing highest NAV over a seven-year period (Max Gain) and single premium linked product guaranteeing 170% of the original NAV (Shield Plus) were the most popular-contributing 43% of the new business premiums in the last quarter. Unit linked premiums contributed 84% of BALIC's NB premiums in 2009-10, compared to 94% in the previous year. Group premiums accounted for 12.7% of the NB of 2009-10 for the company.

Financial Performance

BALIC's financial performance in 2009-10 and 2008-09 is summarised in Table 3.

Table 3: Financial Performance of BALIC

(Rs. In Billion)

Particulars	2009-10	2008-09
Gross written premium	114.2	106.2
New business premium	44.5	44.9
Renewal premium	69.7	61.3
APE *	36.6	40.6
Policyholder surplus/(deficit)	0.1	1.1
Shareholder Profit/(Loss) **	5.4	(0.7)
Profit / (Loss)	4.3	0.4
Net contribution to policy holders account	0.7	1.6

* Annualised Premium Earning (APE) = 10% of Single Premium and 100% of First Premium

** After distribution of Surplus from the revenue account to the Shareholders, shareholders' profit stands at Rs 4,170 million and balance Par-Policyholders' profit is Rs 104 million. In addition to the distribution of surplus to the shareholders, there has been a transfer of Rs 1,253 million from Funds for Future Appropriation (out of Rs 1,253 million; Rs 1,100 million is on account of release from "Reserve for 'Lapsed unit linked' policies unlikely to be revived"). The total Shareholders' profit after tax thus stands at Rs 5,423 million.

BALIC posted a shareholders' profit of Rs. 5,423 million of which Bajaj Finserv's share stood at Rs. 4,013 million.

As can be seen from the Table 3, the company's strategy to pursue profitable growth with returns to all stakeholders is paying dividends. In the current financial year, the Company will continue to focus on improving employee productivity, policy persistency, operational processes and customer service levels.

Investments

As on 31 March 2010, BALIC's total investments stood at Rs.334.2 billion, which included unit linked funds of Rs.284.1 billion. Thanks to the rise of stock prices in 2009-10, especially after the general elections, the unit-linked funds have increased by 102%, from Rs.140.6 billion as on 31 March 2009.

The traditional portfolios are carefully managed, keeping in mind the regulatory asset allocation requirements. Yield on non-unit linked instruments invested in 2009-10 was 8.37%, versus 9.08% in the previous year. This has much to do with the softer interest rate regime in the early part of the year.

Capital and Capital Adequacy

BALIC's capital base was maintained at Rs.12.1 billion, with no fresh infusions in 2009-10. The company's solvency ratio was 268% as on 31 March 2010, versus the minimum regulatory requirement of 150%.

Challenges

The downturn has underscored the challenges in the life insurance business. Companies now need to manage the strains caused by rapid expansion and the growth of new business, and focus on profits. They have to manage capital more efficiently than before. They have to maximise persistency and avoid cost overruns. With a large number of accounts having completed their lock-in period of three years, the more established players will need to carefully monitor surrenders and withdrawals-recognising that substituting withdrawals with new business means giving up accounts that have started earning profits with ones that strain profits and eat into capital.

No doubt, growth will return. But it will need to be addressed by sensible business practices that focus on taking care of customers and maximising persistency, thus conserving capital and earning profits. BALIC is well onto such a path.

Bajaj Allianz General Insurance Company Limited (BAGIC)

General Insurance in India

Since the entry of private sector companies in general insurance from 2000, the industry has grown from four public sector companies to 23 entities: 15 private sector companies, the four public sector corporations, two specialised health insurance companies, plus the Agricultural Insurance Corporation and the Export Credit and Guarantee Corporation.

Gross written premiums of the industry, excluding the specialised insurers, have grown from Rs.123.9 billion in 2001-02 to Rs.306.5 billion in 2008-09, and have crossed Rs.346 billion in 2009-10. The CAGR has been around 14%.

Nevertheless, penetration (as % of GDP) and per capita spend on general insurance remain below comparable emerging countries, let aside the developed nations.

As India's real GDP grows at a CAGR of somewhere between 8% and 9% over the next decade, spends on general insurance

is bound to increase. The potential is vast. But insurers need to figure out ways to profitably tap this potential.

The general insurance industry has been affected by two major adverse factors since 2007:

- Removal of tariff for the fire, engineering and motor insurance businesses has resulted in severe price deflation as competitors fought for market share.
- Introduction of the Motor Third Party pool, which has made it compulsory for all companies licensed to write motor business to share in the losses of the Third Party business of commercial vehicles. With pricing already under pressure, the industry is unable to pass this cost on to the policy holders.

Apart from these factors, there was a drop in volumes (sales of commercial vehicles, physical capital investments of companies, etc.) due to the economic downturn-beginning in the second half of 2008-09 and continuing up to the first half of 2009-10. Due to all these factors, the industry growth rate-measured by gross written premiums of insurers other than specialised insurers-was below 10% in 2008-09, for the first time since privatisation. To be sure, it has improved to 13% in 2009-10. But it is still a far cry from the kind of growth achieved in 2006-07. Table 4 gives the data.

Table 4: Gross Direct Premium Written in India (Rs. In Billion)

	2009-10	2008-09	2007-08	2006-07	2005-06
Bajaj Allianz	25.2	26.5	24.0	17.9	12.7
Private Sector	141.0	125.7	112.0	86.5	53.6
Public Sector	205.3	180.8	169.0	162.6	150.0
Industry	346.3	306.5	281.0	249.1	203.6
Growth rates					
Bajaj Allianz	-5%	10%	35%	40%	49%
Private Sector	12%	12%	29%	61%	53%
Public Sector	14%	7%	4%	8%	7%
Industry	13%	9%	13%	22%	16%

Source: IRDA website and the IRDA Handbook of Insurance Statistics, 2008-09. Excludes specialised insurers

Thankfully for the industry, volume growth returned quite strongly in the second half of 2009-10-driven by a significant increase in car and two-wheeler sales. Even so, however benign the growth condition, aggressive price competition and large underwriting losses can no longer be sustained. In such a scenario, companies having strong underwriting skills with a focus on profitability, prudent investment philosophy, efficient utilisation of capital and excellent customer service will be the winners. BAGIC is one such company.

BAGIC's Business Performance, 2009-10

Under extremely testing conditions, BAGIC has focused on profitability by:

- Strong underwriting with careful selection of risk, and underwriting businesses which meet its profitability hurdle rates.

- Emphasising uniformly high quality customer services.
- Establishing a renewal vertical dedicated to analysing portfolios and actively following up on profitable renewals.
- Strengthening marketing efforts in retail channels such as agency and bancassurance.

The gross written premium, or GWP, for 2009-10 (excluding premiums from the Motor Third Party Pool) was Rs.25.2 billion, compared to Rs.26.5 billion recorded in 2008-09, or a negative growth of 5%. This was a conscious outcome, arising from the company's focus on selecting the right kind of risks. Despite the decline in top-line, BAGIC retained the second spot in the private sector with a market share of 7.2%.

The net earned premium for 2009-10 (excluding premiums from the Motor Third Party Pool) was Rs.16.7 billion, versus Rs.16.9 billion in 2008-09, which is a nominal negative growth of 1.2%. BAGIC's strong policy retention capabilities and focus on retail policies helped it to more or less maintain the net earned premium at previous year's level.

During 2009-10, BAGIC sold 6.0 million policies, compared to 7.6 million in 2008-09. The number of claims reported in 2009-10 was 525,258 versus 516,316 in 2008-09.

Business Mix and Channel Performance

BAGIC's focus continues to be on retail business, where it has strengths in distribution and claims handling. The business mix is given in Table 5.

Table 5: BAGIC's Business Mix

Line of Business Mix	2009-10	2008-09
Motor	58%	60%
Health	12%	13%
Fire	14%	13%
Engineering	4%	5%
Marine	3%	3%
Others	9%	6%
Total	100%	100%

The channel-wise contribution to GWP is given in Table 6.

Table 6: Gross Written Premium From the Different Channels

Channel-Mix	2009-10	2008-09
Agency and motor dealers	53.0%	45.2%
Bancassurance	17.3%	18.5%
Brokers	12.4%	18.3%
Direct	15.0%	14.2%
Others	2.3%	3.8%
Total	100.0%	100.0%

Retail channels like multi-line agency and bancassurance continue to be the mainstay of BAGIC's channel mix, contributing to over 70% of the business. The broker channel, which largely caters to corporate segment, shrank primarily due to BAGIC's conservative

pricing strategy on group health and other uneconomic businesses. BAGIC has one of the largest networks of independent partner banks including national banks, those with strong regional franchises, and cooperative and rural banks. It also has an effective online sales channel for off-the-shelf retail products like Motor and Health.

Financial Performance

BAGIC's financial performance in 2009-10 and 2008-09 is summarised in Table 7.

Table 7: Financial Performance of BAGIC

(Rs. In Billion)

Particulars	2009-10	2008-09
Gross written premium	25.2	26.5
Net earned premium	16.7	16.9
Underwriting result before Motor Pool losses	0.1	-0.2
Motor Pool losses	-0.6	-0.5
Profit before tax	1.8	1.5
Profit after tax	1.2	0.9

The Company recorded an underwriting profit (before considering share of losses from the Motor Third Party Pool) of Rs. 59 million, compared to the previous year's loss of Rs. 196 million. After considering the share of losses from the Motor Third Party Pool, the Company's underwriting loss was Rs. 502 million in 2009-10, compared to a loss of Rs.727 million in 2008-09.

The combined ratio, excluding losses from the Motor Pool, was 99.6% as against 101.2% recorded in 2008-09. Including Motor Pool losses, the combined ratio dropped from 103.8% in 2008-09 to 102.7% in 2009-10. In a market where combined ratios are close to 120%, this is a creditable achievement and a vindication of the company's strong underwriting and cost management skills.

On account of capable underwriting and higher investment income, profit before tax (PBT) increased by 20.1% to Rs. 1.8 billion in 2009-10, versus Rs.1.5 billion in 2008-09. Profit after tax for the year was Rs. 1.2 billion, as against Rs.0.9 billion recorded in 2008-09.

In addition, BAGIC was able to record a return on equity of 16.5% in 2009-10, which is marginally better than the RoE of 15.3% in the previous year and the highest in the industry.

Capital

The total capital, including share premium infused by shareholders, stood at Rs. 2,768 million as on 31 March 2010. No new capital was needed in 2009-10; and BAGIC's solvency margin was well above the required ratio as per IRDA's regulations.

It is a matter of pride for the company that BAGIC has the best utilisation of capital in the private sector, as measured by the ratio of GWP to capital infused and GWP to shareholders' equity. The shareholders' equity of BAGIC stood at Rs. 7,928 million as on 31 March 2010, compared to Rs. 6,725 million a year earlier.

Investments

2009-10 was a strong one for equity markets; but inflationary concerns affected bond yields, which started moving up in the later half of the year. The Company's cash and investments as on 31 March 2010 stood at Rs.28,279 million – Rs. 25,287 million in debt securities and Rs. 27 million in equity.

Challenges

The general insurance industry is in the throes of a crisis of profitability. While demand is picking up, the challenge continues to be poor pricing and profits. The taxation of profits on sales of investments as business income from 1 April 2010 will put further pressure on insurance companies which rely on such gains for their profitability. The industry needs to ensure that prices charged are commensurate with the risk.

Improving penetration will be another major challenge. While potential for low cost health insurance is vast, the industry needs to design and implement models for tapping this potential. The challenge here is the low ticket size of the policies-which increases the administration costs and hence puts pressure on margins.

Consumer Lending

Bajaj Auto Finance Limited (BAFL)

2009-10 started off amidst an uncertain economic environment driven by fears of a global double-dip recession, slow domestic industrial growth, monsoon failure impacting agricultural income and weak consumer demand. However, stabilisation of global financial system, three substantive government stimulus packages and an accommodative monetary stance by the Reserve Bank of India (RBI) saw a resurgence of growth in H2 2009-10, especially in January-March 2010.

This has resulted in improved business confidence and revival of robust consumer demand. A relatively benign interest rate environment throughout the second half of 2009-10 also helped.

Even so, it needs stating that retail lending in 2009-10 was weak compared to a couple of years ago. Having faced rising delinquencies and higher credit risks in 2008-09 and most of 2009-10, lending institutions remained cautious across all retail lending businesses.

Equally, however, the company sees significant growth opportunities in the future. Given low penetration of retail lending to GDP, demographic shifts in favour of a younger working population, higher incomes of a rapidly growing middle class, and a preference for younger households to live with greater gearing, BAFL sees major retail lending opportunities in India.

With receivables under financing of Rs.40.3 billion, BAFL is one of the leading, diversified non-banking finance companies (NBFC) in the country. The company's restructuring over the last two years has started to bear results in 2009-10. Additionally the company continued to invest in launching new product lines, expanding its technology platform and strengthening its human resources pool for higher growth in the coming years.

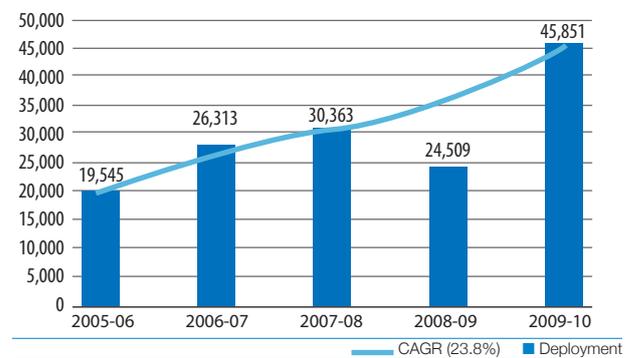
Deployment Snapshot

Table 8 gives the deployment mix for 2009-10 (compared to 2008-09), while Chart A plots BAFL's loan deployment over the last five years.

Table 8: BAFL's Deployment Mix (Rs. In Million)

Deployment	2009-10	2008-09	Change
Two- and Three-Wheelers	13,644	7,828	74%
Consumer Durables	10,375	6,548	58%
Small Business Loans and Personal Loan Cross-Sell	9,512	5,563	71%
Mortgage and Other Secured Assets	11,773	3,211	267%
Securitized Retail Asset Pools	547	1,359	(60%)
Total Deployment	45,851	24,509	87%

Chart A: Growth in BAFL's Loan Deployment (Rs. In Million)



Receivables under Finance

Table 9 gives the data of BAFL's receivables under finance.

Table 9: BAFL's Receivables under Finance (Rs. In Million)

Receivables Under Finance	2009-10	2008-09	Change
Two- and Three-Wheelers	13,880	11,748	18%
Consumer Durables	4,259	3,203	33%
Small Business Loans & Personal Loan Cross-Sell	9,946	5,431	83%
Mortgage and Other Secured Assets	11,613	2,674	334%
Securitized Retail Asset Pools	560	2,333	(76%)
Total Receivables under Finance	40,258	25,389	59%

Business Segment Update

Two- Wheeler Financing

Deployments in this segment grew by 74% in 2009-10, thanks to a strong growth in two-wheeler demand throughout the country. The competitive environment was benign with most competitors having exited the business in the last two years.

BAFL has leveraged this opportunity to consolidate its position in the Bajaj two-wheeler financing business. Its penetration as a percentage of sales of Bajaj two-wheelers was at 23% in 2009-10, versus 20% in the previous year. The company acquired more than 378,000 new customers during the year. Today, it is present

in 375 dealerships, and accesses over 900 sub-dealers across India. Moreover, the company's new underwriting process of deploying credit service managers in dealerships has begun to improve credit performance and deliver better customer experience.

During 2009-10, the two-wheeler financing business launched a new programme called the Direct Cash Collection Model to focus on semi-urban and rural customers with no banking habits. It will integrate mobile technology and Bajaj Auto Limited's sub-dealer network to create a unique business model.

Consumer Durables Financing

Consumer durable financing deployments grew by 58% in 2009-10, versus an estimated industry growth of 30%. Competition was limited, because few are willing to invest in technology and processes to compete in this relatively low ticket size, high volume business. The company acquired some 470,000 new customers, and is currently present in over 2,000 dealerships across the country.

BAFL's strategy of focusing on 'mass affluent' customers and major dealerships has begun to yield significant benefits through lower operating costs and improved risk performance. During the year, the company added a new tool to its current technology platform to improve customer experience and target mass affluent customers. It also invested in automation of the loan approval processes at 1,000 top dealerships throughout the country, to provide a seamless financing experience which has set a new benchmark in the consumer durable financing business.

Small Business Loans

This business is present in top 15 cities across India. Small business loan deployments grew by 175%. This was partly due to a low base effect, a more focused small business initiative and a portfolio acquisition in 2009-10. Its core small business loan grew by 66%.

The company's strategy of focusing on affluent small business customers and its cautious approach has helped it to grow this business in a steady manner. BAFL's relationship model of lending has also helped in significantly improved risk performance. Recently, as an extension to its small business loan program it has launched financing of vendors to large manufacturers.

Personal Loan Cross-Selling

This business targets customers with good repayment history for their two-wheeler and/or consumer durables loans to cross-sell a personal loan. BAFL continued to grow this business in a cautious manner. Given the economic circumstances, it is not surprising that the personal loan cross sell deployments contracted by 23% in 2009-10. Even so, BAFL financed some 46,000 new customers in the current year.

In 2009-10, the company implemented a new customer relationship management (CRM) platform to improve its data mining, and thus offer better business generation capabilities. This should stand BAFL in good stead for 2010-11 and the future.

Mortgage Business

This was the first full year of mortgage business. It targets affluent and high net worth small business customers and offers loans against the mortgage of retail, residential and commercial premises. Aided by strong revival in the mortgage business in the second half 2009-10, the portfolio increased in line with the industry's growth. This business is present in the top 15 cities of India.

Financial Performance

Table 10 gives BAFL's financial performance for 2009-10 compared with 2008-09, while Chart B plots the company's profits after tax over the last five years.

Table 10: BAFL's Financial Performance, 2008-09 and 2009-10

(Rs. In Million)

Particulars	2009-10	2008-09	Change
Total income	9,162	5,994	53%
Interest and finance charges	2,017	1,644	23%
Net interest income	7,145	4,350	64%
Salary cost	994	729	36%
Marketing and other commissions	252	261	-3%
Dealer incentives	260	111	134%
Recovery commission	561	463	21%
Loan loss and provisions	2,606	1,636	59%
Depreciation	76	56	36%
Other expenses	1,053	584	80%
Profit before tax (PBT)	1,343	510	163%
Profit after tax (PAT)	894	339	164%
Earnings per share (EPS), basic and diluted, Rs.	24.4	9.3	164%
Book value per share, Rs.	314.9	297.5	6%

Chart B: Profit after Tax (Rs. In Million)

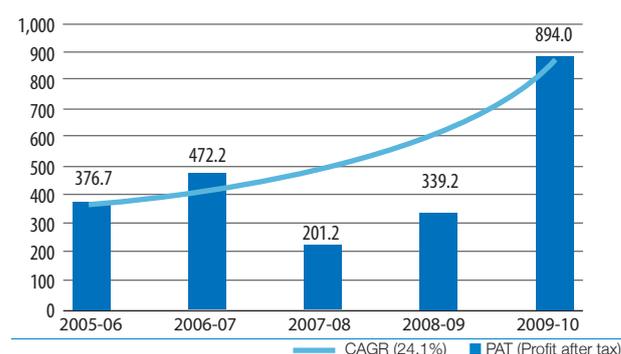


Chart B clearly shows that 2009-10 has been an excellent year for BAFL-one in which the company has earned its highest ever profit after tax.

BAFL continues to either fulfil or exceed all norms and standards laid down by the RBI pertaining to recognition and provisioning of non-performing assets, capital adequacy, statutory liquidity ratio etc. The capital adequacy ratio of the Company is 26%, which is well above the RBI norm of 12%.

The economy is predicted to continue the strong performance seen in 2009-10 and the business outlook for BAFL is robust.

In 2010-11, the company's approach would be to continue to grow by focusing on returns while balancing risk. It will launch new product lines, such as construction equipment finance and retail loans against securities; further strengthen risk management practices; maintain investments in technology and human resources to consolidate its position as a leading NBFC in India.

Asset Management, Financial Advisory and Wealth Management

In pursuit of the objective of positioning itself as a full-fledged financial services company, Bajaj Finserv will be entering the business of distributing financial products and services and offering financial advisory as well as wealth management services. Bajaj Finserv will do so by having two companies: (i) Bajaj Financial Solutions Limited (FinSol), which will look after the advisory part of the business, and (ii) Bajaj Financial Securities Limited (FinSec), a subsidiary of Bajaj FinSol, will undertake the AUM and broking businesses.

Bajaj FinSol has applied for and received corporate registration with the Association of Mutual Fund of India (AMFI), which is required for mutual fund broking activity. Bajaj FinSec has applied to the SEBI for securing the licences and approvals to set up an Asset Management Company (AMC). Furthermore, Bajaj FinSec has applied to the Bombay Stock Exchange for obtaining broking licenses. At present, Bajaj FinSec is in process of building a strong research and transaction advisory team. Service offering will include understanding portfolio needs and risk profiles of customers, portfolio advisory, investment planning and periodic review of portfolio. Five cities have been identified for the pilot branches of the business, and these branches are expected to offer the services by end of September 2010.

Wind Energy

Bajaj Finserv has 138 wind mills in Maharashtra with total installed capacity of 65.2 MW. These mills were set up at a total cost of Rs.2.94 billion. During 2009-10 the wind mills generated net wind energy of 90.8 million units of electricity, versus 102 million units in 2008-09. The electricity generated in 2009-10 was valued at Rs.430.7 million, compared to Rs.409.1 million in 2008-09. The wind energy generated was predominantly sold to Bajaj Auto Limited, to cater to power consumption requirements of its establishments at Akurdi, Chakan and Waluj. Surplus units were sold to third parties.

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.

Financials

Standalone

The standalone results of Bajaj Finserv Limited are given in Table 11.

Table 11: Standalone Results of Bajaj Finserv

	(Rs. In Million)	
	2009-10	2008-09
A. Income from Wind Farm Activity	431	416
Administrative Expenses	251	113
Depreciation	210	298
Profit from Wind farm activity	(30)	5
B. Income from Investment & Other	867	721
Other Expenses	244	93
Profit before taxation	593	633
Provision for tax	253	219
Profit after taxation	340	414

Consolidated Financials

The consolidated results are given in Table 12. These include its subsidiaries, associates and joint ventures, in accordance with the accounting standards issued by The Institute of Chartered Accountants of India.

Table 12: Summarised Consolidated Results of Bajaj Finserv

	(Rs. In Million)	
	2009-10	2008-09
Segment Revenue	2009-10	2008-09
General Insurance	21,528	21,418
Life Insurance	214,582	75,900
Insurance (Sub-total)	236,110	97,318
Windmill	431	416
Retail finance	—	—
Investments & other	1,270	948
Total	237,811	98,682
Segment Results Profit/(loss) from each segment	2009-10	2008-09
General Insurance	1,796	1,496
Life Insurance	5,570	(707)
Insurance (Sub-total)	7,366	789
Windmill	(28)	7
Retail finance	382	140
Investments & other	583	608
Profit before tax	8,303	1,544
Tax expense	988	767
Minority interest	1,724	64
Group profit after tax	5,591	713

Corporate Governance

The commitment of Bajaj Group to the highest standards of good corporate governance practices predates SEBI and clause 49 of the listing agreements. Transparency, fairness, disclosure and accountability are central to the working of the Bajaj Group. Bajaj Finserv Limited ('BFS' or 'the company' or 'Bajaj Finserv') maintains the same tradition and commitment.

Given below are the company's corporate governance policies and practices for 2009-10. As will be seen, Bajaj Finserv's corporate governance practices and disclosures have gone well beyond complying with the statutory and regulatory requirements in accordance with the provisions of clause 49 of the listing agreement.

Board of directors

In keeping with the commitment of the management for the principle of integrity and transparency in business operations for good corporate governance, the company's policy is to have an appropriate blend of executive and independent directors to maintain the independence of the board, and to separate the board functions of governance and management.

Composition

The company has a non-executive chairman. According to clause 49, if the non-executive chairman is a promoter, at least one half of the board of the company should consist of independent directors.

As on 31 March 2010, the board of the company consisted of seven directors, of whom one was executive (managing director), four were non-executive independent and two were non-executive & non-independent. The board has no institutional nominee directors. As Table 1 shows, the company is in compliance with the guidelines.

During the year under review, Madhur Bajaj, the non-executive non-independent director resigned with effect from 22 August 2009.

Non-executive directors' compensation

As fixed by the board of directors at its meeting held on 30 January 2008, a sitting fee of Rs.20,000 per meeting is paid to non-executive directors, including independent directors, for every meeting of the board or committees of the board attended after 20 February 2008.

The shareholders of the company vide a special resolution passed at the extra-ordinary meeting held on 17 March 2008 has by way of an enabling provision approved the payment of a sum not exceeding one percent of the net profits of the company, calculated in accordance with the provisions of sections 198, 349 and 350 of the Companies Act, 1956, to the directors (other than the managing director and whole-time directors) as may be decided by the board of directors in respect of the profits of

the company for each year for a period of five years commencing from 20 February 2008, the effective date of the Scheme of Demerger. In terms of the said approvals given by the board of directors and shareholders, one independent director viz., Nanoo Pamnani is proposed to be paid Rs.14,00,000 as commission for the year 2009-10 in consideration of the services rendered by him during the year 2009-10 at the request of the management.

In view of the increased demands on non-executive directors' participation in board and committee meetings and the higher responsibilities they are expected to bear in the interest of higher level of excellence in corporate governance, the board of directors at its meeting held on 24 March 2010 has also approved commission to non-executive directors (independent and non-independent) at the rate of Rs.25,000 per meeting of board and committee meetings attended by them with effect from 1 April 2010, subject to the aggregate being within the overall ceiling of one percent of the net profits.

The company currently does not have a stock option programme for any of its directors.

Board procedures

During 2009-10, the board of directors met six times: on 20 May 2009, 15 July 2009, 19 September 2009, 14 October 2009, 12 January 2010 and 24 March 2010. The gap between any two meetings has been less than four months.

Attendance record of directors

Table 1: Composition of the board and attendance record of directors for 2009-10

Name of director	Category	Meetings attended	Whether attended last AGM
Rahul Bajaj	Chairman, non-executive	6/6	Yes
Nanoo Pamnani	Vice Chairman (Non-executive & independent)	5/6	Yes
Madhur Bajaj ¹	Non-executive	2/2	Yes
Rajiv Bajaj	Non-executive	5/6	Yes
Sanjiv Bajaj	Managing Director, executive	6/6	Yes
D J Balaji Rao	Non-executive, independent	6/6	Yes
S H Khan	Non-executive, independent	6/6	Yes
Naresh Chandra	Non-executive, independent	6/6	Yes

¹ Resigned with effect from 22 August 2009.

Information supplied to the board

In advance of each meeting, the board is presented with relevant information on various matters related to the working of the company, especially those that require deliberation at the highest level. Presentations are also made to the board by the different functional heads on various issues concerning

the company from time to time. 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, information is provided on various significant items. In terms of quality and importance, the information supplied by management to the board of the company is far ahead of the list mandated under clause 49 of the listing agreement.

As approved by the board of directors at its meeting held on 12 January 2010 pursuant to the requirements under the NBFC regulations, the following information would also be placed before the board at regular intervals:

- i. Progress in putting in place a progressive risk management system and risk management policy and strategy followed.
- ii. Conformity with the prescribed corporate governance standards.

Directorships and memberships of board committees

Table 2 gives the number of directorships and committee positions held by the directors of the company.

Table 2: Directorships/committee positions as on 31 March 2010

Name of Director	In listed companies	In unlisted public limited companies	Committee Positions	
			As Chairman	As Member
Rahul Bajaj	5	3	0	0
Rajiv Bajaj	4	2	0	1
Sanjiv Bajaj	6	5	0	5
Nanoo Pamnani	4	0	4	4
D J Balaji Rao	10	0	4	6
S H Khan	5	3	5	5
Naresh Chandra	10	2	1	9

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

None of the director 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

During the year, the board periodically reviewed compliance reports with respect to the various laws applicable to the Company as prepared and placed before it by the management.

Code of conduct

The board at its meeting on 30 January 2008 laid down a code of conduct for all directors and senior management of the company, which has been posted on the website www.bajajfinserv.in. All directors and senior management personnel have affirmed compliance with the code for 2009-10. A declaration to this effect signed by the Managing Director/Chief Executive Officer is given in this annual report.

Audit committee

Constitution and composition

With a view to comply with various requirements under the Companies Act, 1956 and clause 49 of the listing agreement, the company has set up its audit committee in the board of directors meeting held on 30 January 2008. The company has been reviewing the working of the committee from time to time to bring about greater effectiveness in order to comply with the various requirements under the Companies Act, 1956, clause 49 of the listing agreement and NBFC regulations. During the year, the board of directors inducted Naresh Chandra as an additional member of this committee with effect from 15 July 2009.

The present audit committee consists of the following directors:

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

All members of the audit committee are independent, non-executive directors and are 'financially literate' as required by clause 49. Moreover, the audit committee has members who have 'accounting or related financial management expertise'.

Meetings, attendance and topics discussed

During 2009-10, the audit committee met four times: 20 May 2009, 15 July 2009, 14 October 2009 and 12 January 2010. 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 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.

Table 3: Composition of the audit committee and attendance record of members for 2009-10

Name of director	Category	Meetings attended
Nanoo Pamnani	Chairman (Non-executive & independent)	4/4
D J Balaji Rao	Non-executive, independent	4/4
S H Khan	Non-executive, independent	4/4
Naresh Chandra*	Non-executive, independent	2/2

* Appointed as member with effect from 15 July 2009

The terms of reference of the audit committee are extensive and go beyond what is mandated in clause 49 of the listing agreement, section 292A of the Companies Act, 1956 and under NBFC regulations.

Subsidiary companies

During the year, the audit committee reviewed the financial statements (in particular, the investments made) of each unlisted subsidiary company, viz., Bajaj Allianz General Insurance Company Limited, Bajaj Allianz Life Insurance Company Limited and Bajaj Financial Solutions Limited, to the extent applicable. Minutes of

the board meetings of these subsidiary companies were regularly placed before the board of the company. So too was a statement of significant transactions and arrangements entered into by these subsidiary companies.

A new company, Bajaj Financial Securities Limited was incorporated on 7 April 2010 as a wholly-owned subsidiary of Bajaj Financial Solutions Limited, a wholly owned subsidiary of the company.

Disclosures

A summary statement 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 in the event of any treatment being different from that prescribed in accounting standards.

At its meeting of 30 January 2008, the board laid down procedures to inform it of the company's risk assessment and minimisation procedures. These are periodically reviewed to ensure that management identifies and controls risk through a properly defined framework.

As mentioned earlier, as approved by the board of directors at its meeting held on 12 January 2010, information would be placed before the board at regular intervals regarding progress in putting in place a progressive risk management system and risk management policy and strategy followed along with the information on conformity with the prescribed corporate governance standards.

The company has received a Certificate of Registration dated 30 October 2009 to carry on the business of a Non-Banking Financial Institution (non-deposit taking) under registration No. N-13.01953.

The board of directors at its meeting held on 12 January 2010 adopted "Know Your Customer (KYC) & Prevention of Money Laundering Act (PMLA)" Policy. It also decided to lay detailed guidelines for determining interest rates if and when the company decides to take up grant of loans and advances as a business activity.

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

Remuneration and Nomination Committee

At the meeting of the board of directors held on 30 January 2008, remuneration committee was constituted. Subsequently, at the meeting of the board of directors held on 15 January 2009, the board extended the terms of reference of the existing remuneration committee, so as to include the duties to assist the board for having a formal and transparent procedure in making board appointments. Accordingly, the existing remuneration committee was restyled as 'remuneration and nomination committee'.

The board of directors at its meeting held on 12 January 2010 extended the terms of reference of this Committee to ensure

'Fit & Proper' status of proposed / existing directors as required under the RBI Guidelines on Corporate Governance.

The committee consists of the following members as on 31 March 2010:

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

During the year, the Committee met on 20 May 2009 to approve and recommend employees stock option scheme. It also met on 24 March 2010 to recommend to the board the re-constitution of Shareholders'/Investors' Grievance Committee (SIGC) and nominees for election at the annual general meeting and to approve variation of terms of remuneration of managing director. All the members of this committee attended both these meetings, except in the case of Nanoo Pamnani, who did not attend the meeting held on 24 March 2010.

Remuneration of directors

Pecuniary relationship or transactions of non-executive directors

During the year under review, there were no pecuniary relationships and transactions of any non-executive director with the company.

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 judgment. They also oversee 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 30 January 2008 and as amended on 24 March 2010 have been put on the company's website www.bajajfinserv.in

Non-executive Directors

All Non-executive directors are paid sitting fees and one independent director is paid commission as separately stated in this report. Also, the board of directors at its meeting held on 24 March 2010 approved the payment of commission to non-executive directors' (independent and non-independent) at the rate of Rs.25,000 per meeting of board and committee meetings attended by them with effect from 1 April 2010.

Managing Director

During the year under review, the company has paid remuneration to Sanjiv Bajaj, managing director of the company as given at Table 4. Also, the board of directors at its meeting held on 24 March 2010 revised his remuneration i.e. salary from Rs.2,75,000 per month to Rs.5,00,000 per month with effect from 1 April 2010.

The company currently has no stock option plans for any of its directors and hence it does not form a part of the remuneration package payable to the managing director. During the year under review, none of the directors was paid any performance-linked incentive. In 2009-10, the company did not advance any loans to any of the non-executive directors and/or managing director. Table 4 gives details of the remuneration paid or payable to directors during 2009-10.

Table 4: Remuneration paid/payable to Directors during 2009-10

Name of director	Relationship with other directors	Sitting fees Rs.	Salary & perquisites Rs.	Commission Rs.	Total Rs.
Rahul Bajaj	Father of Rajiv Bajaj & Sanjiv Bajaj.	160,000	—	—	160,000
Madhur Bajaj*	—	40,000	—	—	40,000
Rajiv Bajaj	Son of Rahul Bajaj, brother of Sanjiv Bajaj.	120,000	—	—	120,000
Sanjiv Bajaj	Son of Rahul Bajaj, brother of Rajiv Bajaj.	—	4,846,695	9,900,000	14,746,695
D J Balaji Rao	—	240,000	—	—	240,000
S H Khan	—	240,000	—	—	240,000
Nanoo Pamnani	—	200,000	—	1,400,000	1,600,000
Naresh Chandra	—	200,000	—	—	200,000

Notes: Salary and perquisites include all elements of remuneration i.e. salary, allowances and benefits. No bonus, pension or incentive is paid to any of the directors. The Company has not issued any stock options to any of the Directors. The term of managing director does not exceed five years.

* Resigned with effect from 22 August 2009.

Shares held by non-executive Directors

The non-executive directors who held shares in the company as on 31 March 2010 are:

Name of director	Number of shares held as on 31 March 2010
Rahul Bajaj	1,987,452
Rajiv Bajaj	3,050

Management

Management discussion and analysis

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

Disclosure of material transactions

Under clause 49, senior management is required to make 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 been in potential conflict with the interest of the company. Provision regarding the above has been adhered to.

Compliances regarding insider trading

Comprehensive guidelines in accordance with the SEBI regulations are in place. The code of conduct and corporate disclosure practices framed by the company have helped in ensuring compliance with the requirements.

Shareholders

Appointment and/or re-appointment of directors

According to the statutes, at least two-third of the board should consist of retiring directors. Of these, one third are required to retire every year and, if eligible, may seek re-appointment by the shareholders. Five out of seven directors of Bajaj Finserv Limited as on 31 March 2010 were retiring directors. This year, the retiring directors are D J Balaji Rao and S H Khan who, being eligible, have offered their candidature for re-appointment.

Brief profiles of the retiring directors are given in the notice convening the ensuing annual general meeting of the company.

Communication to shareholders

Quarterly, half yearly and annual financial results are published in numerous leading dailies, such as The Economic Times, Business Standard, Kesari and The Hindu Business Line along with the official press release. The company also sends the half-yearly financial results, along with a detailed write-up, to each household of shareholders.

The company has its own website, www.bajajfinserv.in which contains all important public domain information including presentations made to the media, analysts, institutional investors. The website also contains information on matters concerning the shareholders 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 website.

The company also files the following information, statements, reports on the website as specified by SEBI:

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

Information on general body meetings

As the company was incorporated on 30 April 2007, the first annual general meeting of the company was held on 9 July 2008 at 3.30 p.m. and second annual general meeting was held on 15 July 2009 at 3.30 p.m. at the registered office of the company at Bajaj Auto Limited Complex, Mumbai-Pune Road, Akurdi, Pune 411035. After, the company got listed on 26 May 2008, it has passed one special resolution regarding 'Approval of Employee Stock Option Scheme' at its second annual general meeting held on 15 July 2009. Stock Options, however, have not been granted to any employee so far.

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

There were no material transactions entered into with related parties, during the period under review, which had any potential conflict with the interests of the company.

Details of capital market non-compliance, if any

There was 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 period under review.

Shareholders' and investors' grievance committee

The board of directors of the company constituted its shareholders' and investors' grievance committee (SIGC) in its meeting held on 30 January 2008. This committee has been constituted to specifically look 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.

In view of certain changes in chairmanships / memberships of board committees of group companies and to comply with a few regulatory requirements, S H Khan resigned as the chairman and member of this committee with effect from 11 February 2010. As recommended by the Remuneration and Nomination Committee and approved by board at its meeting held on 24 March 2010, Nanoo Pamnani, who was already a member of the SIGC, was made the Chairman and Rajiv Bajaj was inducted as a member in the casual vacancy caused by the resignation of S H Khan.

The committee consisted of the following directors (of whom the Chairman is an independent director) as on 31 March 2010:

1. Nanoo Pamnani, Chairman
2. Rajiv Bajaj
3. Sanjiv Bajaj

During the year under review, the committee met on 24 March 2010 to, inter alia, review the status of investors' services rendered. The secretarial auditors as well as the Company Secretary (who is also the compliance officer) were also present. All the members of this committee attended the meeting except Nanoo Pamnani. The committee expressed its whole-hearted satisfaction on the overall status of compliance and actions taken on various matters.

More details on this subject have been furnished in the chapter on General 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 by clause 49 of the listing agreement. The certificate is contained in this annual report.

Report on corporate governance

This chapter, read together with the information given in the chapters on Management Discussion and Analysis and General Shareholder Information, constitute the compliance report on corporate governance during 2009-10.

Auditors' certificate on corporate governance

The company has obtained the certificate from its statutory auditors regarding compliance with the provisions relating to corporate governance laid down in clause 49 of the listing agreement. This report is annexed to the directors' report and will be sent to the stock exchanges along with the annual return to be filed by the company.

Compliance of mandatory and non-mandatory requirements under clause 49

Mandatory

The company has complied with all the mandatory requirements of clause 49 of the Listing Agreement.

Non-mandatory

The company has also complied with the non-mandatory requirements as under:

1. The Board

The non-executive Chairman has an office at the company's premises.

None of the independent directors of the company has tenures exceeding a period of 9 (nine) years on the board.

2. Remuneration Committee

The company has a remuneration committee. A detailed note on this committee is provided in the annual report.

3. Shareholder rights

A half-yearly declaration of financial performance including summary of significant events in the preceding six months, is sent to each household of shareholders.

4. Audit qualifications

There are no qualifications in the financial statements of the company for the year 2009-10.

5. Whistle Blower Policy

The company adopted its Whistle Blower Policy on 12 January 2010. This policy is to enable employees to report to the management their concerns about unethical behaviour, actual or suspected fraud or violation of company's code of conduct or ethics policy. This mechanism provides safeguards against victimisation of employees, who avail of the mechanism. The policy has been appropriately communicated to the employees within the organisation.

General Shareholder Information

Annual general meeting

Date	: 21 July 2010
Time	: 3.30 p.m.
Venue	: Registered office at Bajaj Auto Limited Complex, Mumbai-Pune Road, Akurdi, Pune - 411 035.

Financial calendar

Audited annual results for year ending 31 March	— May
Mailing of annual reports	— June
Annual general meeting	— July
Unaudited first quarter financial results	— July
Unaudited second quarter financial results	— October
Unaudited third quarter financial results	— January

Dividend

The board of directors of the company has proposed a dividend of Re 1 per equity share (20 per cent) for the financial year 2009-10, subject to approval by the shareholders at the annual general meeting. Dividend paid in the previous year was Re. 1 per equity share (20 percent).

Dates of book closure

The register of members and share transfer books of the company will remain closed from Saturday, 10 July 2010 to Wednesday, 21 July 2010, 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 26 July 2010

- to all those beneficial owners holding shares in electronic form, as per the ownership data made available to the company by National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL) as of the end-of-the-day on Friday, 9 July 2010; and
- 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, 9 July 2010.

Payment of dividend

Dividend will be paid by account payee/non-negotiable instruments or through the National Electronic Clearing Service

(NECS), 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 NECS 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, shareholders are welcome to contact the registered office of the Company.

Unclaimed dividend

The shareholders who have not encashed their dividend warrants for the years 2007-08 & 2008-09 are requested to claim the amount from Karvy Computershare Private Limited/ Registered Office of the company.

As per section 205 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 to a fund called 'The Investor Education and Protection Fund' set up by the central government. No claims shall lie against the fund or the company in respect of amount so transferred.

Registrar and share transfer agent

The company has Karvy Computershare Pvt Ltd as its share transfer agent. All physical transfers, transmission, transposition, issue of duplicate share certificate/s, issue of demand drafts in lieu of dividend warrants etc as well as requests for dematerialisation/rematerialisation are being processed at Karvy Computershare Private Limited. The work related to dematerialisation/rematerialisation is handled by Karvy Computershare Private Limited through its connectivity with National Securities Depository Limited and Central Depository Services (India) Limited.

Share transfer system

Share transfers received by the company and the share transfer agents 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 was 225,551 shares during 2009-10.

Dematerialisation of shares

During 2009-10, 47,725,409 shares were dematerialised. Distribution of shares as on 31 March 2010 is given in Table 1.

Table 1: Shares held in physical and electronic mode

	Position as on 31 March 2010		Position as on 31 March 2009		Net change during 2009-10	
	No. of shares	% of total share holding	No. of shares	% of total share holding	No. of shares	% of total share holding
Physical	11,156,301	7.71	58,880,671	40.70	47,724,370	32.99
Demat:						
NSDL	131,223,323	90.70	83,731,931	57.87	47,491,392	32.83
CDSL	2,303,886	1.59	2,070,908	1.43	232,978	0.16
Sub Total	133,527,209	92.29	85,802,839	59.30	47,724,370	32.99
Total	144,683,510	100.00	144,683,510	100.00	—	—

Global depository receipts (GDRs)

The company issued and allotted Global Depository Receipts (GDRs) on 3 April 2008 to the shareholders of BHIL (formerly BAL) pursuant to the Scheme of Demerger sanctioned by the Hon'ble High Court vide its order dated 18 December 2007 and the underlying shares against each GDR were issued in the name of the overseas depository i.e. Deutsche Bank Trust Company Americas. The Company has entered into deposit agreement with Deutsche Bank Trust Company Americas on 21 August 2008. The Company is in process of listing these GDRs and expects to get these GDRs listed on the Professional Securities Market of the London Stock Exchange.

Stock code

- | | |
|---|--------------|
| 1. BSE, Mumbai | 532978 |
| 2. National Stock Exchange | BAJAJFINSV |
| 3. ISIN for depositories (NSDL & CDSL): | INE918101018 |
| 4. Bloomberg | BJFIN IN |
| 5. Reuters | BJFS.BO |

Listing on stock exchanges

The shares of the company 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

During 2009-10, the listing fees payable to these stock exchanges have been paid in full.

Market price data

Table 2 gives the monthly highs and lows of company's shares on the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE).

Table 2: Monthly highs and lows of Bajaj Finserv Limited shares during 2009-10 (Rs. vis-à-vis BSE Sensex)

Month	BSE High	BSE Low	NSE High	NSE Low	Closing BSE Sensex
Apr-09	244.00	163.25	240.00	165.50	11,403.25
May-09	366.75	214.05	364.00	220.00	14,625.25
Jun-09	445.55	354.10	442.55	362.00	14,493.84
Jul-09	395.90	325.00	390.00	325.15	15,670.31
Aug-09	350.00	260.10	348.85	261.30	15,666.64
Sep-09	311.00	249.90	310.90	249.00	17,126.84
Oct-09	357.00	279.05	358.00	272.25	15,896.28
Nov-09	351.00	294.00	349.70	292.20	16,926.22
Dec-09	352.50	314.00	353.40	312.15	17,464.81
Jan-10	371.50	312.00	371.70	310.35	16,357.96
Feb-10	361.45	313.00	361.65	315.00	16,429.55
Mar-10	360.00	316.15	360.00	315.00	17,527.77

Distribution of shareholdings

Table 3 gives details about the pattern of shareholdings among various categories as on 31 March 2010 and 31 March 2009, while Table 4 gives the data according to size classes as on 31 March 2010.

Table 3: Distribution of shareholdings across categories

Categories	31 March 2010		31 March 2009	
	No. of shares	% to total capital	No. of shares	% to total capital
Promoters	79,526,741	54.97	78,676,550	54.38
Friends and associates of promoters	16,469,826	11.38	16,386,556	11.33
GDRs ¹	155,285	0.11	201,775	0.14
Foreign Institutional Investors	7,253,737	5.01	15,887,938	10.98
Public Financial Institutions	8,465,588	5.85	8,360,032	5.78
Mutual Funds	7,746,310	5.35	426,020	0.29
Nationalised & other banks	115,930	0.08	110,840	0.08
NRIs & OCBs	652,342	0.45	643,670	0.44
Others	24,297,751	16.80	23,990,129	16.58
Total	144,683,510	100.00	144,683,510	100.00

¹ Under the deposit agreement, the depository exercises the voting rights on the shares underlying the GDRs as directed by the promoters of the Company.

Table 4: Distribution of shareholding according to size class as on 31 March 2010

No of shares	No of shareholders		Shares held in each class	
	Number	%	Number	%
1 TO 500	58,238	92.80	2,936,555	2.03
501 TO 1000	1,594	2.54	1,176,796	0.81
1001 TO 5000	2,037	3.25	4,591,759	3.17
5001 TO 10000	394	0.63	2,741,737	1.89
10001 TO 100000	363	0.58	10,978,041	7.59
100001 AND ABOVE	123	0.20	122,258,622	84.51
Total	62,749	100.00	144,683,510	100.00

Shareholders' and investors' grievances

The board of directors of the company currently has a shareholders'/investors' grievance committee consisting of three directors to specifically look into the shareholders'/ investors' complaints on various matters. Routine queries/complaints received from shareholders are promptly attended to and replied. Queries/complaints received during the period under review related to non receipt of dividend by warrants as well as through electronic clearing service, non receipt of annual report, non receipt of transferred shares and change of address and/or bank particulars. There was no pending issue to be addressed or resolved.

During the year, there were six complaints received from SEBI/RoC/shareholders on various matters, which were duly addressed and no action remained to be taken at 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 the registered shareholder(s). The prescribed nomination form will be sent by the share transfer agent of the company upon such request. Nomination facility for shares held in electronic form is also available with depository participant as per the bye-laws and business rules applicable to NSDL and CDSL.

Address for correspondence

Investors and shareholders can correspond with the share transfer agent or at registered office of the Company at the following address:

Karvy Computershare Private Limited.

Plot No.17 to 24, Near Image Hospital,
Vittalrao Nagar, Madhapur,
HYDERABAD 500 081

Contact persons

Mr M S Madhusudhan
Mr Mohd.Mohsinuddin
Tel No. (040) 44655000, Extn. 5152
Fax No. (040) 44655024
e-mail: mohsin@karvy.com
Website: www.karvycomputershare.com

Registered office address:

Bajaj Finserv Limited.
Bajaj Auto Limited Complex,
Akurdi, Mumbai – Pune Road,
Pune – 411 035.
Tel No.: 020- 66107458, 27472851.
Fax No.: 020-27407380.
E-mail: investors@bajajfinserv.in
Website: www.bajajfinserv.in

Directors' Report

The directors present their third annual report and the audited statements of accounts for the year ended 31 March 2010.

Financial results

The financial results of the company are elaborated in the annexed Management Discussion and Analysis Report. The highlights are as under:

	2009-10 Rs. In Million	2008-09 Rs. In Million
Income from Operations & other income	1,298	1,137
Gross profit before interest & depreciation	813	931
Interest	—	—
Depreciation	219	298
Profit before taxation	594	633
Provision for taxation	254	219
Profit after tax	340	414
Disposable surplus	294	414
Transfer to Reserve Fund under section 45 IC (1) of the Reserve Bank of India Act, 1934	68	83
Proposed dividend (inclusive of dividend tax)	169	169
Transfer to General Reserve	34	162
Balance carried in Profit & Loss Account	23	—
Earnings per share (Rs.)	2.3	2.9

Dividend

The directors recommend for consideration of the shareholders at the ensuing annual general meeting, payment of a dividend of Re.1 per share (20 per cent) for the year ended 31 March 2010. The amount of dividend and the tax thereon aggregates to Rs.169 million.

Dividend paid for the year ended 31 March 2009 was Re.1 per share (20 per cent). The amount of dividend and the tax thereon aggregated to Rs.169 million.

Registration as a non-deposit taking NBFC

In response to the application made by the company to Reserve Bank of India, the company has been registered on 30 October 2009 as a Non-Banking Financial Institution (non-deposit taking). In terms of provisions of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007, your company is categorized as a 'systemically important non-deposit taking non-banking financial company' having total assets of Rs.100 crores and above. The company does not hold nor does it accept deposits from the public.

Operations

Detailed information on the operations of the different business lines of the company are covered in Management Discussion and Analysis Report.

Conservation of energy

The company, being engaged in wind farm activities in addition to its financial services activities, the subject of conservation of energy is applicable to the company only with regard to its wind farm business. Detailed information on this is contained in Management Discussion and Analysis Report.

Foreign exchange earning & outgo

Total foreign exchange earned by the company during the year under review was Rs. Nil, compared to Rs. 52.7 million during the previous year.

Total foreign exchange outflow during the year under review was Rs. 0.4 million, as against Rs. 4.1 million during the previous year.

Subsidiaries/Joint Venture/Associates

Following are the companies, which are the subsidiary/joint venture/associate companies of the company as at 31 March 2010:

Name of the Company	% Shareholding of Bajaj Finserv Limited as on 31 March 2010	Status
Bajaj Allianz Life Insurance Company Limited	74%	Subsidiary
Bajaj Allianz General Insurance Company Limited	74%	Subsidiary
Bajaj Financial Solutions Limited	100%	Subsidiary
Bajaj Allianz Financial Distributors Limited	50%	Joint Venture
Bajaj Auto Finance Limited	44.64%	Associate

Corporate Social Responsibility

During the year 2009-10, Bajaj Group continued its Corporate Social Responsibility initiatives in various fields. Activities in this area are set out in greater detail in the Corporate Social Responsibility Report.

Directors

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

Madhur Bajaj resigned from the board with effect from 22 August 2009. The board of directors places its appreciation for the valuable advice and guidance provided by Madhur Bajaj during his tenure as director.

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 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 consolidated balance sheet.

Statutory disclosures

The company has made an application for 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 three subsidiaries of the company for the year 2009-10 and the approval for the same has been received. 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.

As required under the provisions of sub-section (2A) of section 217 of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975 as amended, particulars of the employees are set out in an Annexure to the Directors' Report. As per provisions of section 219(1)(b)(iv) of the said Act, these particulars will be made available to any shareholder on request.

The company, being by and large a financial services company, there are no particulars regarding technology absorption required to be given under section 217(1)(e) of the Companies Act, 1956 and Companies (Disclosure of Particulars in the report of board of directors) Rules, 1988 for the year under review. Particulars required to be given relating to conservation of energy in its wind energy generation business and foreign exchange earning and outgo have been set out separately in this report.

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 1.

Disclosures as prescribed by Non-Banking Financial (Non-Deposit Accepting of Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 and other NBFC regulations have been made in this annual report.

A Cash Flow Statement for the year 2009-10 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 General Shareholder Information.

All board members and senior management personnel have affirmed compliance with the code of conduct for the year 2009-10. A declaration to this effect signed by the Managing Director/CEO of the company is contained in this annual report. The Managing Director/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.

Secretarial standards of ICSI

Secretarial standards issued by the Institute of Company Secretaries of India from time to time are currently recommendatory in nature. Your company is, however, complying with the same.

Group

Pursuant to an intimation from the Promoters, the names of the Promoters and entities comprising "Group" as defined under the Monopolies and Restrictive Trade Practices Act, 1969 are disclosed in the Annual Report for the purpose of Regulation 3(1)(e) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

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 directors recommend the appointment of Messrs Dalal & Shah, Chartered Accountants as auditors for the period from the conclusion of the ensuing annual general meeting till the conclusion of the next annual general meeting and to fix their remuneration.

On behalf of the board of directors



Rahul Bajaj
Chairman

11 May 2010

Annexure 1

Certificate by Auditors on Corporate Governance

To the Members of
Bajaj Finserv Limited

We have reviewed the records concerning the Company's compliance of 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 31 March 2010.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of conditions of Corporate Governance. It is neither an audit nor an expression of 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 the review, 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 Agreements.

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

For **Dalal and Shah**
Firm Registration Number: 102021W
Chartered Accountants

Anish Amin
Partner
Membership Number: 40451
Pune: 11 May 2010

Annexure 2

Declaration by Chief Executive Officer (CEO)

I, Sanjiv Bajaj, Managing Director of Bajaj Finserv Limited hereby declare that all the board members and senior managerial personnel have affirmed for the year ended 31 March 2010 compliance with the code of conduct of the company laid down for them.

Sanjiv Bajaj
Managing Director

Pune: 11 May 2010

Annexure 3

Chief Executive Officer (CEO) and Chief Financial Officer (CFO) Certification

We, Sanjiv Bajaj, Managing Director and Kevin D'sa, CFO & President (Business Development) of Bajaj Finserv Limited, certify:

1. That we have reviewed the financial statements and the cash flow statement for the year ended 31 March 2010 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.

Sanjiv Bajaj
Managing Director

Pune: 11 May 2010

Kevin D'sa
CFO & President (Business Development)

Report on Corporate Social Responsibility (CSR)

The CSR activities of Bajaj Group are guided by the vision and philosophy of its Founding Father, Jamnalal Bajaj, who enunciated the value of trusteeship in business and laid the foundation stone for its ethical and value-based functioning.

The core elements of CSR activities include ethical functioning, respect for all stake-holders, protection of human rights and care for the environment.

Bajaj Group generally implements the above initiatives through its employees, Welfare Funds and Group NGOs / Trusts / Charitable Bodies operating at various locations in the country. It also enlists the help of non-Group NGOs, Local Authorities, Business Associations and Civil Society, wherever deemed necessary.

Some of the major initiatives taken up during the year under review are summarised below :-

Through Charitable and other Trusts, NGOs and Group Companies

In addition to the activities carried out by the Group Companies, numerous charitable and rural development activities are carried out through its various Trusts / NGOs etc. Some of those are highlighted below :

Jamnalal Bajaj Foundation (JBF – Foundation)

Activities carried out by JBF are highlighted as under :-

AWARDS:

The Foundation gives 4 Awards annually - each of the value of Rs.5 lakhs. Of these, three are given to individuals in India for outstanding contribution in the fields of constructive work on Gandhian lines, application of science and technology for rural development and uplift and welfare of women and children. The fourth one is an International Award - given to individuals other than Indian citizens from foreign countries for their contribution to the promotion of Gandhian values outside India.

RURAL DEVELOPMENT:

The Foundation has been undertaking rural development work in select villages of Wardha District, Maharashtra (since 1987) and in Shikohabad, Dist. Firozabad, U.P. (since 1992).

The activities are undertaken on the basis of the need of the local people. Special emphasis is given on health, family welfare, immunisation, supply of potable drinking water, sanitation and alternative source of renewable energy.

OTHER CHARITABLE ACTIVITIES :

- Employment Generation Programmes
Programmes of employment generation in the rural area have helped the women-folk and scheduled castes and the poorer sections to develop self-confidence in themselves.
- School under National Child Labour Project
4 Schools running with the financial support of National Child Labour Project (GOI), are monitored and controlled by JBF. 200 students and 20 staff members are part of these 4 schools.
- Balwadi (Child Training Centre)
Balwadi is a pre-school, where under-privileged children are taught by trained teachers. The Foundation is running 24 Balwadis i.e. Bal Sanskar Kendra in rural areas for poor children below six years of age. It also runs free computer training classes, tailoring classes and stitching classes for poor and needy people.
- Community Awareness Campaign & Health Camp
The Foundation carried out people-to-people base awareness programmes about population control, usage of toilet, health, hygiene etc. and organised health camps for women and handicapped persons.

Jankidevi Bajaj Gram Vikas Sanstha (JBGVS)

During the year under review, JBGVS undertook a number of development initiatives for economic and environment development, health care and prevention of HIV / AIDS, basic education and literacy, women empowerment and social development.

Activities carried out by JBGVS for community development and empowerment of women are highlighted below :

Rural Development

The company continued with its rural development activities in Pune and Aurangabad districts of Maharashtra through JBGVS. JBGVS aims at integrated development of 43 selected villages, to be carried out by the villagers under their own leadership and through unified efforts forged by Government and local organizations with JBGVS acting as a catalyst. From April, 2010, it plans to increase the number of villages to 61, which includes 11 villages of Sikar District, Rajasthan, birth place of Late Jamnalal Bajaj, founder of the Bajaj Group and additional 13 villages in Pune & Aurangabad districts.

Healthcare

It conducted about 60 health check-up camps, including camps held in conjunction with Kamalnayan Bajaj Hospital at Aurangabad. JBGVS runs a mobile clinic, in 20 villages in Pune with a lady doctor and a nurse to provide primary health care services at the doorstep of the poor.

Tribal Development

A tribal development project, for 1000 tribal families, called Aamrai was launched on 21 August 2009. Rahul Bajaj, Chairman, BAL launched the project. This seven year project involves planting and tending of 27,000 mango trees and 18,000 amla trees on 900 acres of tribal wasteland and distribution of goats, buffaloes & vermi-compost beds for 100 landless tribal families. It is a Rs.3.50 crore project to be done over seven years in partnership with National Bank for Agriculture & Rural Development. The project is expected to generate about Rs.4 crores annually from 8th year onwards and substantially improve the quality of life of 1000 tribal families.

Bajaj Allianz Insurance Companies

Bajaj Allianz initiated a 'special awards ceremony' and gave away Recognition Awards to 'disabled / physically challenged' individuals under different categories ranging from sports, entertainment, business, employment and national service. It was a step to recognize and make a difference to the lives of the physically challenged in India.

Trusts for Colleges

Shiksha Mandal, Wardha founded in 1914 by Late Shri Jamnalal Bajaj runs seven colleges with around 10,000 students on its rolls. These include colleges for commerce, science, agriculture, engineering polytechnic and rural studies. Its mission is to provide high quality education at an affordable cost & to inculcate socially desirable values. One of its colleges, the Jankidevi Bajaj College of Science has recently been selected by the University Grants Commission as a college with potential for excellence. Ten of its students appeared in the university merit list.

Two of its colleges have received UGC grants to run remedial coaching classes and training for competitive exams for SC/ST students.

A new Bajaj College of Engineering, funded by a Rs 25 crore donation from the Bajaj trusts is in the process of being formed.

It is the only educational institution chosen as a resource NGO by the Maharashtra Government for implementing a Rs.600 crore project aimed at increasing farmer incomes in Vidarbha.

Bajaj Science Centre was started in 2007 as a place for middle and high school children to enjoy science by doing it. For the last two years, one of its students has bagged a medal in the national level Homi Bhabha Bal Vaigyanik competition. Its new Rs 5 crore complex has been funded by the Bajaj trusts and the fees at the center are subsidised at Rs 100/month.

Gandhi Vichar Parishad runs a 6 month PG Diploma course on Gandhian thought, which attracts students from all over India and recently from abroad too. It organised an international seminar in November 2009 on the occasion of the centennial of the publication of Gandhiji's "Hind Swaraj".

Kamalnayan Bajaj Hospital

Kamalnayan Bajaj Hospital, located in Aurangabad in Marathwada region, is providing super speciality and tertiary care medical facilities, not available elsewhere in this region.

Bajaj Auto Ltd. with its group companies, is supporting the Trust, named – MMRI (Marathwada Medical & Research Institute), which runs the hospital. In the last one year, hospital has expanded its capacity from 150 beds to 250 beds and major part of the expansion has been for general category patients. Recently, it has added cancer treatment facilities, including Linac Accelerator & Brachy therapy. Also added are MRI 1.5 Tesla equipment, new generation Siemens Cath Lab for heart patients, latest ophthalmology equipment and other advanced facilities.

The hospital has been providing annually relief for close to 55,000 patients on OPD basis and close to 7,000 patients, who are admitted to hospital for various treatments. It also provides intensive care unit and cardiac care unit, with a capacity of 22 beds and generally with an occupancy rate of more than 95%.

The hospital also runs a programme of providing relief to Below Poverty Line (BPL) and Economically Weaker Section (EWS) of the society with free / subsidized treatment. It holds camps in the villages of the district of Aurangabad and close to 400 BPL patients have been treated at a cost of Rs. 41 lakhs.

The Trust is in the process of starting a Nursing College in 2010-11.

The Group has another 20 Trusts, which are also engaged in many CSR initiatives. Thus, what is listed above is not exhaustive, but only illustrative to give a glimpse of the importance being given by the company and the Group towards CSR.

A publication of the Group "Beyond Profits – Philanthropic Activities of the Bajaj Group", setting out in greater detail the CSR activities of the Group can be made available to any shareholder on request.

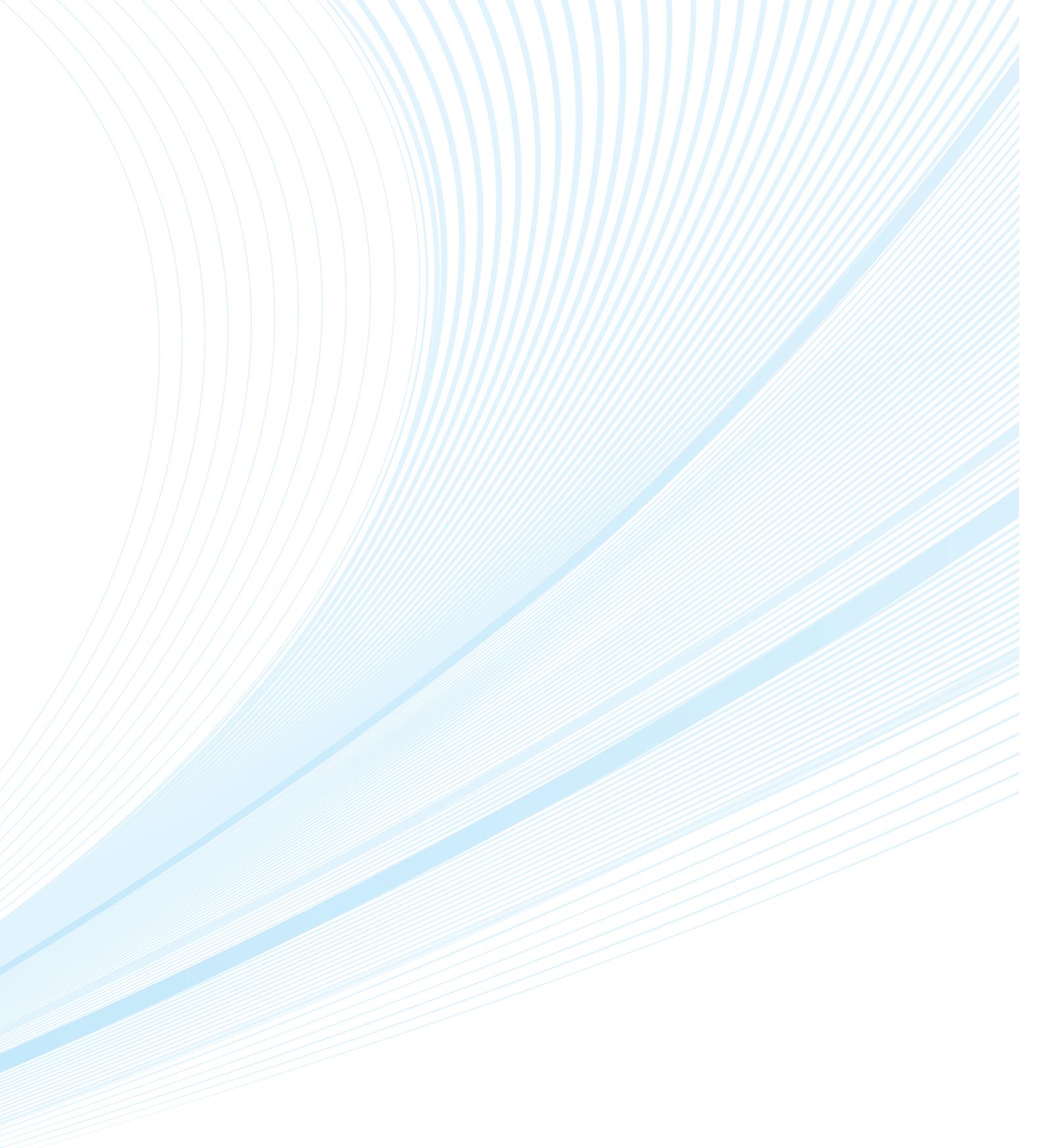
Constituents of 'Group' as defined in MRTP Act, 1969 for the purposes of SEBI (SAST) Regulations, 1997

Persons constituting group within the definition of "group" as defined in the Monopolies and Restrictive Trade Practices Act, 1969, for the purpose of Regulation 3(1)(e) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, include the following:

Sr No	Name of the Person / Entity
1	Anant Bajaj
2	Deepa Bajaj
3	Geetika Bajaj
4	Kiran Bajaj
5	Kriti Bajaj
6	Kumud Bajaj
7	Madhur Bajaj
8	Minal Bajaj
9	Nimisha Bajaj
10	Niraj Bajaj
11	Niravnayan Bajaj
12	Pooja Bajaj
13	Rahul Kumar Bajaj
14	Rajivnayan Bajaj
15	Rishab Bajaj
16	Ruparani Bajaj
17	Sanjali Bajaj
18	Sanjivnayan Bajaj
19	Shefali Bajaj
20	Shekhar Bajaj
21	Siddhant Bajaj
22	Sunaina Kejriwal
23	Manish Kejriwal
24	Aryaman Kejriwal
25	Neelima Bajaj Swamy
26	Aditya Swamy
27	Bachhraj and Company Pvt. Ltd.
28	Bachhraj Factories Pvt. Ltd.
29	Bajaj Allianz Financial Distributors Ltd.
30	Bajaj Allianz General Insurance Company Ltd.
31	Bajaj Allianz Life Insurance Company Ltd.
32	Bajaj Auto Employees' Welfare Funds
33	Bajaj Auto Finance Ltd.
34	Bajaj Auto Holdings Ltd.
35	Bajaj Auto Ltd.
36	Bajaj Electricals Ltd.

Sr No	Name of the Person / Entity
37	Bajaj Financial Securities Ltd.
38	Bajaj Financial Solutions Ltd.
39	Bajaj Finserv Ltd.
40	Bajaj Holdings & Investment Ltd.
41	Bajaj International Pvt. Ltd.
42	Bajaj Sevashram Pvt. Ltd.
43	Baroda Industries Pvt. Ltd.
44	Hercules Hoists Ltd.
45	Hind Musafir Agency Ltd.
46	Jamnawal Sons Pvt. Ltd.
47	Kamalnayan Investment & Trading Pvt. Ltd.
48	Madhur Securities Pvt. Ltd.
49	Mukand Engineers Ltd.
50	Mukand Ltd.
51	Niraj Holdings Pvt. Ltd.
52	Rahul Securities Pvt. Ltd.
53	Sanraj Nayan Investments Pvt. Ltd.
54	Shekhar Holdings Pvt. Ltd.
55	Shishir Holdings Pvt. Ltd.
56	The Hindustan Housing Co Ltd.
57	Anant Trading Company
58	Bachhraj Trading Company
59	Bajaj Trading Company
60	Rishabh Trading Company
61	Anant Trust
62	Aryaman Trust
63	Deepa Trust
64	Geetika Trust
65	Kriti Trust
66	Minal Trust
67	Neelima Trust
68	Nimisha Trust
69	Niravnayan Trust
70	Rishabhayan Trust
71	Sanjali Trust
72	Siddhant Trust

Note: Shareholdings of HUFs, are held in the names of the respective individuals in the capacity of Karta. Hence, HUFs are not separately listed hereinabove.



Consolidated Financial Statements

Report of the Auditors on the Consolidated Financial Statements

The Board of Directors
Bajaj Finserv Limited

1. We have audited the attached consolidated balance sheet of Bajaj Finserv Limited (the "Company") and its subsidiaries, its jointly controlled entities and associate companies; hereinafter referred to as the "Group" (refer Note 1 of Schedule 12 to the attached consolidated financial statements) as at 31 March 2010, the related consolidated Profit and Loss Account and the consolidated Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These consolidated 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.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. The financial statements of Bajaj Allianz Life Insurance Company Limited, a subsidiary, whose financial statements for the year ended 31 March 2010 reflect total assets of Rs. 330,449.2 million (previous year Rs. 175,788.1 million and total revenues for the year of Rs. 1,084.3 million (Previous year Rs. 906.7 million), have been jointly audited by us and an independent firm of Chartered Accountants. In preparation of the said financial statements, the policy reserves and policy liabilities have been determined by the appointed actuary and relied upon by the auditors in terms of IRDA (Preparation of financial statements and auditors report of insurance companies) Regulations, 2002.
4. Also, the financial statements of Bajaj Allianz General Insurance Company Limited, a subsidiary, whose financial statements for the year ended 31 March 2010 reflect total assets of Rs. 7,927.9 million (previous year Rs. 6,724.7 million) and total revenues for the year of Rs. 1,826.1 million (Previous year Rs. 1,542.3 million) have been jointly audited by us and an independent firm of Chartered Accountants.
5. We have audited the financial statements of Bajaj Financial Solutions Limited, a subsidiary, whose financial statements for the year ended 31 March 2010 reflect total assets of Rs. 210 million (Previous year Rs. 20 million)
6. We have audited financial statements of Bajaj Auto Finance Limited, as Associate, which have been accounted in the Consolidated Financial Statements dealt with by this report, whose financial statements for the year ended 31 March 2010 reflect total assets of Rs. 44,049.0 million (Previous year Rs. 27,087.1 million) and revenues of Rs. 9,161.6 million (Previous year Rs. 5,993.9 million)
7. We did not audit the financial statements of Bajaj Allianz Financial Distributors Ltd., a jointly controlled entity, included in the consolidated financial statements, which constitute total assets of Rs 24.0 million as at March 31, 2010 and total revenue of Rs. 867.2 million, and net increase in cash flows amounting to Rs 14.5 million for the year then ended; These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion on the consolidated financial statements to the extent they have been derived from such financial statements is based solely on the report of such other auditors.
8. We report that the consolidated financial statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standard (AS) 21 - Consolidated Financial Statements, Accounting Standard (AS) 23 - Accounting for Investments in Associates in Consolidated Financial Statements, and Accounting Standard (AS) 27 - Financial Reporting of Interests in Joint Ventures notified under sub-section 3C of Section 211 of the Companies Act, 1956.
9. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components of the Group as referred to above, and to the best of our information and according to the explanations given to us, in our opinion, the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the consolidated Balance Sheet, of the state of affairs of the Group as at 31 March 2010;
 - (b) in the case of the consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date; and
 - (c) in the case of the consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date

For Dalal and Shah
Firm Registration Number: 102021W
Chartered Accountants

Anish Amin
Partner
Membership Number: 40451
Pune: 11 May 2010

Consolidated Balance Sheet as at 31 March

			2010	2009
	Schedule	Rs. In Million	Rs. In Million	Rs. In Million
I. Sources of funds :				
1. Shareholders' Funds				
a) Share Capital	1	723.4		723.4
b) Reserves & Surplus	2	25,534.1		20,156.0
Fair value change account		(3.8)		—
			26,253.7	20,879.4
2. Policy Liabilities			30,321.8	18,005.1
3. Provision for Linked Liabilities			284,146.1	140,653.0
4. Funds for future appropriation in Policyholders' Account	3		3,874.6	5,023.2
5. Minority Interest			5,161.5	3,438.7
6. Loan Funds:				
Unsecured Loans	4		3,107.6	3,107.6
7. Deferred Tax liability (net)			13.4	—
	Total		352,878.7	191,107.0
II. Application of Funds :				
1. Fixed Assets:				
a) Gross Block		9,245.8		7,092.1
b) Less: Depreciation		5,600.4		4,641.9
c) Net Block	5	3,645.4		2,450.2
d) Capital Work in progress, expenditure to date		546.5		1,192.4
			4,191.9	3,642.6
2. Goodwill on investments in associates			26.5	33.2
3. Investments	6		54,778.8	42,737.4
4. Policyholders' Investments			34,622.4	23,217.1
5. Assets held to cover linked liabilities			284,146.1	140,653.0
6. Deferred Tax Assets (net)		378.5		235.2
Share of deferred tax assets (net) of joint ventures		2.7		—
			381.2	235.2
7. Current Assets, Loans and Advances :	7			
a) Sundry Debtors		9.3		31.1
b) Cash and Bank Balances		5,184.5		6,418.4
c) Other Current Assets		8,561.0		5,923.1
d) Loans and Advances		2,654.1		2,454.5
		16,408.9		14,827.1
Less: Current Liabilities and Provisions :	8			
a) Liabilities		28,713.6		22,596.6
b) Provisions		12,963.8		11,642.3
		41,677.4		34,238.9
Net Current Assets			(25,268.5)	(19,411.8)
8. Miscellaneous Expenditure (to the extent not written off)				
Preliminary Expenses			0.3	0.3
	Total		352,878.7	191,107.0
Notes forming part of the Financial Statements	12			

As per our attached report of even date
For and on behalf of Dalal and Shah
Firm Registration Number: 102021W
Chartered Accountants

Anish Amin
Partner
Membership Number: 40451
Pune: 11 May 2010

Sonal R. Tiwari
Company Secretary

Rahul Bajaj
Nanoo Pamnani
Sanjiv Bajaj

Chairman
Vice Chairman
Managing Director

Rajiv Bajaj
D.J. Balaji Rao
S.H. Khan
Naresh Chandra

Directors

Consolidated Profit and Loss Account for the year ended 31 March

			2010	2009
	Schedule	Rs. In Million	Rs. In Million	Rs. In Million
Income:				
Income from Operations	9A	3,332.8		2,801.2
Other Income	9B	34.2		29.7
Operating result from general insurance business	10	1,242.3		980.6
Amount transferred from the Policyholders' Account		5,244.8		41.5
			9,854.1	3,853.0
Expenditure:				
Contribution to the policyholder fund		694.5		1,639.1
Other Expenses	11	1,018.8		511.8
Interest		—		0.2
Depreciation		220.2		298.1
			1,933.5	2,449.2
Profit for the year before income from associates and taxation			7,920.6	1,403.8
Income from associates after tax			382.2	139.7
Profit before Provision for Taxation			8,302.8	1,543.5
Provision for Taxation [including Rs. 1 million (previous year - Rs. 1 million) for Wealth tax]				
Current tax		1,167.7		765.0
Deferred tax		(180.2)		(43.8)
Fringe Benefit Tax		—		45.6
			987.5	766.8
Profit / (Loss) for the year after tax			7,315.3	776.7
Minority Interest			1,724.1	63.6
			5,591.2	713.1
Adjustments on revaluation of deferred tax assets			45.9	—
Profits / (Losses) attributable to consolidated group			5,545.3	713.1
Transfer to Reserve fund in terms of Section 45 IC (1) of the Reserve Bank of India Act, 1934			68.0	82.8
Transfer to General Reserve			416.2	286.5
Proposed Dividend			144.7	144.7
Corporate Dividend Tax thereon			24.0	24.6
Balance Carried to Balance Sheet			4,892.4	174.5
Notes forming part of the Financial Statements	12			
Basis and diluted Earnings Per Share (Rs.)			38.6	4.9
Nominal value per share (Rs.)			5.0	5.0
Net Profit (Rs. In Million)			5,591.2	713.1
Weighted average number of Shares (In Million)			144.7	144.7

As per our attached report of even date
For and on behalf of Dalal and Shah
Firm Registration Number: 102021W
Chartered Accountants

Anish Amin
Partner
Membership Number: 40451
Pune: 11 May 2010

Sonal R. Tiwari
Company Secretary

Rahul Bajaj
Nanoo Pamnani
Sanjiv Bajaj

Chairman
Vice Chairman
Managing Director

Rajiv Bajaj
D.J. Balaji Rao
S.H. Khan
Naresh Chandra

Directors

Schedules No 1-12 annexed to and forming part of the Balance Sheet as at and the Profit and Loss Account for the year ended 31 March 2010

Schedule 1 Share Capital

	As at 31 March 2009	
	Rs. In Million	Rs. In Million
Authorised		
150,000,000 Equity Shares of Rs.5 each	750.0	750.0
Issued,Subscribed and Paid up		
*144,683,510 Equity Shares of Rs 5 each	723.4	723.4
Total	723.4	723.4

Notes

*Of the above:-

1. **101,183,510** shares were allotted as fully paid-up pursuant to the scheme of arrangement of demerger of erstwhile Bajaj Auto Limited (now Bajaj Holdings & Investment Limited)
2. **1,805,071** Equity Shares thereof are deemed to be issued by way of Euro Equity Issue represented by Global Depository Receipts (GDR) evidencing Global Depository Shares outstanding on the record date. Outstanding GDRs at the close of the year were 155,285 (201,775)

Schedule 2 Reserves and Surplus

	As at 31 March 2009			
	Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million
Share premium (Share of share premium of subsidiary)			9,076.7	9,076.7
Reserve Fund in terms of Section 45 IC (1) of Reserve Bank of India Act, 1934				
As per last account		82.8		82.8
Set Aside this Year		68.0		—
			150.8	82.8
General Reserve:				
As per last account		12,231.3		11,821.7
Add: Share of accumulated reserves of associate & subsidiaries		1.5		123.1
Add: Set aside this year		416.2		286.5
			12,649.0	12,231.3
Balance in profit and loss account				
As per last account		(1,234.8)		(1,409.3)
Add: Set aside this year	4,879.5			181.0
Share of profit /(loss) of joint ventures for the year	12.9			(6.5)
		4,892.4		174.5
Total			3,657.6	(1,234.8)
			25,534.1	20,156.0

Schedule 3 Policyholders Account

	As at 31 March 2009	
	Rs. In Million	Rs. In Million
PREMIUMS EARNED - Net		
(a) Premium	114,197.1	106,245.2
(b) Reinsurance ceded	(283.5)	(234.5)
(c) Reinsurance accepted	—	—
Sub-Total	<u>113,913.6</u>	<u>106,010.7</u>
INCOME FROM INVESTMENT		
(a) Interest, Dividend & Rent - Gross	6,453.8	4,128.8
(b) Profit on sale / redemption of investments	31,839.2	4,592.1
(c) Loss on sale / redemption of investments	(4,970.1)	(21,740.1)
(d) Transfer / Gain on revaluation / change in fair value	64,347.4	(19,189.5)
(e) Other investment income	1,631.8	1,059.9
Other Income	281.6	131.1
Contribution from the Shareholders' Account	694.5	1,639.1
Sub-Total	<u>100,278.2</u>	<u>(29,378.6)</u>
Total (A)	<u>214,191.8</u>	<u>76,632.1</u>
Commission	9,625.7	10,515.5
Operating Expenses related to Insurance Business	17,716.3	18,757.9
Provision for doubtful receivables	—	—
Provision for FBT	—	86.4
Provision for Income Tax	653.1	71.3
Total (B)	<u>27,995.1</u>	<u>29,431.1</u>
Benefits Paid (Net)	26,301.9	7,565.1
Interim Bonuses Paid	10.3	0.5
Change in valuation of liability against life policies in force		
(a) Gross	12,295.2	7,369.2
(b) Fund Reserve	143,493.1	31,111.3
(c) Amount ceded in Reinsurance	—	—
(d) Amount accepted in Reinsurance	—	—
Total (C)	<u>182,100.5</u>	<u>46,046.1</u>
Surplus / (Deficit) (D) = (A) - (B) - (C)	4,096.2	1,154.9
Opening balance of Funds for future appropriation	5,023.2	3,909.8
Less: Transfer to Shareholders' account	5,244.8	41.5
Closing balance of Funds for future appropriation	<u>3,874.6</u>	<u>5,023.2</u>

Schedule 4 Unsecured Loans

	As at 31 March 2009	
	Rs. In Million	Rs. In Million
Sales tax deferral incentive/loan liability representing incentive attached to the Wind Farm business, assigned to and availed by Bajaj Auto Ltd. passed on to the Company under an arrangement.	3,107.6	3,107.6
Total	3,107.6	3,107.6

Schedule 5 Fixed Assets

Particulars	Gross Block				Depreciation				Net Block	
	As at 31 March 2009	Additions	Deductions and Adjustments	As at 31 March 2010	Up to 31 March 2009	Deductions and Adjustments	For the Year	As at 31 March 2010	As at 31 March 2010	As at 31 March 2009
	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	78.2	36.3	—	114.5	—	—	—	—	114.5	78.2
Land Leasehold	468.3	128.8	5.0	592.1	269.6	2.9	178.7	445.4	146.7	198.7
Buildings	793.4	1,450.2	—	2,243.6	61.0	—	24.4	85.4	2,158.2	732.4
Lease hold Improvements	206.5	7.5	6.5	207.5	164.1	8.0	29.9	186.0	21.5	42.4
Free hold Improvements	10.6	—	—	10.6	5.9	(2.2)	1.9	10.0	0.6	4.7
Information Technology Equipment	1,608.4	368.9	4.8	1,972.5	1,125.4	4.5	378.9	1,499.8	472.7	483.0
Intangibles- Computer Softwares	191.0	14.4	—	205.4	138.4	—	32.0	170.4	35.0	52.6
Office Equipment	360.5	33.1	3.5	390.1	201.4	2.8	57.8	256.4	133.7	159.1
Furniture, Fixtures, Office equipment etc	496.1	124.7	7.9	612.9	265.4	5.9	65.4	324.9	288.0	230.7
Electric Fittings	4.8	8.2	—	13.0	2.1	—	0.4	2.5	10.5	2.7
Vehicles	37.1	16.9	7.6	46.4	12.4	5.0	7.0	14.4	32.0	24.7
Wind Energy Generators	2,837.2	—	—	2,837.2	2,396.2	—	209.0	2,605.2	232.0	441.0
Total	7,092.1	2,189.0	35.3	9,245.8	4,641.9	26.9	985.4	5,600.4	3,645.4	2,450.2
Share of fixed assets of joint ventures	1.6	—	—	1.6	0.4	—	0.7	1.1	0.5	1.2
Previous Year Total	6,130.0	985.5	23.4	7,092.1	3,645.1	18.1	1,014.9	4,641.9	2,450.2	
Share of fixed assets of joint ventures Previous Year	—	1.6	—	1.6	—	—	0.4	0.4	1.2	

Schedule 6 Investments, at cost (unless otherwise stated)

	As at 31 March 2009		
	Rs. In Million	Rs. In Million	Rs. In Million
In Government and Trust Securities		18,297.1	16,053.8
In fully Paid Preference Shares		—	—
In Equity Shares			
Long Term: Associate Company	5,233.3		4,575.1
Others	27.9		—
		5,261.2	4,575.1
In Debentures, Bonds and Secured Premium Notes		21,264.2	16,494.3
In Bonds		6,266.7	4,346.9
In Mutual Fund Units	456.1		962.3
Share of joint ventures	3.0		—
		459.1	962.3
In Certificate of Deposits		1,405.0	243.9
In Commercial Paper		493.9	—
In Warrants		—	104.6
In Fixed Deposits with banks		1,682.9	418.9
In Other Investments		—	50.0
In Investment Properties – Real Estate		—	105.5
		55,130.1	43,355.3
Less: Provision for diminution in value of Investments		351.3	617.9
Total		54,778.8	42,737.4

Schedule 7 Current Assets, Loans and Advances

	As at 31 March 2009			
	Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million
(a) Sundry Debtors				
Outstanding for a period exceeding six months :				
Others, Good		8.3		28.9
Share of debtors of joint venture		1.0		2.2
			9.3	31.1
(b) Cash and Bank Balances:				
Cash on hand [including cheques on hand Rs.297.7 million previous year - Rs. 346.5 million]		1,210.1		801.9
Bank Balances:				
With scheduled banks :				
In current accounts		1,788.5		3,802.7
Share of current bank accounts of joint ventures		11.0		3.8
In fixed deposits		2,144.3		1,745.9
Share of fixed deposits of joint ventures		—		—
		3,943.8		5,552.4
With Other Banks:		30.6		64.1
			5,184.5	6,418.4
(c) Other Current Assets (good, unless otherwise stated)				
Dividend and Interest receivable on Investments				
Good		2,253.1		1,356.6
Outstanding Premiums		514.8		344.9
Voluntary Emission Reduction receivable		2.3		31.2
Wheeling & Transmission Charges receivable		—		35.2
Credit receivable for Windpower generated		45.8		145.3
Agent's Balances	30.2			30.4
Less: Provision for Doubtful Recoveries	—			5.2
		30.2		25.2
Dues from other entities carrying on insurance business	5,723.1			3,992.5
Less: Provision for doubtful amounts	8.3			7.8
		5,714.8		3,984.7
			8,561.0	5,923.1
(d) Loans and Advances (unsecured, good, unless otherwise stated)				
Advances Recoverable in Cash or in kind or for value to be received:				
Due from Associates	1.3			—
Others, Good	1,432.7			1,059.3
Share of advances recoverable of joint ventures	13.8			2.6
		1,447.8		1,061.9
Sundry Deposits		360.6		135.7
Share of Deposits of joint venture		0.3		0.7
Deposits with ceding companies		6.9		17.7
Deposit pursuant to Section 7 of Insurance Act, 1938		—		—
Deposit		—		207.0
Capital Advances		1.6		190.2
Tax paid in Advance		810.8		826.1
Share of taxes paid in advance of joint ventures		26.1		15.2
			2,654.1	2,454.5
Total			16,408.9	14,827.1

Schedule 8 Current Liabilities and Provisions

			As at 31 March 2009
	Rs. In Million	Rs. In Million	Rs. In Million
(a) Liabilities:			
Sundry Creditors:			
Other than small scale industrial undertakings	6,048.6		4,424.2
Share of other creditors of joint ventures	34.4		24.9
		6,083.0	4,449.1
Advance for sale of office premises		60.0	—
Unclaimed Dividends		0.8	0.5
Interest accrued but not due on loans (Rs. 10,574 - previous year Rs. 9,175)			
Temporary overdraft with bank as per books		138.4	796.0
		6,282.2	5,245.6
Agent's Balances	3,772.6		2,995.2
Balances due to other insurance companies	500.5		843.9
Premiums received in advance	550.8		507.8
Unallocated Premiums	534.7		387.3
Claims Outstanding	15,240.5		11,660.4
Solatium Fund	14.4		17.2
Premium Deficiency	56.6		—
Premium & Other Deposits	1,761.3		939.2
		22,431.4	17,351.0
		28,713.6	22,596.6
(b) Provisions:			
Provision for employee benefits	674.9		489.7
Share of provision for employee benefits of joint ventures	11.5		3.5
Provision for Taxation	922.2		669.6
Share of provision for taxation of joint ventures	1.7		—
Proposed Dividend	144.7		144.7
Corporate Dividend Tax thereon	24.0		24.6
Reserve for unexpired risk	11,184.8		10,310.2
		12,963.8	11,642.3
Total		41,677.4	34,238.9

Schedule 9 Income from Operations and Other Income

	Rs. In Million	Rs. In Million	Rs. In Million	Previous Year Rs. In Million
A. Income from operations				
Wind Farm business:				
Income from power generation		430.7		409.1
Voluntary emission reduction credits		0.4		6.9
			431.1	416.0
Investments Activity:				
Dividends:				
Other		—		6.0
Interest				
On Government Securities	304.6			417.2
On Debentures and Bonds	219.1			128.8
Other	1,548.7			1,350.8
	2,072.4			1,896.8
Less: Amortisation of premium/discount on acquisition of fixed income securities	(14.3)			(8.7)
		2,086.7		1,905.5
Profit on Sale of Investments, net		381.1		228.5
Share of Profit on Sale of Investments, net, of joint venture		0.1		0.2
Surplus on redemption of securities		3.2		3.8
			2,471.1	2,138.0
Share of manpower & recruitment services of joint venture			426.7	232.1
Share of Brokerage of joint venture			3.9	9.1
			3,332.8	2,801.2
B. Other Income				
Miscellaneous Receipts		31.1		28.8
Share of Miscellaneous receipts of joint ventures		3.0		0.4
Provisions no longer required		0.1		0.3
Share of provision no longer required of joint ventures		—		0.2
			34.2	29.7
Total			3,367.0	2,830.9

Schedule 10 Operating results from General Insurance Business
(Revenue account for the year ended 31 March 2010)

		Previous Year	
		Rs. In Million	Rs. In Million
Premiums earned - (Net)	(1)	18,842.0	18,912.7
Profit /Loss on sale/redemption of Investments (Net)		69.5	123.0
Other Income - miscellaneous income		372.2	268.7
Provision no longer required written back		8.1	1.3
Amortisation of discount / (premium)		(32.4)	44.6
Exchange rate difference gain		—	—
Interest, Dividend & Rent-Gross		1,672.1	1,491.5
	(2)	2,089.5	1,929.1
	(1)+(2)	20,931.5	20,841.8
Claims incurred (Net)		13,865.7	13,599.1
Contribution to Solatium Fund		14.5	17.2
Commission		317.5	237.8
Change in Premium Deficiency		21.3	35.4
Operating Expenses related to Insurance Business		5,470.2	5,971.7
	(3)	19,689.2	19,861.2
OPERATING PROFIT/(LOSS) from General Insurance Business	(1)+(2)-(3)	1,242.3	980.6
Balance carried to Profit and Loss Account		1,242.3	980.6

Schedule 11 Other Expenses

			Previous Year
	Rs. In Million	Rs. In Million	Rs. In Million
Share of sub-brokerage and fees of joint venture		—	1.6
Repairs:			
Buildings and Roads	1.3		1.9
Windmill	69.7		73.3
Other	2.6		0.6
		73.6	75.8
Employees' Emoluments:			
Salaries, wages, bonus etc.	50.4		25.6
Share of salaries, wages, bonus etc. of joint ventures	417.4		239.7
Contribution to Provident and other funds and schemes	4.6		8.1
Share of contribution to funds and schemes of joint ventures	0.1		0.5
Welfare expenses	0.9		0.6
Share of welfare expenses of joint ventures	0.1		—
		473.5	274.5
Energy generation expenses		141.5	31.0
Share of rent of joint venture		1.6	1.9
Rates and taxes		3.1	3.9
Auditors' Remuneration		1.2	1.2
Share of auditors' remuneration of joint ventures		0.2	0.2
Directors' fees and travelling expenses		1.2	0.9
Managing Directors' remuneration			
Salary	3.3		3.3
Commission	9.9		9.9
		13.2	13.2
Commission to Non Executive Directors		1.4	1.4
Warrants written off		104.6	—
Miscellaneous expenses		199.4	102.7
Share of miscellaneous expenses of joint ventures		3.9	3.5
Loss on redemption of securities		0.3	—
Preliminary expenses written off		0.1	—
Total		1,018.8	511.8

Schedule 12 Notes forming part of the Consolidated Accounts

1. (a) The Consolidated Financial Statements include results of the following Subsidiaries, Associates and Joint Ventures of Bajaj Finserv Ltd., consolidated in accordance with AS-21 "Consolidated Financial Statements", AS-23 "Accounting for Investment in Associates in Consolidated Financial Statements" & AS-27 "Financial Reporting of Interests in Joint Ventures".

Name of the Company	Country of incorporation	% Shareholding of Bajaj Finserv Ltd.	Consolidated as
Bajaj Allianz General Insurance Company Limited	India	74%	Subsidiary
Bajaj Allianz Life Insurance Company Limited	India	74%	Subsidiary
Bajaj Financial Solutions Limited	India	100%	Subsidiary
Bajaj Allianz Financial Distributors Limited	India	50%	Joint Venture
Bajaj Auto Finance Limited	India	44.64%	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 Finserv 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 and unique from the parent.** (The accounting policies of the parent are best viewed in its independent financial statements, Note 2 of schedule 11).

A) Bajaj Allianz Life Insurance Company Limited

Significant Accounting Policies followed by the Company

Basis of Preparation

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 ('AS') 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, various circulars issued by IRDA and the Companies Act, 1956 to the extent applicable and the practices prevailing in the insurance industry in India. The accounting policies have been consistently applied by the Company.

Use of Estimates

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

a) Revenue Recognition

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

Premium Income

Premium (net of service tax), is recognised as income when due. For linked business, premium is recognised when the associated units are allotted.

Schedule 12 Notes forming part of the Consolidated Accounts (Contd.)

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

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

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

Commission received on reinsurance ceded is recognised 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 recognised 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 amortised on constant yield to maturity basis over the period of maturity/holding and offset against interest income.

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

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

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

The realised 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.

Fund Management Charges, Fund Administration Charges and Cost of Insurance are accounted for on accrual basis in accordance with terms and conditions described in the issued policies.

Rental income earned from real estate is recognised on an accrual basis.

b) Reinsurance premium

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

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.

Repudiated claims disputed before judicial authorities are provided for based on the best judgment of the management considering the facts and evidence in respect of each such claim.

Withdrawals under unit linked policies are accounted in respective schemes when the associated units are cancelled.

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 in future, if any, for the first year commission paid, 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.

Schedule 12 Notes forming part of the Consolidated Accounts (Contd.)

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

- (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. Investments other than short term are classified as long-term investments.

Investments are specifically procured and held for policyholders and shareholders independently and the income relating to these investments is recognised in the Revenue Account and Profit and Loss Account respectively.

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 amortisation of premium or accretion of discount 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 lower of the last quoted closing price on the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE). Fair value for mutual fund units is the per unit net asset value on the Balance Sheet date declared by respective Mutual Fund. Unrealised gains/losses on changes in fair values of listed equity shares and mutual funds are taken to the Fair Value Change Account and carried forward in the Balance Sheet.

Investment in real estate properties is valued at cost, subject to revaluation once in three years.

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. Unlisted shares are stated at historical cost subject to provision for diminution, if any, in the value of such investment.

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 Straight Line method.

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

iv) Transfer of investments

Transfer of investments from Shareholders' Fund to the Policyholders' Fund is at book value or market price; whichever is lower.

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

Inter fund transfer of Treasury Bills, Certificate of Deposits and Commercial Papers between unit linked funds is done at cost plus accretion. All other transfer of investments between unit linked funds is done at market price.

Schedule 12 Notes forming part of the Consolidated Accounts (Contd.)

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

g) Loans

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

h) Fixed Assets and Depreciation

Fixed assets are stated at cost of acquisition less accumulated depreciation. Cost of acquisition includes incidental expenses relating to acquisition and installation. In respect of liabilities incurred in acquisition of fixed assets in foreign exchange, the net gain or loss arising on conversion/settlement is charged to Revenue Account.

Intangible assets comprising software are stated at cost less amortisation.

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	Rate of Depreciation as per Sch. XIV (SLM)
Intangibles - Computer Software	33.33% p.a.	16.21% p.a.
Leasehold Improvements	Over the balance period of Lease	Over the balance period of Lease
Buildings	2.00% p.a.	1.63% p.a.
Electrical Fittings	6.33% p.a.	4.75% p.a.
Furniture & Fittings	6.33% p.a.	6.33% p.a.
Information Technology Equipment	33.33% p.a.	16.21% p.a.
Air Conditioner	10.00% p.a.	4.75% p.a.
Vehicles	20.00% p.a.	7.07% p.a.
Office Equipment	25.00% p.a.	4.75% 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.

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.

Impairment of Assets

The Company assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. An impairment loss is recognised if such recoverable amount of the asset is less than its carrying amount. After impairment, depreciation is provided on the revised carrying amount of the assets over its remaining useful life.

i) Service Tax

Service Tax liability on premium and charges are 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, after creating a provision based on estimated realisation of the unutilised credit. Such provisions are subsequently reversed only on virtual certainty that the credits will be utilised in future periods.

j) Provisions & 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.

Schedule 12 Notes forming part of the Consolidated Accounts (Contd.)

B) Bajaj Allianz General Insurance Company Limited

a. Basis of preparation of financial statements

The financial statements are prepared and presented in accordance with the Generally Accepted Accounting Principles 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, the Companies Act, 1956 ('The Act') to the extent applicable and comply with the notified accounting standards issued by Companies Accounting Standard Rules, 2006 (to the extent applicable) and current practices prevailing in the Insurance industry.

b. Use of Estimates

The preparation of financial statements in conformity with the generally accepted accounting principles requires management to make estimates and assumption that affect the reported amounts of assets and liabilities, revenue and expenses and disclosure of contingent liabilities. The estimates and assumptions used in 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 revision to accounting estimates is recognised prospectively in current and future periods.

c. Revenue recognition

Premium

Premium (net of service tax), including reinstatement premium, on direct business and reinsurance accepted, is recognised as income over the contract period or the period of risk whichever is appropriate on a gross basis. Any subsequent revisions to or cancellations of premiums are recognised in the year in which they occur.

Interest / dividend income

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

Premium / discount on purchase of investments

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

Profit / loss on sale of securities

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

Commission on Reinsurance Ceded

Commission received on reinsurance ceded is recognised as income in the period in which reinsurance premium is ceded. Profit commission under re-insurance treaties, wherever applicable, is recognised in the year of final determination of the profits and as intimated by Reinsurer.

d. Reinsurance ceded

Reinsurance cost, in respect of proportional reinsurance ceded, is accrued at policy inception. Non-proportional reinsurance cost is recognised when incurred and due. Any subsequent revision to, refunds or cancellations of premiums are recognised in the year in which they occur.

e. Reinsurance Accepted

Reinsurance inward acceptances are accounted for on the basis of returns, to the extent received, from the insurers.

f. 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.

g. 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.

Schedule 12 Notes forming part of the Consolidated Accounts (Contd.)

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

h. Reserve for unexpired risk

Represents that part of the net premium (i.e., premium, net of reinsurance ceded) 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 written during the year as required by Section 64 V(1)(ii)(b) of the Insurance Act, 1938. (Also refer note o).

i. 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 direct costs incurred for ensuring claim handling operations.

j. Claims incurred

Claims are recognised as and when reported. Claims paid (net of recoveries including salvage retained by the insured and includes interest paid towards claims) are charged to the respective revenue account when approved for payment. Where salvage is retained by 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, as anticipated and estimated by the management in light of past experience and subsequently modified for changes, as appropriate. Amounts received/receivable from the re-insurers/coinsurers, under the terms of the reinsurance and coinsurance arrangements respectively, are recognised together with the recognition of the claim.

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

IBNR represents that amount of all 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 is determined based on actuarial principles by 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 Institute of Actuaries of India in concurrence with the IRDA and, accordingly, the liability determined is certified as adequate by the Actuary.

l. Income from investments and other income

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

m. Fixed assets and depreciation/amortisation

Fixed assets are stated at cost (including incidental expenses relating to acquisition and installation) less accumulated depreciation. Assets costing up to Rs. 20,000 are depreciated fully in the year of acquisition.

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

	Depreciation rates as per books(SLM)	Depreciation rates as per Sch XIV(SLM)
Information technology equipment	33.33%	16.21%
Computer software (Intangibles)	33.33%	16.21%
Vehicles	20.00%	7.07%
Office equipment	25.00%	4.75%
Furniture & fixtures	6.33%	6.33%
Building	2.00%	1.63%
Air conditioner (part of office equipments)	10.00%	4.75%
Electrical fittings (part of office equipments)	33.33%	4.75%
Leasehold improvements	33.33%	—
Free Hold Improvements on Investment properties leased out	33.33%	—

Schedule 12 Notes forming part of the Consolidated Accounts (Contd.)

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

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

Impairment of assets

- (i) The carrying amounts of all assets are reviewed by the Company at each balance sheet date. If there is any indication of impairment based on internal/external factors, an impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is greater of the assets, net selling price and value in use. In assessing value in use the estimated future cash flows are discounted to their present value at a rate that reflects current market assessments of the time value of money and the risks specific to the asset, as determined by the management.
- (ii) After impairment depreciation is provided on the revised carrying amount of the assets over its remaining useful life, if any.

n. 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 amortisation 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 realised gain or loss on the securities is the difference between the sale consideration and the amortised cost in the books of the Company as on the date of sale determined on 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 carrying cost as on the date of sale, determined on a first in first out basis and includes the accumulated changes in the fair value previously taken to the fair value change account, in respect of the particular security; such gain or loss is transferred to revenue on the trade date.

Mutual Fund Units

Mutual fund 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 the mutual fund units is the difference between the sale consideration and the carrying cost as on the date of sale, determined on a first in first out basis and includes the accumulated changes in the fair value previously taken to the fair value change account, in respect of the particular security; such gain or loss is transferred to revenue on the trade date.

Fair Value Change Account

Fair value change account represents unrealised gains or losses in respect of investments in equity securities, derivative instruments and mutual fund units outstanding at the close of the year. The balance in the account is considered as a component of shareholders' funds and not available for distribution as dividend.

Schedule 12 Notes forming part of the Consolidated Accounts (Contd.)

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

Unrealised loss on listed and actively traded investments held for long term are not considered to be a part permanent nature and hence not considered as impaired. However the company, at each balance sheet date, assesses investments for any impairment and necessary provisions are made for the same where required.

Real Estate – Investment Property

Investment Property is measured at historical cost less accumulated depreciation and impairment loss, if any.

o. Contributions to Terrorism and Third Party Insurance Pools

i) 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. 7.5 billion (Previous year Rs. 7.5 billion) per location/compound.

In accordance with the terms of the agreement, GIC retro cedes, to the Company, terrorism premium to the extent of the share agreed to be borne by the Company in the risk, which is recorded as reinsurance accepted. Such reinsurance accepted is recorded based on quarterly confirmation received from GIC. Accordingly, reinsurance accepted on account of the Terrorism Pool has been recorded only upto 31st December 2009.

The entire amount of reinsurance accepted for the current year 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.

ii) The Indian Motor Third Party Insurance Pool (IMTPIP)

In accordance with the directions of IRDA, the Company, together with other direct general insurance companies, participates in the Indian Motor Third Party Insurance Pool ('IMTPIP'). The IMTPIP is administered by the General Insurance Corporation of India ('GIC'). The IMTPIP covers reinsurance of the entire third party risks of specified commercial motor vehicles (specified risks). Amounts collected as premium in respect of specified risks are ceded at 100% of such premium, to the IMTPIP. The terms of the IMTPIP are covered by the provisions of a multi lateral reinsurance arrangement, executed by all direct insurers licensed to carry on motor insurance business with effect from 1st April 2007.

As per the directions of the IRDA and the terms of the agreement between participant companies:

- a) The General Insurance Corporation of India ('GIC') participates in the pooled business at such percentage of the motor business that is ceded to it by all insurers as statutory reinsurance cessions under Section 101A of the Insurance Act, 1938. For the financial year ended 31st March 2010, the share of GIC was fixed at 10% (Previous year 10%) by the Insurance Regulatory Development Authority ('IRDA').
- b) The business remaining after such cession to GIC is shared among all general insurers writing motor insurance business in the proportion that their gross direct general insurance premium in India from all classes of general insurance underwritten by them in that financial year bears to the aggregate gross direct general insurance premium from all classes of general insurance business written by all participant companies. Such share of business is computed by GIC and is applicable to all insurance companies, who are members of the IMTPIP.

The Company's share of premiums, claims, reinsurance commissions and expenses of the pool is recorded as inward reinsurance business, based on the returns submitted by GIC, under the respective heads of income or expense as the case may be and included within the Motor Third Party sub-segment of the Miscellaneous Revenue Account. Accordingly, such share has been recorded by the Company, only up to 28th February 2010 and, for the month of March 2010 the losses from the Pool of Rs. 100.8 million, is provided based on management's estimate and recorded net under claims incurred. Unexpired risks reserve is provided for at 50% of net premiums of such inward reinsurance business, being the minimum rate specified in Section 64V(1)(ii) of the Insurance Act, 1938.

p. Contributions to Funds

The Company provides for contribution to Solatium and Environment Relief funds as per the requirement of regulations/circulars.

Schedule 12 Notes forming part of the Consolidated Accounts (Contd.)

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

q. Service Tax

Service tax collected is considered as a liability against which service tax paid for eligible input services, to the extent claimable, is adjusted and the net liability is remitted to the appropriate authority as stipulated. Unutilised credits, if any, are carried forward under "Advances and other Assets" for adjustments in subsequent periods. Service tax paid for eligible input services not recoverable by way of credits are recognised in the revenue account as expenses.

r. Provisions and Contingent liabilities

A provision is recognised when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

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.

C) Bajaj Allianz Financial Distributors Limited

Background

Bajaj Allianz Financial Distributors Limited is a Joint Venture between Bajaj Finserv Limited and Allianz, SE incorporated on 16 March 2007 with an objective to engage in the business of distribution of variety of financial products and services such as Mutual Funds, Personal loans, Credit Cards and home loans and providing manpower and recruitment support services under the name of Bajaj Allianz Staffing Solutions, a Division of Bajaj Allianz Financial Distributors Limited.

Significant Accounting Policies followed by the Company

Basis of Preparation

The financial statements are prepared under the historical cost convention, on accrual basis of accounting to comply in all material respects, with the mandatory Accounting Standards as notified by the Companies (Accounting Standards) Rules, 2006 ('the Rules') and in conformity with accounting principles generally accepted in India ('Indian GAAP') as applicable, and the relevant provisions of the Companies Act, 1956 ('the Act'). The accounting policies have been consistently applied by the Company; and the accounting policies not referred to otherwise, are in conformity with Indian GAAP.

Use of Estimates

The presentation of financial statements in conformity with the Indian GAAP requires the management to make estimates and assumptions to be made that may affect the balances of assets and liabilities and disclosures relating to contingent liabilities as at the date of the financial statements and the reported amounts of incomes and expenses during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from those estimated.

Revenue Recognition

Income from distribution of financial products operations includes brokerage and commission on sale of mutual fund units, life and general insurance policies, personal loans, and interest on fixed deposits, profit on sale of Investments, receipts from Mutual Fund Houses or Asset Management Companies for web hosting which is recognised when due, on completion of transaction.

Income from manpower and recruitment support services are recognised on the basis of contractual service agreement entered.

Brokerage and commission on sale of mutual fund units and life & general insurance policies is recognised net of service tax.

Investments

Trade investments are the investments made to enhance the Company's business interests. Investments are either classified as current/short term or long-term based on the Management's intention at the time of purchase. Long term Investments are carried at cost less any permanent diminution in value, determined separately for each individual investment. Current/short term Investments are carried at the lower of Cost and Fair Value. The comparison of Cost and Fair Value is done separately in respect of each category of Investment.

Schedule 12 Notes forming part of the Consolidated Accounts (Contd.)

C) Bajaj Allianz Financial Distributors Limited (Contd.)

Provisions and Contingent Liabilities

Provision is recognised when there is a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. These are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Contingent liabilities are disclosed by way of notes to accounts. Contingent assets are not recognised.

D) Bajaj Auto Finance Limited

Significant accounting policies followed by the Company

Fixed Assets, Depreciation and Amortisation:

I) (i) Fixed Assets are carried at cost of acquisition.

(ii) Depreciation

(a) On assets relating to Leasing Business:

(i) 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
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

(ii) Depreciation on additions to Assets relating to Leasing Business is being provided for as above, on pro-rata basis with reference to the month of commencement of the Lease Period.

(iii) Depreciation on Assets relating to Leasing Business, sold during the year, is being provided for at their respective rates upto the month in which such asset is sold.

(b) On other Assets :

(i) Depreciation on other assets is being provided on "Written Down Value method" at the rates specified in Schedule XIV to the Companies Act, 1956. Depreciation on additions during the year is being provided for on a pro-rata basis with reference to the month of addition.

(ii) Depreciation on assets sold during the year is being provided for, at their respective rates up to the month in which such asset is sold.

II) On Intangible Assets and Amortisation thereof:

Intangible assets, representing Specialised Software, are recognised consistent with the criteria specified in Accounting Standard (AS) 26 "Intangible Assets" as prescribed by Companies (Accounting Standards) Rules, 2006. The same is amortised over a period of 60 months, being the estimated useful life of the software.

Schedule 12 Notes forming part of the Consolidated Accounts (Contd.)

E) Bajaj Financial Solutions Limited

Background:

Bajaj Financial Solutions Limited was incorporated, as wholly owned subsidiary of Bajaj Finserv Limited., on 13 June 2008 with the main object of undertaking, inter alia, distribution of all kinds of financial products and to act as corporate agent under the provisions of IRDA Act, 1999.

Revenue recognition

- i) Income from distribution of financial products operations includes brokerage and commission on sale of mutual fund units, life and general insurance policies, personal loans, and interest on fixed deposits, profit on sale of Investments, receipts from Mutual Fund Houses or Asset Management Companies for web hosting which is recognised when due, on completion of transaction.
- ii) Brokerage and commission on sale of mutual fund units and life & general insurance policies is recognised net of service tax.

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 insurance policies are determined by the Appointed Actuary in accordance with IRDA regulations and relevant guidance notes of Institute of Actuaries 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 7.20% per annum same as that used for last year valuation.

Single premium participating business is reserved using a rate of 6.25% per annum which is same as used in valuation as at 31 March 2009. 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 per unit net asset value of units plus a non unit reserve to allow for costs of insurance and any expenses and commissions in excess of future charges.

The major portion of non-linked non-par business is One Year Renewal Group Term Assurance (OYRGTA) plan; which is reversed using an interest rate of 7.80% and the Guaranteed Investment Return (GIR) is consistent with the interest rate assumption.

Mortality assumptions are based on the published IALM (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 and the standard morbidity rate table CIBT 93.

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

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 product filing 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 Institute of Actuaries of India.

There is a small amount of Group Term Business at the valuation date, reserves for which have been calculated having regard to the unearned gross premium and expenses already incurred. The group non-linked non-par savings business is valued by the accrued account value of the members to the schemes.

Schedule 12 Notes forming part of the Consolidated Accounts (Contd.)

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

Provision has been made for the possible revival of policies, which have lapsed before the valuation date, having regard to the experience of the Company. 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.

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. During the year the shareholders transferred funds to Policyholders' Account, to make good the deficit, which existed in the Policyholders' Account and transfer to reserve. The necessary approvals of the shareholders for the said transfer have been taken at the Extra Ordinary General Meeting of the shareholders held on 7 May 2010.
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 Institute of Actuaries 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 motor, fire, marine, engineering, personal accident, workmen's compensation and health. These constitute over 99% (Previous year – 97 %) of the Company's total business. For other lines such as aviation and liability, the expected ultimate loss ratio method has been used to arrive at the estimate of IBNR.

Net IBNR reserves have been arrived at on the basis of actuarial estimates based on the claim data, after allowance for reinsurance recoveries.

2. Contribution to Environment Fund

The Company has collected an amount of Rs. 5.9 million (Previous year - Rs. 6.5 million) towards Environment Fund from public liability policies. The Company has paid all the funds collected towards Environment Fund up to February 28, 2010 to United India Insurance Company, the implementing agency for the fund. The balance payable has been disclosed under the head current liabilities.

C) Bajaj Auto Finance Limited

1. Warrants issued with debentures to the shareholders in 2006-07 have lapsed on 8 January, 2010 with no options of conversion being exercised.
2. Debenture Redemption Reserve has been created in accordance with the Circular No.9/2002 dated 18 April, 2002, issued by Department of Company Affairs, Ministry of Law, Justice & Company Affairs, Government of India & Section 117 C of Companies Act. The balance in the reserve on redemption /extinguishment of the debentures has been transferred to the Profit and Loss Account.
3. Based on past and current experience keeping in mind the economies of recovery / repossession of financed assets having a low ticket value, the company has assessed the value of underlying securities / assets in respect of certain lines of financing with a more practical approach leading to a provision against non – performing assets /overdue receivables being, made during the year, at an amount higher than that required under prudential norms stipulated by the Reserve Bank of India by Rs. 46.7 million.
4. In respect of lines of business where the management has decided to wind down the portfolio / book due to adverse experiences, the company has determined an amount of expected loss based on experience and circumstances, which amount is higher than that required under the prudential norms stipulated by the Reserve Bank of India by Rs. 226.3 million.
5. As a measure of prudence, for longer tenor loans, the company has proactively chosen to create a general provision for mortgages in the current year estimated at of Rs. 25.7million for the year.

Schedule 12 Notes forming part of the Consolidated Accounts (Contd.)

C) Bajaj Auto Finance Limited (Contd.)

6. Employee Stock Option Plan

The Board of Directors at its meeting held on October 14, 2009, approved an issue of Stock Options up to a maximum of 5% of the issued equity capital of the company aggregating to 18,29,803 equity shares in a manner provided in the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999 subject to the approval of the shareholders under Section 81(1A) of the Companies Act, 1956. The shareholders of the Company vide their special resolution passed through postal ballot on 15 December, 2009 approved the issue of Equity Shares of the Company under one or more Employee Stock Option Scheme(s).

The Remuneration & Nomination Committee has approved the following grants to a list of senior level executives of the Company in accordance with the Stock Option Scheme.

Particulars

Date of grant	12 January 2010
Exercise price	358.70
Options granted during the year	1,32,000
Options exercised during the year	Not Applicable
Options outstanding at the end of the year	1,32,000

Method used for accounting for share based payment plan

The Company has elected to use intrinsic value method to account for the compensation cost of stock options to employees of the Company. Intrinsic value is the amount by which the quoted market price of the underlying share exceeds the exercise price of the option. The company issued grants on 12 January, 2010 at Rs. 358.70 which was the closing price of previous date on the stock exchange with the highest trading volume for the day.

The fair value of options used to compute proforma net profit and earnings per share have been estimated on the date of grant using the Black – Scholes Model.

The key assumptions used in Black – Scholes Model for calculating fair value as on the date of grant are:

Variables	31 March 2010
1. Risk free interest rate	6.70%
2. Expected life	1-5 years
3. Expected volatility	54.01%
4. Dividend yield	0.62%
5. Price of the underlying share in the market at the time of the option grant (Rs.)	358.70

Impact of fair value method on net profit and earnings per share

Had compensation cost for the stock option plans outstanding been determined based on fair value approach, the net profit and earnings per share would have been as per the proforma amounts indicated below:

	For the year ended 31 March 2010 (Rs. In Million)
Net profit (as reported)	894.1
Add: Stock – based employee compensation expense included in net income	—
Less: Stock based compensation expense determined under fair value based method (pro forma)	13.4
Net Profit (pro forma)	880.7
Basic Earnings per share (as reported)	24.4
Basic Earnings per share (pro forma)	24.1
Diluted earnings per share (as reported)	24.4
Diluted earnings per share (pro forma)	24.1

Schedule 12 Notes forming part of the Consolidated Accounts (Contd.)

6. Consolidated Contingent Liability:

Particulars	For the year ended 31 March 2010 (Rs. In Million)	For the year ended 31 March 2009 (Rs. In Million)
(i) Claims against the Company not acknowledged as debts	130.4	115.1
(ii) Taxes, duties and other sums due	22.7	18.1
(iii) Claims, under policies, not acknowledged as debts	56.8	61.1

7.

Particulars	For the year ended 31 March 2010 (Rs. In Million)	For the year ended 31 March 2009 (Rs. In Million)
Capital Commitments to the extent not provided for, net of advances (including Rs. 3.7 million (previous year Rs. 1.9 million) being share of associate)	411.8	700.1

8. Deferred Taxes :

Particulars	For the year ended 31 March 2010 (Rs. In Million)	For the year ended 31 March 2009 (Rs. In Million)
Liabilities	13.4	169.4
Assets	381.2	404.6
Net	(367.8)	(235.2)

9. Consequent to purchase of equity shares of Bajaj Auto Finance Limited in March 2010, Bajaj Finserv Limited's holding stood increased thereafter. Consequently the share of profit of associate is proportionate to holdings during the year. Impact of such increases in holding has been given effect to in the consolidated general reserves, goodwill and investments.

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 2009-10	For 2008-09
From Operating Activities	66,205.8	69,641.9
From Investment Activities	(68,432.9)	(70,521.2)
From Financing Activities	21.0	(148.9)
Net Change	(2,206.1)	(1,028.2)
Cash & Cash Flow Equivalents at the beginning of the year	10,437.9	11,466.0
Cash & Cash Flow Equivalents at the end of the year **	8,231.8	10,437.9
	For 2009-10	For 2008-09
Cash & Bank balance as per Schedule 7	5,184.5	6,418.4
Add: Cash & bank balances for Unit linked business	5,273.2	6,422.3
Less: Fixed Deposits having maturity more than 3 months	2,087.5	1,606.7
Less: Temporary overdraft as per Schedule 8	138.4	796.1
Cash & Cash Flow Equivalents at the end of the year **	8,231.8	10,437.9

Schedule 12 Notes forming part of the Consolidated Accounts (Contd.)

11. Disclosure of transactions with Related Parties, as required by Accounting Standard 18 'Related Party Disclosures' has been set out in a separate statement annexed to this Schedule. Related parties as defined under clause 3 of the Accounting Standard have been identified on the basis of representations made by key managerial personnel and information available with the respective companies.
 12. 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.
 13. Previous year 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 "12"

As per our attached report of even date
For and on behalf of Dalal and Shah
Firm Registration Number: 102021W
Chartered Accountants

Anish Amin
Partner
Membership Number: 40451
Pune: 11 May 2010

Sonal R. Tiwari
Company Secretary

Rahul Bajaj
Nanoo Pamnani
Sanjiv Bajaj

Rajiv Bajaj
D.J. Balaji Rao
S.H. Khan
Naresh Chandra

Chairman
Vice Chairman
Managing Director

Directors

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

		Rs. In Million			
		2009-10		2008-09	
Name of related party and Nature of relationship	Nature of transaction	Transaction Value	Outstanding amounts carried in the Balance Sheet	Transaction value	Outstanding amounts carried in the Balance Sheet
A Holding company, subsidiaries and fellow subsidiary:					
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, joint ventures and investing parties:					
Bajaj Holdings & Investment Ltd. (investing party - holds 35.64% shares of Bajaj Finserv Ltd.)	Purchase of shares by BHIL [51,565,301 shares of Rs. 5 each (previous year - 50,301,000 shares of Rs. 5 each)]	6.3	257.8	719.4	936.9
	Interest received	—	—	3.0	—
	Dividend paid	50.3	—	43.5	—
	Business Support Services received	4.9	—	2.4	—
	Business Support Services rendered	9.2	—	—	—
	Sale of 9.90% debentures of Tata Sons Ltd.	109.8	—	—	—
	Unallocated premium	—	0.8	—	—
	Sale of investments	—	—	149.2	—
	Insurance premium paid [Rs. 34,000 (Previous year Rs. 11,000)]	—	—	—	—
Bajaj Auto Finance Ltd. (an associate - 44.64% shares held by Bajaj Finserv Ltd.)	Contribution to Equity (16,337,999 shares of Rs. 10 each), (Previous year 15,368,976 shares of Rs.10 each)]	298.5	3,924.9	33.4	3,626.4
	Contribution to Warrants (2,178,490 warrants of Rs.48/- each)	—	—	—	104.6
	Warrants written off	104.6	—	—	—
	Dividend Received	30.7	—	14.8	—
	Revenue expenses incurred on behalf	3.7	—	—	—
	Capital expenses incurred on behalf	4.6	1.3	—	—
	Advance received for sale of office premises	60.0	(60.0)	—	—
	Insurance premium received	212.7	—	48.9	—
	Insurance claim paid	9.0	—	6.6	—
	Unallocated premium	—	2.1	—	2.0
	Support charges for insurance business	0.3	0.6	1.2	—
	Paid towards revenue expenditure	106.0	(6.6)	—	—
Bajaj Allianz Financial Distributors Ltd. (a joint venture - 50% shares held by Bajaj Finserv Ltd.)	Contribution to Equity (1,200,000 shares of Rs. 10 each)	—	12.0	—	12.0
	Reimbursement received of revenue expenditure	0.7	—	5.7	8.6
	Billable expenses incurred on behalf	(15.5)	(27.3)	(16.4)	(16.4)
	Rental income	2.7	12.3	2.0	—
	Insurance premium received	1.5	—	0.5	19.1
	Insurance claim paid	0.5	—	—	—
	Unallocated premium (Rs. 74,000)	—	—	—	0.1
	Manpower supply charges	932.0	2.0	525.0	(2.7)
	Insurance commission paid/ payable	0.2	—	0.3	—
Allianz SE	Contribution to equity of BALICL including premium	—	10,991.3	—	10,991.3
	Contribution to equity of BAGICL including premium	—	1,952.7	—	1,952.7
	Licence fees / revenue expenditure for Opus	13.3	(12.2)	69.7	—
	Pre-Paid Licence fees for Opus	—	—	(2.8)	—
	Billable expenses incurred on behalf of Allianz AG	6.0	—	—	13.5
	Software Consultancy Fees	(13.5)	—	10.3	—
	Reimbursement of revenue expenses	0.7	—	1.5	—
Allianz Global Corporate & Speciality AG Munich	Reinsurance premium paid/payable	132.1	73.1	201.2	132.4
	Commission on reinsurance received/receivable	15.0	—	22.0	—
	Claims recovery on reinsurance	58.0	—	55.3	—
Allianz CP General Ins Co. Ltd.	Reinsurance premium received/receivable	16.2	6.1	26.7	6.1
	Commission on reinsurance paid/payable	1.6	—	1.3	—
	Software Consultancy Fees	44.6	—	—	—
	Deposits with the ceding company	—	6.9	—	14.8
	Income from software consultancy	3.6	—	—	—
Allianz SE Reinsurance, branch Asia Pacific	Reinsurance premium paid/payable	1,109.2	(39.0)	865.7	11.3
	Commission on reinsurance received/receivable	232.2	11.8	213.6	13.1
	Claims recovery on reinsurance	488.6	17.7	274.9	31.4
	Reinsurance profit commssion receivable	—	—	4.8	4.8
	No claim Bonus on XOL premium	—	—	(9.8)	—
	Portfolio Premium withdrawal	145.2	—	115.0	—
	Portfolio Claims withdrawal	263.5	—	219.2	—
	Portfolio Premium Entry	188.7	—	143.8	—
	Portfolio Claims Entry	342.5	—	273.4	—
	Deposits with the Ceding Company	—	—	—	(2.8)

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

		Rs. In Million			
		2009-10		2008-09	
Name of related party and Nature of relationship	Nature of transaction	Transaction Value	Outstanding amounts carried in the Balance Sheet	Transaction value	Outstanding amounts carried in the Balance Sheet
Assurances Generales de France (M/s AGF)	Reinsurance premium paid/payable Commission on reinsurance received/receivable	— —	— —	14.0 2.0	5.2 —
Allianz Marine and Aviation Versicherungs AG	Reinsurance premium paid/payable (Rs. 37,000) Commission on reinsurance received/receivable Claims recovery on reinsurance	— — —	— — —	0.1 0.1 0.1	— — —
Allianz Insurance Management Asia Pacific Pte.	Billable expenses incurred Reimbursement received of revenue expenditure	— 0.3	— 1.5	— —	— 1.1
Allianz Hongkong - Name changed from Allianz China	Reinsurance premium paid/payable Commission on reinsurance received/receivable	— —	— —	0.1 0.1	— —
Allianz Ost-West Allianz, Moscow	Income from Software Consultancy	—	—	0.7	—
Allianz Ins Co of Singapore - PTE	Reinsurance premium paid/payable Commission on reinsurance received/receivable	2.0 0.2	1.6 —	1.1 0.1	1.0 —
Allianz Elementar Versicherungs	Reinsurance premium paid/payable Commission on reinsurance received/receivable Claims recovery on reinsurance	0.1 — 0.1	— — —	— — 0.1	— — —
Euler Hermes Cr Insurance (S) Ltd.	Reinsurance premium paid/payable Commission on reinsurance received/receivable Claims recovery on reinsurance Billable expenses incurred on behalf of Euler Hermes	222.0 27.4 248.3 30.1	75.8 — — (8.9)	147.5 24.9 13.8 15.3	81.3 — — —
Allianz SE India Liaison Office	Expenditure incurred on behalf of Allianz Liaison Office Deposits for rent premises	— —	— 1.5	— —	— 1.5
Allianz Life Insurance Malaysia Berhad	Reimbursement made of revenue expenditure	—	—	0.6	—
Allianz Mena Holding Co. SPC	Reimbursement received of revenue expenditure	2.1	—	4.3	1.2
IDS GmbH	Remuneration for IDS services	2.5	—	1.1	(0.5)
Allianz Investment Management Singapore Pte. Ltd.	Data provision charges	38.9	(8.8)	—	—
Allianz Bahrain	Billable expenses incurred on behalf	—	—	1.3	(1.3)
Allianz Insurance Co Lanka Ltd.	Billable expenses incurred on behalf	—	0.1	—	0.1
Ayudhya Allianz C.P	Income from software consultancy	0.3	0.3	—	—
Allianz Belgium	Reinsurance premium paid/payable Commission on reinsurance received/ receivable Claim recovery on reinsurance	65.5 0.6 1,100.0	97.0 — —	2.0 0.3 12.3	0.2 — —
Allianz Global Corporate & Speciality -Franch	Reinsurance premium paid/payable Commission on reinsurance received/receivable Claims recovery on reinsurance	22.7 6.0 0.1	18.7 — —	89.7 3.3 0.1	49.3 — —
PT ASURANSI Allianz Life Indonesia	Income from software consultancy billed Billable expenses incurred on behalf Reinsurance premium received/ receivable Reinsurance premium paid/ payable	— 0.1 1.0 0.3	— 0.1 — —	2.2 — 1.0 —	1.6 — — —
Allianz Insurance Co.Egypt (Non-life)	Reinsurance premium received/ receivable Commission on reinsurance received/ receivable	2.1 0.1	2.0 —	— —	— —
Allianz Life insurance Co. Ltd. Korea	Income from software consultancy	0.6	—	—	—
C Individuals controlling voting power / exercising significant influence and their Relatives:					
Mr Rahul Bajaj (Chairman)	Sitting Fees	0.2	—	0.1	—
Mr Madhur Bajaj	Sitting Fees (Rs. 40,000)	—	—	0.1	—
Mr Rajiv Bajaj	Sitting Fees	0.1	—	0.1	—
Mr Niraj Bajaj	Nil	—	—	—	—

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

		Rs. In Million			
		2009-10		2008-09	
Name of related party and Nature of relationship	Nature of transaction	Transaction Value	Outstanding amounts carried in the Balance Sheet	Transaction value	Outstanding amounts carried in the Balance Sheet
Mr Shekhar Bajaj	Nil	—	—	—	—
Mr Sanjiv Bajaj (Managing Director) (Also Key management personnel)	Remuneration Commission	4.9 9.9	— (9.9)	6.0 9.9	— (9.9)
D Key Management Personnel & their Relatives:					
Mr. Kamesh Goyal (CEO - BALICL)	Remuneration	16.7	—	15.6	—
Hemant Kaul (CEO - BAGICL)	Remuneration (From Dec 2009) Perquisites (Rs.20,000)	4.0 —	— —	— —	— —
Mr. Swaraj Krishnan (CEO - BAGICL)	Remuneration (Upto Nov 2009) Perquisites (Rs. 14,000)	9.9 —	— —	10.0 0.2	— —
Mr. Rajeev Jain (CEO - BAFL)	Remuneration Housing deposit Medical advance	16.4 0.4 —	— 0.4 —	12.9 0.4 0.8	— 0.7 0.7
Mr. Nanoo Pamnani (Vice Chairman - BAFL)	Commission Sitting fees & expenses	4.6 0.3	(4.6) —	4.6 0.1	(4.6) —
E Enterprises over which anyone in (c) & (d) exercises significant influence:					
Bajaj Auto Ltd.	Sale of Windpower Business Support Services received Business Support Services rendered Interest received Aviation Charges paid Purchase of assets Sale of 6.20% bonds of IDBI Ltd. Sale of 7.45% bonds of LIC Housing Finance Ltd. Sale of 11.45% bonds of Rural Electrification Corporation Ltd. Insurance premium received by BAGICL Insurance claims paid by BAGICL Other Expenses Unallocated premium	295.7 5.0 0.8 — 13.8 — 101.0 61.9 53.6 70.1 78.2 1.1 —	— — — — — — — — — — — — 14.1	261.1 4.7 — 8.5 1.7 3.0 — — — 71.4 34.6 0.7 —	24.5 — — — (1.7) — — — — — — — 6.2
Bajaj Electricals Ltd.	Purchases Insurance Claims paid Insurance premia received Unallocated premium (Previous year Rs. 21,000)	6.2 4.4 15.1 —	(0.8) — — 1.0	— 13.8 20.9 —	— — — —
Bajaj International Ltd.	Other Debits (Previous year Rs.5,559)	—	—	—	—
Hind Musafir Agency Ltd.	Travel Agency Services Insurance Premium received Unallocated Premium	23.1 — —	(1.5) — —	19.0 — —	0.5 — —
Hindustan Housing Ltd.	Services received (Rs. 9,422)	—	—	—	—
Mukand Limited	Sale of windpower Insurance premium received Insurance claim received Unallocated premium	30.4 24.7 15.8 —	1.3 — — 0.3	— 16.4 11.6 —	— — — 0.2
Mukand Engineers Ltd.	Insurance Premium received Insurance Claims paid	2.9 0.4	— —	2.2 0.6	— —
Mukund Bekaert wire Industries Pvt. Ltd.	Insurance Premium received	—	—	1.1	—
Bajaj Auto Employees Welfare Fund	Purchase of Bajaj Auto Finance's equity shares by Bajaj Finserv Limited (513,423 equity shares)*	159.4	—	—	—
Jamnalal Sons Pvt. Ltd.	Purchase of Bajaj Auto Finance's equity shares by Bajaj Finserv Limited (455,600 equity shares)*	139.2	—	—	—

* These are open market transactions through registered share broker. However, shown by way of abundant caution.

Name of the related party and nature of the related party relationship where control exists have been disclosed irrespective of whether or not there have been transactions between the related parties. In other cases, disclosure has been made only when there have been transactions with those parties.

Financial information of Subsidiaries for the year ended 31 March 2010

Particulars	Bajaj Allianz General Insurance Co. Ltd	Bajaj Allianz Life Insurance Co. Ltd	Bajaj Financial Solutions Ltd
	(Rs. In Million)	(Rs. In Million)	(Rs. In Million)
(a) Paid —Up Share Capital	1,102.3	1,507.1	210.0
(b) Share Premium	1,666.2	10,599.5	—
Other reserves	5,159.4	(183.0)	(20.0)
(c) Total Assets	7,927.9	330,449.2	210.0
(d) Total Liabilities	7,927.9	330,449.2	210.0
(e) Investments*	25,314.6	15,453.8	186.1
(f) Turnover/Operating result	1,826.1	1,084.3	—
Transfer from Policyholders' Account	—	5,244.8	—
(g) Profit Before Taxation	1,798.0	5,569.9	(20.0)
(h) Provision for Taxation	589.7	147.0	—
(i) Profit After Taxation	1,208.3	5,422.9	(20.0)
(j) Proposed Dividend	—	—	—

* For details of investments refer schedule 6 of the consolidated financial statements



Bajaj Finserv Limited - Standalone Balance Sheet and Profit & Loss Account

Report of the Auditors to the Members

1. We have audited the attached Balance Sheet of BAJAJ FINSERV LIMITED, as at 31 March 2010, and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. 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.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the "Order"), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
 - (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 those books;
 - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
 - (e) On the basis of written representations received from the directors, as on 31 March 2010 and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give, in the prescribed manner, the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2010;
 - (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 for the year ended on that date.
4. Further to our comments in the Annexure referred to in paragraph 3 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 those books;
 - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
 - (e) On the basis of written representations received from the directors, as on 31 March 2010 and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give, in the prescribed manner, the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2010;
 - (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 for the year ended on that date.

For **Dalal and Shah**
Firm Registration Number: 102021W
Chartered Accountants

Anish Amin
Partner
Membership Number: 40451
Pune: 11 May 2010

Referred to in paragraph 3 of the Auditors' Report of even date to the members of Bajaj Finserv Limited on the financial statements for the year ended 31 March 2010

1. (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.

(b) The fixed assets are physically verified by the management according to a phased programme designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed.

(c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year.
2. (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act.

(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 Act.
3. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
4. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.

(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees Five Lakhs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
5. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
6. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
7. As informed to us, the maintenance of cost records has not been prescribed under clause (d) of sub-section (1) of Section 209 of the Act.
8. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the 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 material statutory dues as applicable with the appropriate authorities.

(b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty and cess as at 31 March 2010 which have not been deposited on account of a dispute.
9. The Company has no accumulated losses as at 31 March 2010 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
10. According to the records of the Company examined by us and the information and explanation given to us, the Company has no borrowings from financial institutions or banks or debenture holders during the year.
11. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
12. In respect of shares, securities, debentures and other investments dealt or traded by the Company, proper records have been maintained in respect of the transactions and contracts and timely entries have been made therein. All the investments are held by the Company in its own name.
13. According to the records of the Company examined by us and the information and explanations given to us, the company has not given any guarantees for loans taken by others from banks or financial institutions during the year.
14. According to the records of the Company examined by us and the information and explanations given to us, the company has not obtained any term loans.

Annexure to the Auditors' Report (Contd.)

15. On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.
16. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
17. The Company has not issued any debentures and hence the company has not created any security or charge in respect thereof.
18. The Company has not raised any money by public issues during the year.
19. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.
20. Considering the nature of the business conducted by the Company, the other clauses, viz, (ii), (xiii) of paragraph 4 of the Companies (Auditor's Report) Order 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, are not applicable in the case of the Company for the current year, since in our opinion there is no matter which arises to be reported in the aforesaid order.

For **Dalal and Shah**
Firm Registration Number: 102021W
Chartered Accountants

Anish Amin
Partner
Membership Number: 40451

Pune 11 May 2010

Balance Sheet as at 31 March

			2010	2009
	Schedule	Rs. In Million	Rs. In Million	Rs. In Million
I. Sources of Funds				
1. Shareholders' Funds				
a) Share Capital	1	723.4		723.4
b) Reserves & Surplus	2	11,457.3		11,332.1
			12,180.7	12,055.5
2. Loan Funds				
Unsecured Loans	3		3,107.6	3,107.6
3. Deferred Tax Adjustments [See note 12]				
a) Deferred Tax Liabilities		105.5		—
b) Deferred Tax Assets		(92.1)		—
			13.4	—
	Total		15,301.7	15,163.1
II. Application of Funds				
1. Fixed Assets				
a) Gross Block		3,502.9		3,131.3
b) Less: Depreciation		2,639.5		2,419.9
c) Net Block	4	863.4		711.4
d) Capital Work in progress, expenditure to date		—		0.1
			863.4	711.5
2. Investments	5		14,665.9	14,098.8
3. Deferred Tax Adjustments [See note 12]				
a) Deferred Tax Liabilities		—		(169.4)
b) Deferred Tax Assets		—		252.5
			—	83.1
4. Current Assets, Loans and Advances	6			
a) Sundry Debtors		8.3		28.9
b) Cash and Bank Balances		20.5		12.4
c) Other Current Assets		48.1		211.7
d) Loans and Advances		769.4		807.5
		846.3		1,060.5
Less: Current Liabilities and Provisions	7			
a) Liabilities		115.8		35.9
b) Provisions		958.1		754.9
		1,073.9		790.8
Net Current Assets			(227.6)	269.7
	Total		15,301.7	15,163.1
Notes forming part of the Financial Statements	11			

As per our attached report of even date
For and on behalf of Dalal and Shah
Firm Registration Number: 102021W
Chartered Accountants

Anish Amin
Partner
Membership Number: 40451
Pune: 11 May 2010

Sonal R. Tiwari
Company Secretary

Rahul Bajaj
Nanoo Pamnani
Sanjiv Bajaj

Chairman
Vice Chairman
Managing Director

Rajiv Bajaj
D.J. Balaji Rao
S.H. Khan
Naresh Chandra

Directors

Profit and Loss Account for the year ended 31 March

	Schedule	Rs. In Million	2010 Rs. In Million	2009 Rs. In Million
Income				
Income from Operations	8 A	1,271.0		1,120.3
Other Income	8 B	27.0		16.8
			1,298.0	1,137.1
Expenditure				
Administration and Other Expenses	9	485.0		206.0
Interest	10	—		0.1
Depreciation		219.6		297.7
			704.6	503.8
Profit for the year before taxation			593.4	633.3
Taxation				
Current Tax				
[including Rs. 1.1 million for Wealth tax (previous year Rs.1 million)]		203.0		276.0
Deferred Tax [See note 12]		50.6		(56.9)
Fringe Benefit Tax		—		0.6
			253.6	219.7
Profit for the year after tax			339.8	413.6
Adjustments on revaluation of deferred tax assets [See note 12]			45.9	—
Profit available for appropriation			293.9	413.6
Transferred to Reserve Fund in terms of Section 45IC(1) of the Reserve Bank of India Act, 1934			68.0	82.8
Transfer to General Reserve			34.0	161.5
Proposed Dividend			144.7	144.7
Corporate Dividend Tax thereon			24.0	24.6
Balance Carried to Balance Sheet			23.2	—
Notes forming part of the Financial Statements	11			
Basic and diluted Earnings Per Share (Rs.)			2.3	2.9
Nominal value per share (Rs.)			5.0	5.0
Net Profit (Rs. In Million)			339.8	413.6
Weighted average number of Shares (In Million)			144.7	144.7

As per our attached report of even date
For and on behalf of Dalal and Shah
Firm Registration Number: 102021W
Chartered Accountants

Anish Amin
Partner
Membership Number: 40451
Pune: 11 May 2010

Sonal R. Tiwari
Company Secretary

Rahul Bajaj
Nanoo Pamnani
Sanjiv Bajaj

Chairman
Vice Chairman
Managing Director

Rajiv Bajaj
D.J. Balaji Rao
S.H. Khan
Naresh Chandra

Directors

Schedules No 1-11 annexed to and forming part of the Balance Sheet as at and the Profit and Loss Account for the year ended 31 March 2010

Schedule 1 Share Capital

		As at 31 March 2009
	Rs. In Million	Rs. In Million
Authorised		
150,000,000 Equity Shares of Rs. 5 each	750.0	750.0
Issued,Subscribed and Paid up		
*144,683,510 Equity Shares of Rs. 5 each	723.4	723.4
Total	723.4	723.4

Notes

*Of the above:-

- 101,183,510** Equity shares were allotted as fully paid-up pursuant to the scheme of arrangement of demerger of erstwhile Bajaj Auto Limited (now Bajaj Holdings & Investment Limited)
- 1,805,071** Equity Shares thereof are deemed to be issued by way of Euro Equity Issue represented by Global Depository Receipts (GDR) evidencing Global Depository Shares outstanding on the record date. Outstanding GDRs at the close of the year were 155,285 (201,775)

Schedule 2 Reserves and Surplus

			As at 31 March 2009
	Rs. In Million	Rs. In Million	Rs. In Million
Reserve Fund in terms of Section 45IC(1) of the Reserve Bank of India Act, 1934			
As per last Account	82.8		—
Set aside this year	68.0		82.8
		150.8	82.8
General Reserve			
As per last Account	11,249.3		11,087.8
Set aside this year	34.0		161.5
		11,283.3	11,249.3
Balance in Profit & Loss Account		23.2	—
Total		11,457.3	11,332.1

Schedule 3 Unsecured Loans

	As at 31 March 2009	
	Rs. In Million	Rs. In Million
Sales tax deferral incentive/loan liability representing incentive attached to the Wind Farm business, assigned to and availed by Bajaj Auto Ltd. passed on to the Company under an arrangement. See note 9	3,107.6	3,107.6
Total	3,107.6	3,107.6

Schedule 4 Fixed Assets

Particulars	Gross Block				Depreciation				Net Block	
	As at 31 March 2009	Additions	Deductions and Adjustments	As at 31 March 2010	Up to 31 March 2009	Deductions and Adjustments	For the Year (a)	As at 31 March 2010	As at 31 March 2010	As at 31 March 2009
	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 (d)	78.2	36.3 (c)	—	114.5	—	—	—	—	114.5	78.2
Buildings (b)	202.9	293.4 (c)	—	496.3	22.6	—	7.5	30.1	466.2	180.3
Waterpumps, Reservoirs and Mains	—	—	—	—	—	—	—	—	—	—
Computers	5.8	2.6	—	8.4	0.4	—	1.1	1.5	6.9	5.4
Electric fittings	—	2.9	—	2.9	—	—	—	—	2.9	—
Office equipment	0.1	0.3	—	0.4	—	—	—	—	0.4	0.1
Furniture & Fixtures	0.7	27.9	—	28.6	0.1	—	1.3	1.4	27.2	0.6
Vehicles	6.4	8.2	—	14.6	0.6	—	0.7	1.3	13.3	5.8
Wind Energy Generators	2,837.2	—	—	2,837.2	2,396.2	—	209.0	2,605.2	232.0	441.0
Total	3,131.3	371.6	—	3,502.9	2,419.9	—	219.6	2,639.5	863.4	711.4
Previous Year Total	3,120.7	10.6	—	3,131.3	2,122.2	—	297.7	2,419.9	711.4	—

- (a) Refer Para 3(A) & (B) of Statement on Significant Accounting Policies annexed to the Accounts.
- (b) Includes office premises given on lease Rs. 82.5 million. Accumulated depreciation Rs. 13.0 million. Depreciation for the year Rs. 1.3 million.
- (c) Represents acquisition of office premises alongwith proportionate ownership interest in land attached to the premises at a consolidated cost of Rs. 311.0 million, excluding cost of improvement of Rs. 18.7 million. The said cost has been, accordingly, apportioned to land and building amounting to Rs. 36.3 million & Rs. 274.7 million respectively. Part of the said office premises, in excess of the company's requirements, have been earmarked for sale under a Memorandum of Understanding, to Bajaj Auto Finance Limited, an associate company.
- (d) Titles pending transfer in the name of the company post vesting of the windmill division with the company consequent to demerger of erstwhile Bajaj Auto Limited. (now, Bajaj Holdings & Investment Limited)

Schedule 5 Investments, at Cost (Unless otherwise stated)

			As at 31 March 2009
	Rs. In Million	Rs. In Million	Rs. In Million
Long Term Investments :			
In Government and Trust Securities :			
Quoted :			
— 6.05% Government of India Stock 2019 of face value of Rs. Nil (Previous Year Rs.250,000,000)	—		247.2
— (-) 6.07% Government of India Stock 2014 of face value of Rs. 200,000,000	198.6		—
— 6.25% Government of India Stock 2018 of face value of Rs.850,000,000	900.5		900.5
— 6.30% Government of India Stock 2023 of face value of Rs. Nil (Previous Year Rs.50,000,000)	—		47.8
— (-) 6.49% Government of India Stock 2015 of face value of Rs. 100,000,000	98.8		—
— 6.72% Government of India Stock 2014 of face value of Rs.Nil (Previous Year Rs.450,000,000)	—		502.3
— (-) 7.02% Government of India Stock 2016 of face value of Rs. 100,000,000	99.6		—
— 7.46% Government of India Stock 2017 of face value of Rs.200,000,000 (Previous Year Rs. 600,000,000)	222.9		668.6
— (-) 7.94% Government of India Stock 2021 of face value of Rs. 50,000,000	54.5		—
— 8.24% Government of India Stock 2018 of face value of Rs. Nil (Previous Year Rs.100,000,000)	—		118.8
— 8.33% Government of India Stock 2036 of face value of Rs.Nil (Previous Year Rs. 200,000,000)	—		234.1
— 8.35% Government of India Stock 2022 of face value of Rs. Nil (Previous Year Rs.100,000,000)	—		116.5
— 9.85% Government of India Stock 2015 of face value of Rs.900,000,000	1,255.1		1,255.1
— 10.25% Government of India Stock 2021 of face value of Rs.200,000,000 (Previous Year Rs. 1,050,000,000)	265.6		1,394.6
— 11.43% Government of India Stock 2015 of face value of Rs. Nil (Previous Year Rs.200,000,000)	—		290.5
	<u>3,095.6</u>		<u>5,776.0</u>
Less: Amortisation of Premium/Discount on acquisition	<u>97.0</u>		<u>158.4</u>
		2,998.6	<u>5,617.6</u>
In Fully Paid Equity Shares :			
Trade :			
Quoted :			
16,337,999 (15,368,976) Shares of Rs.10 each in Bajaj Auto Finance Limited (An Associate Company)		3,924.9	3,626.4
Unquoted :			
1,200,000 Shares of Rs.10 each in Bajaj Allianz Financial Distributors Limited		12.0	12.0
Carried over		<u>6,935.5</u>	<u>9,256.0</u>

Schedule 5 Investments, at Cost (Unless otherwise stated) (Contd.)

		As at 31 March 2009		
		Rs. In Million	Rs. In Million	Rs. In Million
Brought over			6,935.5	9,256.0
In Subsidiary Company :				
Unquoted :				
111,524,660	Shares of Rs.10 each in Bajaj Allianz Life Insurance Co Limited	1,115.2		1,115.2
81,568,165	Shares of Rs.10 each in Bajaj Allianz General Insurance Co Limited	815.7		815.7
21,000,000	(2,000,000) Shares of Rs.10 each in Bajaj Financial Solutions Limited	210.0		20.0
			2,140.9	1,950.9
In Debentures:				
Fully Paid:				
Other :				
Quoted:				
—	(50) 6.50% Secured Redeemable Non Convertible Taxable Bonds in the nature of Debentures of Rs.1,000,000 each of Hindalco Industries Limited -Series 2004 (I)	—		49.6
50	(-) Zero percent Secured Redeemable Non Convertible Debentures of HDFC Limited	51.5		—
350	(-) Zero percent Secured Redeemable Non Convertible Debentures of HDFC Limited	353.2		—
—	(1,000,000) 6.00% Non Convertible Debentures each with detachable warrants of Rs.100/- each of Indian Hotels Limited	—		90.6
—	(8) 7.45% Redeemable Non Convertible Bonds in the nature of Debentures of Rs.10,000,000 each of LIC Housing Finance Limited - Option III	—		80.0
300	(-) 7.99% Secured Redeemable Non Convertible Debentures of Rs.1,000,000 each of LIC Housing Finance Ltd.	300.0		—
—	(5) 12.75% Secured Redeemable Non Convertible Debentures of Rs.10,000,000 each of Reliance Industries Limited – balance Non Convertible portion of Rs.3,500,000 each after third redemption	—		21.2
200	(-) 11.45% Secured Redeemable Non Convertible Debentures of Rs.1,000,000 each of Reliance Industries Limited	234.8		—
—	(100) 9.40% Secured Redeemable Non Convertible Debentures of the Face Value of Rs.1,000,000 each of Tata Tea Limited	—		102.8
—	(100) 9.90% Redeemable Non Convertible Bonds in the nature of Debentures of Rs.1,000,000 each of Tata Sons Limited	—		98.6
—	(100) 5.78% Non Convertible Debentures of Rs.1,000,000 each of Ultra Tech Cement Limited	—		99.4
—	(50) 8.60% Redeemable Non Convertible Debentures of Rs.1,000,000 each of Infrastructure Development Finance Company Limited	—		51.1
50	10.48% Secured Redeemable Non Convertible Debentures of Rs.1,000,000 each of Grasim Industries Limited	53.7		53.7
Carried over		993.2		647.0
Carried over			9,076.4	11,206.9

Schedule 5 Investments, at Cost (Unless otherwise stated) (Contd.)

		As at 31 March 2009		
		Rs. In Million	Rs. In Million	Rs. In Million
Brought over			9,076.4	11,206.9
In Debentures: (Contd.)				
Fully Paid: (Contd.)				
Other : (Contd.)				
Quoted: (Contd.)				
100	(-) 8.01% Secured Redeemable Non Convertible Debentures of Rs.1,000,000 each of Grasim Industries Limited	993.2		647.0
	Brought over	100.0		—
		<u>1,093.2</u>		<u>647.0</u>
	Less: Amortisation of Premium/Discount on acquisition	(11.0)		(1.4)
			1,104.2	<u>648.4</u>
In Bonds:				
Fully Paid:				
Other :				
Quoted:				
100	(-) 8.45% Secured Redeemable Non Convertible Bonds of Rs.1,000,000 each of ACC Ltd.	103.7		—
5	6.40% Unsecured Non Convertible Redeemable Bonds of Rs.10,000,000 each of EXIM Bank Limited	50.4		50.4
50	(-) 9.25% Unsecured Redeemable Taxable Non Convertible Bonds of Rs.1,000,000 each of EXIM Bank Limited	56.5		—
250	(50) 9.50% Unsecured Redeemable Non Convertible Taxable Bonds of Rs.1,000,000 each of Exim Bank Limited	265.8		51.5
—	(100) 6.20% Omni Bonds of Rs.1,000,000 each of Industrial Development Bank of India Limited	—		98.9
—	(100) 7.45% Unsecured Redeemable Non Convertible Subordinated Bonds of Rs.500,000 each of Indian Overseas Bank – Series IV	—		50.0
50	(150) 6.20% Taxable Secured Redeemable Non Convertible Bonds of Rs.1,000,000 each of Indian Railway Finance Corporation Limited – Series 46DD	50.0		140.5
—	(10) 6.98% Taxable Secured Redeemable Non Convertible Bonds of Rs.1,000,000 each of Indian Railway Finance Corporation Limited – Series 44GG	—		10.0
10	6.98% Taxable Secured Redeemable Non Convertible Bonds of Rs.1,000,000 each of Indian Railway Finance Corporation Limited – Series 44HH	10.0		10.0
10	6.98% Taxable Secured Redeemable Non Convertible Bonds of Rs.1,000,000 each of Indian Railway Finance Corporation Limited – Series 44II	10.0		10.0
10	6.98% Taxable Secured Redeemable Non Convertible Bonds of Rs.1,000,000 each of Indian Railway Finance Corporation Limited – Series 44JJ	10.0		10.0
—	(100) 8.69% Tax Free Secured Redeemable Non Convertible Bonds of Rs.1,000,000 each of Indian Railway Finance Corporation Limited	—		100.1
50	(100) 8.55% Secured Taxable Redeemable Non Convertible Non Cumulative Railway Bonds in the nature of Promissory notes of Rs.1,000,000 each of Indian Railway Finance Corporation Limited	49.6		99.2
100	(-) 8.55% Secured Taxable Redeemable Non Convertible Non Cumulative Railway Bonds in the nature of Promissory Notes of Rs.1,000,000 each of Indian Railway Finance Corporation Limited	100.1		—
	Carried over	<u>706.1</u>		<u>630.6</u>
	Carried over		10,180.6	<u>11,855.3</u>

Schedule 5 Investments, at Cost (Unless otherwise stated) (Contd.)

		As at 31 March 2009		
		Rs. In Million	Rs. In Million	Rs. In Million
Brought over			10,180.6	11,855.3
In Bonds: (Contd.)				
Fully Paid: (Contd.)				
Other : (Contd.)				
Quoted: (Contd.)				
Brought over		706.1		630.6
250	(-) 9.50% Redeemable Unsecured Non Convertible Taxable Non Priority Sector Bonds of Rs.1,000,000 each of National Bank for Agriculture and Rural Development	265.8		—
150	(-) 8.78% Secured Non Cumulative Non Convertible Redeemable Taxable Bonds in the nature of Debentures (Series -XXXI) of Rs.1,000,000 each of National Thermal Power Corporation Ltd.	150.0		—
400	(-) 8.40% Non Convertible Redeemable Bonds in the nature of Debentures (Series I) of Rs.1,000,000 each of ONGC Videsh Ltd.	401.4		—
40	9.47% Secured Non Convertible, Non Cumulative, Redeemable Taxable Bonds in the nature of Debentures of Rs.1,250,000 each of Power Grid Corporation of India Limited	50.2		50.2
80	(-) 9.20% Secured Non Convertible Non Cumulative Redeemable Taxable Bonds in the nature of Debentures Series C of Rs.1,250,000 each of Power Grid Corporation of India Limited	108.3		—
50	(-) 8.50% Unsecured Redeemable Non Convertible Non Cumulative Taxable Bonds in the nature of Debentures Series 61 of Rs.1,000,000 each of Power Finance Corporation Limited	50.7		—
160	(-) 8.80% Secured Non Convertible, Non Cumulative, Redeemable Taxable Bonds in the nature of Debentures of Rs.1,250,000 each of Power Grid Corporation of India Limited	207.0		—
40	(-) 8.90% Secured Non Convertible, Non Cumulative, Redeemable Taxable Bonds in the nature of Debentures Series B of Rs.1,250,000 each of Power Grid Corporation of India Limited	50.5		—
—	(100) 8.49% Unsecured Redeemable Non Convertible Non Cumulative Taxable Bonds in the nature of Debentures of Rs.1,000,000 each of Power Finance Corporation Limited – Series XXX (2011)	—		100.1
—	(50) 9.40% Unsecured Redeemable Non Convertible Non Cumulative Taxable Bonds in the nature of Debentures of Rs.1,000,000 each of Power Finance Corporation Limited	—		50.0
150	(-) 8.90% Unsecured Redeemable Non Convertible Non Cumulative Taxable Bonds in the nature of Debentures Series 6.I of Rs.1,000,000 each of Power Finance Corporation Limited	151.3		—
100	(-) 8.95% Unsecured Redeemable Non Convertible Non Cumulative Taxable Bonds in the nature of Debentures Series 64 of Rs.1,000,000 each of Power Finance Corporation Limited	100.9		—
—	(50) 9.80% Unsecured, Redeemable, Non Convertible, Non Cumulative, Taxable Bonds in the nature of Debentures of Rs.1,000,000 each of Power Finance Corporation Limited	—		50.4
150	11.25% Unsecured, Redeemable, Non Convertible, Non Cumulative, Taxable Bonds in the nature of Debentures of Rs.1,000,000 each of Power Finance Corporation Limited Series 52-C	175.4		175.4
Carried over		2,417.6		1,056.7
Carried over			10,180.6	11,855.3

Schedule 5 Investments, at Cost (Unless otherwise stated) (Contd.)

		As at 31 March 2009		
		Rs. In Million	Rs. In Million	Rs. In Million
Brought over			10,180.6	11,855.3
In Bonds: (Contd.)				
Fully Paid: (Contd.)				
Other : (Contd.)				
Quoted: (Contd.)				
Brought over		2,417.6		1,056.7
—	(200) 9.45% Secured Non Convertible Non Cumulative Redeemable Taxable Bonds in the nature of Debentures of Rs.1,000,000 each of Rural Electrification Corporation Limited Series 84	—		200.0
—	(50) 11.45% Secured Non Convertible Non Cumulative Redeemable Taxable Bonds in the nature of Debentures of Rs.1,000,000 each of Rural Electrification Corporation Limited Series 87C	—		50.0
—	(100) 11.50% Secured Non Convertible Non Cumulative Redeemable Taxable Bonds in the nature of Debentures of Rs.1,000,000 each of Rural Electrification Corporation Limited Series 87C	—		100.0
—	(50) 8.65% Secured Non Convertible Non Cumulative Redeemable Taxable Bonds in the nature of Debentures of Rs.1,000,000 each of Rural Electrification Corporation Limited Series 88	—		48.9
250	(-) 8.45% Secured Non Convertible Redeemable Bonds of Rs.1,000,000 each of Rural Electrification Corporation Limited	249.2		—
—	(100) 6.90% Unsecured Redeemable Non Convertible Subordinated Bonds (Series V) of Rs.1,000,000 each of Union Bank of India.	—		100.2
		2,666.8		1,555.8
	Less: Amortisation of Premium/Discount on acquisition	(0.9)		(15.2)
			2,667.7	1,571.0
In Mutual Fund Units:				
Unquoted:				
—	(7,000,000.000) Units of Rs.10 each of Fortis Fixed Term Plan Series 11 Plan A- Institutional Growth - One Year	—		70.0
—	(17,850,000.000) Units of Rs.10 each of Fortis Fixed Term Plan Series 10 Plan F- Institutional Growth - One Year	—		178.5
—	(2,566,760.378) Units of Rs.10 each of Birla Sun Life Income Plus-Growth Option	—		100.0
—	(2,473,455.904) Units of Rs.10 each of ICICI Prudential Institutional Income Plan-Growth Option	—		75.0
—	(10,000,000.000) Units of Rs. 10 each of Fortis Fixed Term Plan Series 12 Plan A	—		100.0
				523.5
In Warrants:				
Unquoted:				
—	(2,178,490) Warrants of Rs.48/- each of Bajaj Auto Finance Limited			104.6
Current Investments :				
In Commercial Paper :				
Unquoted:				
1,000	(-) Commercial Paper of Rs.500,000 each of EXIM Bank Ltd. - 25.06.2010	493.8		—
	Add: Amortisation of Premium/Discount on acquisition	0.1		—
			493.9	—
In Certificate of deposit:				
Unquoted:				
1,000	(-) Certificate of Deposit of Rs.100,000 each of IDBI Bank Ltd. - 04.06.2010	94.2		—
	Carried over	94.2		—
	Carried over		13,342.2	14,054.4

Schedule 5 Investments, at Cost (Unless otherwise stated) (Contd.)

				As at 31 March 2009
		Rs. In Million	Rs. In Million	Rs. In Million
In Certificate of Deposit : (Contd.)				
Unquoted: (Contd.)				
	Brought over		13,342.2	14,054.4
	Brought over	94.2		—
1,000	(-) Certificate of Deposit of Rs.100,000 each of Corporation Bank- 07.06.2010	94.4		—
2,500	(-) Certificate of Deposit of Rs.100,000 each of Punjab National Bank-10.09.2010	242.0		—
2,500	(-) Certificate of Deposit of Rs.100,000 each of Oriental Bank of Commerce-23.09.2010	239.4		—
2,500	(-) Certificate of Deposit of Rs.100,000 each of Axis Bank Ltd.-29.10.2010	237.8		—
2,500	(-) Certificate of Deposit of Rs.100,000 each of State Bank of Patiala-15.11.2010	238.0		—
2,500	(-) Certificate of Deposit of Rs.100,000 each of Corporation Bank-02.03.2011	234.4		—
—	(1,000) Certificate of Deposit of Rs.100,000 each of UCO Bank -25.06.2009	—		98.2
—	(1,000) Certificate of Deposit of Rs.100,000 each of IDBI Bank Ltd. - 25.09.2009	—		96.4
—	(500) Certificate of Deposit of Rs.100,000 each of Jammu & Kashmir Bank Ltd.-29.06.2009	—		49.0
		<u>1,380.2</u>		<u>243.6</u>
	Add: Amortisation of Premium/Discount on acquisition	24.8		0.2
			<u>1,405.0</u>	<u>243.8</u>
In Mutual Fund Units:				
Unquoted:				
1,984,479.897	(-) ICICI Prudential Institutional Liquid Plan – Super Institutional Growth	270.0		—
—	(23,531,263.263) Units of Rs. 10 each of DWS Insta Cash Plus Fund Super Institutional Plan Growth	—		268.5
—	(11,416,215.303) Units of Rs. 10 each of Fortis Money Plus Institutional Growth	—		150.0
		<u>270.0</u>		<u>418.5</u>
			<u>15,017.2</u>	<u>14,716.7</u>
	Less: Provision for diminution in value of Investments		351.3	617.9
			<u>14,665.9</u>	<u>14,098.8</u>

	Book Value as at		Market Value as at	
	31 March 2010	31 March 2009	31 March 2010	31 March 2009
	Rs. In Million	Rs. In Million	Rs. In Million	Rs. In Million
Quoted	10,344.2	10,845.4	*11,717.1	*8,592.1
Unquoted	4,321.7	3,253.4		
Total	<u>14,665.9</u>	<u>14,098.8</u>		

Schedule 5 Investments, at Cost (Unless otherwise stated) (Contd.)

Notes to Investment Schedule:

1. The following investments were purchased and sold during the year

(a) Mutual Funds:

Name of the company	Quantity Nos.	Purchase Cost Rs. In Million	Sale Proceeds Rs. In Million
Birla Sun Life Cash Plus- Inst. Prem.-Growth Income Plus- Growth	275,925,356.626	3,990.5	3,991.6
Birla Sun Life Dynamic Bond Fund - Retail -Growth	20,615,297.925	300.0	313.2
Birla Sun Life Saving Fund Inst.- Growth	43,561,444.445	750.0	754.0
DWS Insta Cash Plus Fund - Super Institutional Plan Growth	70,698,427.517	819.0	819.2
Fortis Money Plus Institutional -Growth	40,347,302.930	539.1	546.7
Fortis Bond Fund - Institutional-Growth	15,001,886.895	150.0	150.6
Fortis Overnight - Institutional Plus - Growth	13,477,815.516	150.0	150.0
HDFC Liquid Fund - Premium Plan - Growth	353,585,420.157	6,419.5	6,420.6
ICICI Prudential Flexible Income Plan Premium - Growth	2,930,566.233	500.0	500.6
ICICI Prudential Institutional Liquid Plan-Super Institutional Growth	605,537,092.253	16,936.8	16,939.9
IDFC Cash Fund - Super Institutional Plan C - Growth	201,123,540.628	2,163.0	2,163.7
IDFC Money Manager Fund - Treasury Plan -Super Inst. Plan C -Growth	9,587,727.709	100.0	100.3
IDFC -SSIF-ST-Plan B- Growth	9,736,303.928	100.3	102.4
Kotak Flexi Debt Scheme Institutional - Growth	67,081,067.852	750.0	751.4
Kotak Floater Long Term - Growth	21,405,627.647	300.0	300.8
Kotak Liquid (Institutional Premium) - Growth	128,866,384.129	2,371.7	2,372.1
Reliance Liquid Fund - Growth Option	168,664,127.102	2,277.0	2,277.3
Reliance Money Manager Fund- Institutional Option - Growth Plan	492,748.137	600.0	603.0
UTI Liquid Cash Plan Institutional - Growth Option	1,298,662.015	1,898.0	1,898.4
UTI Treasury Advantage Fund - Institutional Plan - Growth Option	168,192.665	200.0	200.3

(b) Debentures :

Name of the company	Quantity Nos.	Purchase Cost Rs. In Million	Sale Proceeds Rs. In Million
7.24% LIC Housing Finance Ltd.	100	100.0	104.5
7.45% LIC Housing Finance Ltd.	200	200.0	208.3

(c) Certificate of Deposit :

Name of the company	Maturity Date	Quantity Nos.	Purchase Cost Rs. In Million	Sale Proceeds Rs. In Million
IDBI Bank Ltd.	13.04.10	1,000	95.0	99.1
Allahabad Bank	16.06.10	2,000	189.2	196.4

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

Name of the company	Purchase Cost Rs. In Million	Sale Proceeds Rs. In Million
6.05% GOVERNMENT OF INDIA STOCK 2019	49.5	46.4

3.* 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 NetPresent value at current Yield to Maturity have been considered.

4. See Note 8 in Schedule 11 to the Accounts.

Schedule 6 Current Assets, Loans and Advances

	As at 31 March 2009		
	Rs. In Million	Rs. In Million	Rs. In Million
(a) Sundry Debtors, Unsecured			
Outstanding for a period exceeding six months	—		—
Others, Good	8.3		28.9
		8.3	28.9
(b) Cash and Bank Balances			
Bank Balances :			
With Scheduled Banks:			
In current account	20.5		12.4
		20.5	12.4
(c) Other Current Assets (good, unless otherwise stated)			
Credit receivable for windpower generated	45.8		145.3
Voluntary Emission Reduction Receivable	2.3		31.2
Wheeling & Transmission charges Receivable	—		35.2
		48.1	211.7
(d) Loans and Advances (unsecured, good, unless otherwise stated)			
Advances Recoverable in Cash or in kind or for value to be received:			
Dues from subsidiaries	5.4		1.3
Dues from associates	1.3		—
Others	49.0		1.3
	55.7		2.6
Capital advances	1.6		190.2
Tax paid in Advance	712.1		614.7
		769.4	807.5
Total		846.3	1,060.5

Schedule 7 Current Liabilities and Provisions

	As at 31 March 2009		
	Rs. In Million	Rs. In Million	Rs. In Million
(a) Liabilities			
Sundry Creditors:			
Other than dues to Micro and Small Enterprises [See note 10]		37.9	23.6
Advance for sale of office premises		60.0	—
Unclaimed Dividend		0.8	0.5
Security deposits received from subsidiaries against leased premises		17.1	11.8
Interest accrued but not due (Rs.10,574 - previous year Rs. 9,175)			
		115.8	35.9
(b) Provisions			
Provision for Employee Benefits [See note 11]	11.1		10.3
Provision for Taxation	778.3		575.3
Proposed Dividend	144.7		144.7
Provision for Corporate Dividend Tax on Proposed Dividend	24.0		24.6
		958.1	754.9
Total		1,073.9	790.8

Schedule 8 Income from Operations and Other Income

	Rs. In Million	Rs. In Million	Rs. In Million	Previous Year Rs. In Million
A. Income from Operations				
Wind Farm business:				
Income from power generation		430.7		409.1
Voluntary emission reduction credits		0.4		6.9
			431.1	416.0
Investments Activity:				
Dividends				
From Associates	30.7			14.8
Other	—			6.0
		30.7		20.8
Interest[Gross-Tax Deducted Rs. 2.1 million (previous year Rs.15.3 million)]				
On Government Securities	304.6			417.2
On Debentures and Bonds	219.1			128.8
Other	0.3			12.3
	524.0			558.3
Less: Amortisation of premium/discount on acquisition of fixed income securities	(25.2)			6.0
		549.2		552.3
Profit on Sale of Investments,net *		256.8		127.4
Surplus on redemption of Securities *		3.2		3.8
			839.9	704.3
			1,271.0	1,120.3
B. Other Income				
Rent		14.9		11.8
Miscellaneous Receipts		12.0		4.7
Provisions no longer required		0.1		0.3
			27.0	16.8
Total			1,298.0	1,137.1

* Including on Current Investments **Rs. 59.9 million** (previous year Rs. 57.5 million)

Schedule 9 Other Expenses

			Previous Year
	Rs. In Million	Rs. In Million	Rs. In Million
Repairs			
Buildings and Roads	1.3		1.9
Windmill	69.7		73.3
Other	2.6		0.6
		73.6	75.8
Employees' Emoluments			
Salaries,wages,bonus etc.	34.5		25.6
Contribution to Provident and other funds and schemes	4.1		8.1
Welfare expenses	0.9		0.6
		39.5	34.3
Energy generation expenses		141.5	31.0
Rates and taxes		3.1	3.9
Insurance		2.0	1.8
Auditors' Remuneration			
Audit Fees	0.6		0.6
Tax Audit Fees	0.2		0.2
Limited Review	0.2		0.2
Certification	0.1		—
Other capacity	0.1		0.1
Out of Pocket expenses (Rs. 17,980)	—		0.1
		1.2	1.2
Directors' fees and travelling expenses		1.2	0.9
Managing Directors' remuneration			
Salary	3.3		3.3
Commission	9.9		9.9
		13.2	13.2
Commission to Non Executive Directors		1.4	1.4
Warrants written off [See note 8 b.]		104.6	—
Miscellaneous expenses		103.7	42.5
Total		485.0	206.0

Schedule 10 Interest

		Previous Year
	Rs. In Million	Rs. In Million
Interest:		
Other than Fixed Loans (Rs. 10,868)	—	0.1
Total	—	0.1

Schedule 11 Notes forming part of financial statements.

1. A. The Company was incorporated on 30th April 2007 with the object of carrying out financial services under the name Bajaj Finserv Ltd. Under a scheme of arrangement under section 391 to 394 of the Companies Act 1956 between the company and erstwhile Bajaj Auto Ltd., now known as Bajaj Holdings & Investment, the "Strategic Business Undertaking" comprising of interests in the insurance joint ventures, financing business through an associate and investment activity of erstwhile Bajaj Auto Ltd, vested with the company from 1st April 2007 ("the appointed date").
- B. In response to the application made by the company, the company has been registered on 30th October 2009 as a Non-Banking Financial Institution (non-deposit taking). The company has complied with Non-Banking Financial (non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007, as applicable thereto, except in respect of 'concentration of investments' prescribed in para 18(1) of the above mentioned directions, for which the company has obtained exemption dated 8 March 2010, subject to fulfillment / observance of certain terms and conditions and review by RBI at the end of one year.
2. Significant Accounting Policies followed by the Company are as stated in the Statement annexed to this schedule.

	As at 31 March 2010 (Rs. In Million)	As at 31 March 2009 (Rs. In Million)
3. Contingent Liability, not provided for:		
Claims against the company not acknowledged as debts	109.2	100.4
4. Estimated amounts of contracts remaining to be executed on capital account and not provided for, net of Advances.	1.6	135.2
5. (a) Expenditure in foreign currencies		
VER Sale Expenses	—	3.3
Travelling Expenses	0.4	0.8
(b) Earning in foreign currencies		
FOB Value of Exports (VER Sale)	—	52.7
6. Details of Installed Capacity, Production/Generation and Turnover	2009-10	2008-09
Wind Power Generation		
Installed Capacity (*) –	65.2 mega Watts	65.2 mega Watts
Credit for units Brought forward from previous year		
In Units :	40.5 million	13.2 million
In value:	Rs. 145.3 million	Rs. 33.2 million
Generated, during the year		
In Units:	90.8 million	102.0 million
Sold, during the year		
In Units:	124.4 million	74.6 million
In value:	Rs. 546.1 million	Rs. 297.0 million
Credits receivable		
In Units:	6.9 million	40.5 million
In value(**):	Rs. 45.8 million	Rs. 145.3 million

(*) As certified by the management and being a technical matter, accepted by the Auditors as correct.

(**) Includes amount receivable from MSEDCCL Rs. 15.9 million in value not units

Schedule 11 Notes forming part of financial statements (Contd.)

7. Managerial Remuneration

	Rs. In Million	Year ended 31 March 2010 Rs. In Million
(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		339.8
Add: Managing Directors' Remuneration (including perquisites)	14.8	
Commission to Non-Executive Directors	1.4	
Provision for Taxation	<u>253.6</u>	
		269.8
Less: Provisions no longer required		0.1
Profit on which commission is payable		<u>609.5</u>
(ii) Commission to Managing Director - Shri Sanjiv Bajaj		
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
(iii) Commission to Non-Executive Director		
Commission @ 1% on Rs. 609.5 million		6.1
Commission payable, as determined by the Board of Directors		1.4

(b) The Profit & Loss Account includes payments and provisions on account of remuneration to the Managing Director as under

	For the year ended 31 March 2010 Rs. In Million	For the year ended 31 March 2009 Rs. In Million
(i) Salary	3.3	3.3
(ii) Commission	9.9	9.9
(iii) Privilege Leave Entitlement	0.3	1.4
(iv) Contribution to Provident Fund, Superannuation & Gratuity	1.2	1.2
(v) Other perquisites	0.1	0.1
(vi) Estimated monetary value of perquisite in form of:		
Unfurnished Accommodation	—	—
Furniture at Residence	—	—
	<u>14.8</u>	<u>15.9</u>

Note: The Managing Director also draws remuneration from Bajaj Auto Ltd. as an Executive Director. His total remuneration is restricted to the higher of the admissible limits of any one of the two companies.

8. Investments:

- a. Investments made by the Company other than those with a maturity of less than one year, are intended to be held for a long term, hence diminution in the value of quoted Investments are not considered to be of a permanent nature. On an assessment of the non-performing investments (quoted and unquoted) and keeping in mind the relevant provisioning norms applicable to the company as a NBFC and as per guidelines adopted by the management, no provision has been determined during the year ended 31 March 2010.
 - b. The company had acquired 2,178,490 detachable warrants, attached to Non Convertible debentures, issued by Bajaj Auto Finance Limited (hereinafter referred to as "BAFL") as part of rights issue of Non Convertible debentures in 2006-07. The warrant entitled the company to apply for equity shares in BAFL at the warrant exercise price of Rs. 500/- per warrant, within the warrant exercise period, which expired on 8 January 2010. Since the market price of equity shares of BAFL was lower than the warrant exercise price through the warrant exercise period, the company did not exercise its right to apply for shares of BAFL. Consequently amount of Rs. 104.6 million, being cost of warrants has been fully provided for.
9. The Sales tax deferral benefit available to the company as a wind power generator was availed by the manufacturing undertaking vested with Bajaj Auto Ltd. The amount of liability deferred by the latter has been passed on to the company, and recognised as a liability, as the obligation to pay now lies with the company.
10. In absence of any information on earlier requests to the vendors with regards to their registration (filing of Memorandum) under "The Micro, Small and Medium Enterprises Development Act, 2006. (27 of 2006)" and in view of the terms of payments not exceeding 45 days, which has been promptly paid, no liability exists at the close of the year and hence no disclosures have been made in this regard.

Schedule 11 Notes forming part of financial statements (Contd.)

11. Liability for employee benefits has been determined by an actuary, appointed for the purpose, in conformity with the principles set out in the accounting standard 15 (Revised) the details of which are as hereunder.

Funded Scheme

	(Rs. In Million)	
Amount To Be Recognised in Balance Sheet	As at 31 March 2010	As at 31 March 2009
	Gratuity	Gratuity
Present Value of Funded Obligations	12.3	10.9
Fair Value of Plan Assets	(5.3)	(3.9)
Net Liability	7.0	7.0
Amounts in Balance Sheet		
Liability	7.0	7.0
Assets	—	—
Net Liability	7.0	7.0
Expense To Be Recognised in the Statement of P&L		
Current Service Cost	0.5	0.1
Interest on Defined Benefit Obligation	0.6	0.3
Expected Return on Plan Assets	(0.1)	(0.1)
Net Actuarial Losses / (Gains) Recognised in Year	0.1	4.9
Total, Included in "Employee Benefit Expense"	1.1	5.2
Actual Return on Plan Assets	0.3	0.2
Reconciliation of Benefit Obligations & Plan Assets For the Period		
Change in Defined Benefit Obligation		
Opening Defined Benefit Obligation	10.9	5.5
Current Service Cost	0.5	0.1
Interest Cost	0.6	0.3
Actuarial Losses / (Gain)	0.3	5.0
Closing Defined Benefit Obligation	12.3	10.9
Change in Fair Value of Assets		
Opening Fair Value of Plan Assets	3.9	3.0
Expected Return on Plan Assets	0.1	0.1
Actuarial Gain / (Losses)	0.2	0.1
Contributions by Employer	1.1	0.7
Closing Fair Value of Plan Assets	5.3	3.9
Principal Actuarial Assumptions (Expressed as Weighted Averages)		
Discount Rate (p.a.)	8.20%	7.00%
Expected Rate of Return on Assets (p.a.)	7.50%	7.50%
Salary Escalation Rate (p.a.) - Senior Staff	8.00%	7.00%
Salary Escalation Rate (p.a.) - Junior Staff	9.00%	6.00%

Unfunded Scheme

	(Rs. In Million)	
Particulars	As at 31 March 2010	As at 31 March 2009
	Compensated Absences	Compensated Absences
Present Value of Unfunded Obligations	4.1	3.3
Expense Recognised in the Statement of P&L	0.7	1.8
Discount Rate (p.a.)	8.20%	7.00%
Salary Escalation Rate (p.a.) - Senior Staff	8.00%	7.00%
Salary Escalation Rate (p.a.) - Junior Staff	9.00%	6.00%

Schedule 11 Notes forming part of financial statements (Contd.)

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

(Rs. In Million)				
Particulars	Balance carried as at 31 March 2009	Arising during the period ended 31 March 2010	Adjusted on revaluation during the year*	Balance carried as at 31 March 2010
Deferred Tax Liabilities:				
On account of timing difference in				
a) Depreciation and Amortisation	169.4	(63.9)	—	105.5
Total	169.4	(63.9)	—	105.5
Deferred Tax Assets:				
On account of timing difference in				
a) Provision for privilege leave etc.	1.1	—	—	1.1
b) Amortisation of premium / discount on acquisition of fixed income securities	48.1	(28.1)	(8.1)	11.9
c) Adjustments on account of gratuity provisions	2.4	(0.1)	—	2.3
d) Provision for diminution in value of investments in terms of scheme of arrangement	200.9	(86.3)	(37.8)	76.8
Total	252.5	(114.5)	(45.9)	92.1
Net	(83.1)	50.6	45.9	13.4

A provision for diminution in value of investments vested with company as a part of the strategic business undertaking was made on 1st April 2007, by adjustment to general reserve. The corresponding deferred tax asset was also recognised by adjustment thereto at a short term gain tax rate of 33.99%. Since the remaining balance of such investments have been held for a long term, the deferred tax assets recognised on corresponding provision for diminution, as also the premium / discount amortised to date would henceforth reverse out at the long term capital gain tax rate of 22.145%. Consequently the deferred tax asset has been revalued at 22.145% and the difference has been adjusted to the balance in the Profit and Loss Account.

13. The disclosures required in terms of paragraph 13 of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 are given in the Annexure forming part of these Financial Statements.
14. Disclosure of transactions with Related Parties, as required by Accounting Standard 18 'Related Party Disclosures' has been set out in a separate statement annexed to this Schedule. Related parties as defined under clause 3 of the Accounting Standard have been identified on the basis of representations made by key managerial personnel and information available with the Company.
15. a) The consolidated financial information/ statements of the company and its group are attached to these independent financial statements. The details of the group regarding the nature of relationship and the basis of consolidation can be referred to in Note No. 1 to the said consolidated financial statements.
- b) Segment Information based on the Consolidated Financial Statements attached to the Independent Financial Statements has been disclosed in the Statement annexed to this Schedule.
16. Amounts less than Rs. 50,000 have been shown at actual, against respective line item statutorily required to be disclosed.
17. Previous year figures have been regrouped to make them comparable with that of the current year.

Signature to Schedules "1" to "11"

As per our attached report of even date
For and on behalf of Dalal and Shah
Firm Registration Number: 102021W
Chartered Accountants

Anish Amin
Partner
Membership Number: 40451
Pune: 11 May 2010

Sonal R. Tiwari
Company Secretary

Rahul Bajaj
Nanoo Pamnani
Sanjiv Bajaj

Rajiv Bajaj
D.J. Balaji Rao
S.H. Khan
Naresh Chandra

Chairman
Vice Chairman
Managing Director

Directors

Annexure referred to in Note No.2 in Schedule 11 to the financial statement

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) 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) a) Interest income is accrued over the period of the loan. However, where a loan is classified as a non-performing asset, as per the prudential norms prescribed by RBI and to the extent applicable to the company as a NBFC and guidelines framed by the management, interest thereon is recognised only when it is actually received.
 - b) Income from debentures and bonds is accrued over the maturity of the security net of amortisation of premium / discount thereby recognising the implicit yield to maturity, with reference to the coupon dates. However, income is accrued only where interest is serviced regularly and is not in arrears, as per the applicable prudential norms prescribed for NBFCs by the Reserve Bank of India and the guidelines framed by the management.
- (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 recognised on the contract date.

b) Wind Farm Income:

Income from windpower generation is recognised on acceptance by Maharashtra State Electricity Distribution Company Limited (MSEDCL) of units generated after giving allowance for wheeling and transmission losses.

3) Fixed Assets and Depreciation

(A) Fixed Assets

Fixed Assets except freehold land are carried at cost of acquisition or construction cost including pre-operative expenses, less accumulated depreciation and amortisation.

(B) Depreciation and Amortisation:

- (a) Leasehold land:
Premium on leasehold land is amortised over the period of lease.
- (b) 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.
 - i. Depreciation on additions is being provided on prorata basis from the month of such additions.
 - ii. Depreciation on assets sold, discarded or demolished during the year is being provided at their rates upto the month in which such assets are sold, discarded or demolished.

4) Investments

- a) Fixed income securities remaining with the company on vesting of the strategic investment undertakings of erstwhile Bajaj Auto Limited, are carried at their fair market values as at 1st April 2007 where the carrying costs of such investments were higher on that date, less amortization of premium/ discount thereafter, as the case may be.

Annexure referred to in Note No.2 in Schedule 11 to the financial statement (Contd.)

- b) Other Fixed income securities are carried at cost, less amortization of premium/discount, as the case may be, and provision for diminution, if any, as considered necessary.
- c) Investments other than fixed income securities are valued at cost of acquisition, less provision for diminution as necessary.
- d) Investments other than current investments, made by the Company are intended to be held for long-term, hence diminutions in value of quoted Investments are generally not considered to be of a permanent nature. However, current investments representing fixed income securities with a maturity less than 1 year and those intended to be held for a period less than 1 year from the date on which the investment is made are stated at cost adjusted for amortisation and diminution as necessary.
- e) 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 and also considering the prudential norms specified by the Reserve Bank of India, applicable to the company in this behalf.

5) 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. As accumulated leave can be availed and/or encashed at any time during the tenure of employment the liability is recognised at the actuarially determined value by an Appointed Actuary.

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 deficit in Plan Assets managed by LIC as compared to the actuarial liability is recognised as a liability immediately.

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.

6) Taxation

- a) Provision for Taxation is made for the current accounting period (reporting period) on the basis of the taxable profits computed 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 the adjustments are allowable as deductions in determination of taxable income and they would reverse out in future periods.

7) 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.

Schedule to Balance Sheet as on 31 March 2010

Balance sheet of a non deposit taking non-banking financial company
(As required in terms of Paragraph 13 of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms
(Reserve Bank) Directions, 2007)

(Rs. In Million)

Particulars			
Liabilities Side :			
(1) Loans and advances availed by the NBFs inclusive of interest accrued thereon but not paid:		Amount Outstanding	Amount Overdue
(a) Debentures	: Secured	Nil	Nil
	: Unsecured	Nil	Nil
	(Other than falling within the meaning of public deposit*)		
(b) Deferred Credits		Nil	Nil
(c) Term Loans		Nil	Nil
(d) Inter-corporate Loans and Borrowings		Nil	Nil
(e) Commercial Paper		Nil	Nil
(f) Other Loans (specify nature)			
	Sale tax deferral loan	3,107.6	Nil
* Please see Note 1 below			
Asset Side :		Amount Outstanding	
(2) Break-up of Loans and Advances including bills receivables (other than those included in (4) below)			
(a) Secured			Nil
(b) Unsecured			769.4
	(Comprises advance income tax paid, capital advances & miscellaneous dues)		
(3) Break up of Leased Assets and Assets and stock on hire and other assets counting towards AFC activities			
(i) Lease assets including lease rentals under sundry debtors			
(a) Financial Lease			Nil
(b) Operating Lease			Nil
(ii) Stock on hire including hire charges under sundry debtors			
(a) Assets on hire			Nil
(b) Repossessed Assets			Nil
(iii) Other loans counting towards AFC activities			
(a) Loans where assets have been repossessed			Nil
(b) Loans other than (a) above			Nil
(4) Break up of Investments:			
Current Investments			
1. Quoted:			
(i) Shares:	(a) Equity		Nil
	(b) Preference		Nil
(ii) Debentures and Bonds			Nil
(iii) Units of mutual funds			Nil
(iv) Government Securities			Nil
(v) Others:	(a) Certificate of Deposit		Nil
	(b) Commercial Paper		Nil
2. Unquoted:			
(i) Shares:	(a) Equity		Nil
	(b) Preference		Nil
(ii) Debentures and Bonds			Nil
(iii) Units of mutual funds			270.0
(iv) Government Securities			Nil
(v) Others:	(a) Certificate of Deposit		1,404.8
	(b) Commercial Paper		494.0

Schedule to Balance Sheet as on 31 March 2010 (Contd.)

Long Term Investments

1. Quoted		
(i) Shares: (a) Equity		3,924.9
(b) Preference		Nil
(ii) Debentures and Bonds		3,762.5
(iii) Units of mutual funds		Nil
(iv) Government Securities		2,656.8
(v) Others (Please specify)		Nil
2. Unquoted:		
(i) Shares: (a) Equity		2,152.9
(b) Preference		Nil
(ii) Debentures and Bonds		Nil
(iii) Units of mutual funds		Nil
(iv) Government Securities		Nil
(v) Others (Please specify)		Nil
Total		14,665.9

(5) Borrower group-wise classifications of assets financed as in (2) and (3) above:(Please see note (2)below)

Category	Amount net of provisions		
	Secured	Unsecured	Total
1. Related parties			
(a) Subsidiaries	Nil	5.4	5.4
(b) Companies in the same group	Nil	1.3	1.3
(c) Other related parties	Nil	Nil	Nil
2. Other than related parties	Nil	762.7	762.7
Total	Nil	769.4	769.4

(6) Investor group wise classification of all investments (current and long term)in shares and securities (both quoted and unquoted) Please see Note 3 below.

Category	Market value/break up or fair value or NAV	Book value (Net of provisions)
1. Related Parties **		
(a) Subsidiaries (Unquoted, hence disclosed at break up value)	14,603.5	2,140.9
(b) Companies in the same group (disclosed at market value)#	5,203.6	3,924.9
(c) Other related parties	8.1	12.0
2. Other than related parties		
Unquoted @	2,168.9	2,168.8
Quoted (disclosed at market value)	6,513.5	6,419.3
Total	28,497.6	14,665.9

** As per Accounting Standard of ICAI (Please see Note 3)

Identified in terms of Section 370(1B) of Companies Act, 1956.

@ Investments in equity shares are disclosed at break up value & investments in mutual funds are disclosed at fund value.

The break up values are computed based on latest available financial statements/ reports.

The investments in non-performing investments are disclosed at book value net of provisions.

(7) Other information

Particulars	Amount
(i) Gross Non-Performing Assets	
(a) Related parties	Nil
(b) Other than related parties	Nil
(ii) Net Non-Performing Assets	
(a) Related parties	Nil
(b) Other than related parties	Nil
(iii) Assets acquired in satisfaction of debt	Nil

Notes :

- As defined in paragraph 2(1)(xii)of the Non Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998.
- Provisioning norms shall be applicable as prescribed In Non-Banking Financial (Non-Deposit Accepting or Holding)Companies Prudential Norms (Reserve Bank) Directions, 2007.
- All Accounting Standards and Guidance Notes issued by ICAI are applicable including for valuation of investments and other assets as also assets acquired in satisfaction of debt. However, market value in respect of quoted investments & break up/fair value/NAV in respect of unquoted investments should be disclosed irrespective of whether they are classified as long term or current in (4)above.

Schedule to Balance Sheet as on 31 March 2010 (Contd.)

(8) CRAR		
Items	Current Year	Previous Year
(i) CRAR %	132%	170%
(ii) CRAR - Tier I capital (%)	132%	170%
(iii) CRAR - Tier II capital (%)	0%	0%

(9) Exposures		
Exposures to Real Estate Sector		
Category	Current Year	Previous Year
(a) Direct Exposure	—	—
(i) Residential Mortgages Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented: (Individual housing loans upto Rs.15 lakh may be shown seperately)	—	—
(ii) Commercial Real Estate - Lending secured by mortgages on commercial real estate (office building, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc Exposure would also include non-fund based (NFB) limits	—	—
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised Exposures -		
(a) Residential	—	—
(b) Commercial Real Estate	—	—
(b) Indirect Exposure	719.9	78.0
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	719.9	78.0

(10) Asset Liability Management

Maturity pattern of certain items of assets and liabilities

	1 day to 30/31 days	Over 1 month to 2 months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Liabilities	—	—	—	—	—	—	—	—	—
Borrowings from Banks	—	—	—	—	—	—	—	—	—
Market Borrowings	—	—	—	—	—	—	—	—	—
Assets	270.0	—	691.8	487.8	729.0	1,109.3	2,368.9	9,009.1	14,665.9
Advances	—	—	—	—	—	—	—	—	—
Investments	270.0	—	691.8	487.8	729.0	1,109.3	2,368.9	9,009.1	14,665.9

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

		Rs. In Million			
		2009-10		2008-09	
Name of related party and Nature of relationship	Nature of transaction	Transaction Value	Outstanding amounts carried in the Balance Sheet	Transaction value	Outstanding amounts carried in the Balance Sheet
A Holding company, subsidiaries and fellow subsidiary:					
Bajaj Allianz General Insurance Company Ltd. (74 % shares held by Bajaj Finserv Ltd.)	Contribution to Equity (81,568,165 shares of Rs. 10 each)	—	815.7	—	815.7
	Rent Received	14.9	—	11.8	—
	Deposit Received	5.3	(17.1)	—	(11.8)
	Insurance premium paid	2.0	2.2	1.8	—
	Revenue expenses incurred on behalf	1.7	—	—	—
	Capital expenses incurred on behalf	7.2	1.3	—	—
Bajaj Allianz Life Insurance Company Ltd. (74 % shares held by Bajaj Finserv Ltd.)	Contribution to Equity (111,524,660 shares of Rs. 10 each)	—	1,115.2	—	1,115.2
	Services rendered	—	—	4.7	1.3
	Revenue expenses incurred on behalf	4.2	—	—	—
	Capital expenses incurred on behalf	5.3	1.9	—	—
Bajaj Financial Solutions Ltd. (Fully owned subsidiary)	Contribution to Equity [21,000,000 equity shares of Rs 10 each (Previous year 2,000,000 shares of Rs.10 each)]	190.0	210.0	20.0	20.0
B Associates, joint ventures and investing parties:					
Bajaj Holdings & Investment Ltd. (investing party - holds 35.64% shares of Bajaj Finserv Ltd.)	Purchase of shares by BHIL [51,565,301 shares of Rs. 5 each (previous year - 50,301,000 shares of Rs. 5 each)]	6.3	257.8	34.0	251.5
	Interest received	—	—	3.0	—
	Dividend paid	50.3	—	43.5	—
	Business Support Services received	4.9	—	2.4	—
	Business Support Services rendered	9.2	—	—	—
	Sale of 9.90% debentures of Tata Sons Ltd.	109.8	—	—	—
	Contribution to Equity [16,337,999 shares of Rs. 10 each, (Previous year 15,368,976 shares of Rs.10 each)]	298.5	3,924.9	33.4	3,626.4
	Contribution to Warrants (2,178,490 warrants of Rs.48/- each)	—	—	—	104.6
Bajaj Auto Finance Ltd. (an associate - 44.64% shares held by Bajaj Finserv Ltd.)	Warrants written off	104.6	—	—	—
	Dividend Received	30.7	—	14.8	—
	Revenue expenses incurred on behalf	3.7	—	—	—
	Capital expenses incurred on behalf	4.6	1.3	—	—
	Advance received for sale of office premises	60.0	(60.0)	—	—
	Contribution to Equity (12,000,000 shares of Rs. 10 each)	—	12.0	—	12.0
Bajaj Allianz Financial Distributors Ltd. (a joint venture - 50% shares held by Bajaj Finserv Ltd.)					
C Individuals controlling voting power / exercising significant influence and their Relatives:					
Mr Rahul Bajaj (Chairman)	Sitting Fees	0.2	—	0.1	—
Mr Madhur Bajaj	Sitting Fees (Rs. 40,000)	—	—	0.1	—
Mr Rajiv Bajaj	Sitting Fees	0.1	—	0.1	—
Mr Niraj Bajaj	Nil	—	—	—	—
Mr Shekhar Bajaj	Nil	—	—	—	—
Mr Sanjiv Bajaj (Managing Director) (Also Key management personnel)	Remuneration Commission	4.9 9.9	— (9.9)	6.0 9.9	— (9.9)
D Key Management Personnel & their Relatives: Included in 'C' above					
E Enterprises over which anyone in (c) & (d) exercises significant influence:					
Bajaj Auto Ltd.	Sale of Windpower	295.7	—	261.1	24.5
	Business Support Services received	5.0	—	4.7	—
	Business Support Services rendered	0.8	—	—	—
	Interest received	—	—	8.5	—
	Aviation Charges paid	13.8	—	1.7	(1.7)
	Purchase of assets	—	—	3.0	—
	Sale of 6.20% bonds of IDBI Ltd.	101.0	—	—	—
	Sale of 7.45% bonds of LIC Housing Finance Ltd.	61.9	—	—	—
	Sale of 11.45% bonds of Rural Electrification Corporation Ltd.	53.6	—	—	—
	Purchases	4.0	(0.4)	—	—
	Other Debits (Previous year Rs.5,559)	—	—	—	—
	Services received	1.9	—	—	—
	Services received (Rs. 9,422)	—	—	—	—
Bajaj Electricals Ltd. Bajaj International Ltd. Hind Musafir Agency Ltd. Hindustan Housing Ltd. Mukand Limited	Sale of windpower	30.4	1.3	—	—
	Purchase of Bajaj Auto Finance's equity shares by Bajaj Finserv Limited (513,423 equity shares)*	159.4	—	—	—
Bajaj Auto Employees Welfare Fund Jamnalal Sons Pvt. Ltd.	Purchase of Bajaj Auto Finance's equity shares by Bajaj Finserv Limited (455,600 equity shares)*	139.2	—	—	—

* These are open market transactions through registered share broker. However, shown by way of abundant caution.

Name of the related party and nature of the related party relationship where control exists have been disclosed irrespective of whether or not there have been transactions between the related parties. In other cases, disclosure has been made only when there have been transactions with those parties.

Segment wise Revenue, Results and Capital employed for the year ended 31 March 2010

Primary Segment : Business Segment

Rs. In Million

	Insurance*	Windmill	Retail Financing	Investments & Others	Consolidated
Revenue					
External Sales and Other Income	236,109.8	431.1	—	1,269.8	237,810.7
Inter segment Sales and Other Income	—	—	—	—	—
Total Revenue	236,109.8	431.1	—	1,269.8	237,810.7
Segment Result					
Interest Expense	7,366.0	(28.1)	382.2	582.7	8,302.8
Income Taxes	—	—	—	—	—
	—	—	—	—	987.5
Net Profit	7,366.0	(28.1)	382.2	582.7	7,315.3
Segment Assets	378,373.5	384.9	5,259.8	9,444.2	393,462.4
Unallocated Corporate Assets	—	—	—	—	712.1
Total Assets	378,373.5	384.9	5,259.8	9,444.2	394,174.5
Segment Liabilities	359,338.0	5.7	—	155.1	359,498.8
Unallocated Corporate Liabilities	—	—	—	—	947.0
Total Liabilities	359,338.0	5.7	—	155.1	360,445.8
Capital Employed	19,035.5	379.2	5,259.8	9,289.1	33,728.7
Capital Expenditure	1,817.0	—	—	372.0	2,189.0
Depreciation	—	209.6	—	10.6	220.2
Non Cash Expenses other than Depreciation	—	—	—	—	—

* 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 revenue of Rs. 2,908.4 million for the year ended March 31, 2010 has been included in a manner consistent with the parent's reporting format.

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 Insurance, Windmill, Retail Financing and Investments & others have been identified as the business segments.

All the companies included in above reporting operate within India. Hence Geographic segment is not applicable.

Segment wise Revenue, Results and Capital employed for the year ended 31 March 2009

Primary Segment : Business Segment

Rs. In Million

	Insurance*	Windmill	Retail Financing	Investments & Others	Consolidated
Revenue					
External Sales and Other Income	97,318.1	416.0	—	948.3	98,682.4
Inter segment Sales and Other Income	—	—	—	—	—
Total Revenue	97,318.1	416.0	—	948.3	98,682.4
Segment Result					
Interest Expense	789.2	6.6	139.7	608.2	1,543.7
Income Taxes	—	—	—	0.2	0.2
	—	—	—	—	766.8
Net Profit	789.2	6.6	139.7	608.0	776.7
Segment Assets	210,174.6	778.7	4,608.3	8,934.0	224,495.6
Unallocated Corporate Assets	—	—	—	—	614.7
Total Assets	210,174.6	778.7	4,608.3	8,934.0	225,110.3
Segment Liabilities	197,301.6	5.0	—	57.8	197,364.4
Unallocated Corporate Liabilities	—	—	—	—	744.6
Total Liabilities	197,301.6	5.0	—	57.8	198,109.0
Capital Employed	12,873.0	773.7	4,608.3	8,876.2	27,001.3
Capital Expenditure	973.3	—	—	12.2	985.5
Depreciation	—	294.0	—	4.1	298.1
Non Cash Expenses other than Depreciation	—	—	—	—	—

* 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 revenue of Rs. 2,447.2 million for the year ended March 31, 2009 has been included in a manner consistent with the parent's reporting format.

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 Insurance, Windmill, Retail Financing and Investments & others have been identified as the business segments.

All the companies included in above reporting operate within India. Hence Geographic segment is not applicable.

Cash Flow Statement

Particulars	Rs. In Million	
	2009-10	2008-09
I. OPERATING ACTIVITIES		
A) Profit before Taxation	593.4	633.3
B) Adjustments:		
Add:		
i) Depreciation	219.6	297.7
ii) Interest on Bank Overdraft	—	0.1
iii) Warrants written off	104.6	—
iv) Amortisation of premium/discount on acquisition of fixed income securities	(25.2)	6.0
	<u>299.0</u>	<u>303.8</u>
Operating profit before working capital change	892.4	937.1
C) (Increase)/Decrease in Current Assets		
i) Sundry Debtors	20.6	(27.5)
ii) Other Current Assets and Loans and Advances	<u>299.1</u>	<u>164.4</u>
	319.7	136.9
Increase/(Decrease) in Current Liabilities		
i) Liabilities	<u>20.4</u>	<u>22.2</u>
	340.1	159.1
(Increase)/Decrease in Investment in subsidiaries, joint ventures and associates, etc.	(488.5)	(53.4)
(Increase)/Decrease in other investments, net	<u>(158.0)</u>	<u>(581.8)</u>
	(646.5)	(635.2)
NET CASH FROM OPERATING ACTIVITIES BEFORE INCOME TAX	586.0	461.0
Income Tax, Wealth Tax paid	(214.3)	(269.3)
Income tax refund for earlier year	<u>116.9</u>	<u>—</u>
NET CASH FROM OPERATING ACTIVITIES	<u>488.6</u>	<u>191.7</u>
Carried over	488.6	191.7

Cash Flow Statement (Contd.)

		Rs. In Million	
Particulars		2009-10	2008-09
	Brought over	488.6	191.7
II) INVESTMENT ACTIVITIES			
i)	Capital Expenditure	(371.5)	(10.7)
ii)	Advance received for sale of office premises	60.0	—
	NET CASH FROM INVESTMENT ACTIVITIES	(311.5)	(10.7)
III) FINANCING ACTIVITIES			
i)	Interest on Bank Overdraft	—	(0.1)
ii)	Dividend Paid	(144.4)	(144.2)
iii)	Corporate Dividend Tax Paid	(24.6)	(24.6)
	NET CASH FROM FINANCING ACTIVITIES	(169.0)	(168.9)
	NET CHANGE IN CASH & CASH EQUIVALENTS	8.1	12.1
Cash and Cash Equivalents as at 01.04.2009 [Opening Balance]		12.4	0.3
Cash and Cash Equivalents as at 31.03.2010 [Closing Balance]		20.5	12.4
		—	—

As per our attached report of even date
For and on behalf of Dalal and Shah
Firm Registration Number: 102021W
Chartered Accountants

Anish Amin
Partner
Membership Number: 40451
Pune: 11 May 2010

Sonal R. Tiwari
Company Secretary

Rahul Bajaj
Nanoo Pamnani
Sanjiv Bajaj

Rajiv Bajaj
D.J. Balaji Rao
S.H. Khan
Naresh Chandra

Chairman
Vice Chairman
Managing Director

Directors

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 May 15 1995:

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

I REGISTRATION DETAILS

Registration No.	L65923PN2007PLC130075
State Code	25
Balance Sheet date	31 March 2010

II CAPITAL RAISED DURING THE YEAR ENDED 31 MARCH 2010

Rupees in Thousands

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

III POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS AS AT 31 March 2010

Total liabilities	15,301,772
Total assets	15,301,772

SOURCES OF FUNDS:

Paid-up capital	723,418
Reserves and surplus	11,457,309
Secured loans	—
Unsecured loans	3,107,620
Deferred Tax Adjustments	13,425
	<u>15,301,772</u>

APPLICATION OF FUNDS:

Net Fixed Assets	863,437
Investments	14,665,884
Net Current Assets	(227,549)
	<u>15,301,772</u>

IV PERFORMANCE OF THE COMPANY FOR THE YEAR ENDED 31 March 2010

Rupees in Thousands

i) Turnover (sale of products and other income)	1,297,928
ii) Total Expenditure	704,550
iii) Profit before tax and extraordinary items	593,378
iv) Profit after tax	339,799
v) Expenses for earlier years	—
vi) Net Profit	339,799
vii) Earning per share Rs.(See Note 2)(Face Value Rs.5/-)	2.3
viii) Dividend Rate (%)	20%

V PRODUCTS OF THE COMPANY

Item Code No.:
(ITC Code)-----> Not applicable
Product Description: Financial services and windpower

Notes:

- The above particulars should be read along with the balance sheet as at 31 March 2010, 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 by weighted average number of shares.

Rahul Bajaj
Nanoo Pamnani
Sanjiv Bajaj

Chairman
Vice Chairman
Managing Director

Sonal R. Tiwari
Company Secretary

Rajiv Bajaj
D.J. Balaji Rao
S.H. Khan
Naresh Chandra

Directors

Pune: 11 May 2010

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

1. Name of the Subsidiary	Bajaj Allianz General Insurance Co.Ltd.	Bajaj Allianz Life Insurance Co.Ltd.	Bajaj Financial Solutions Ltd.
2. Financial year of the Subsidiary ended on	31 March 2010	31 March 2010	31 March 2010
3. Holding Company's interest : Equity Share Capital	74%	74%	100%
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. 894.1 million	Profit Rs. 4,012.9 million	Loss Rs. 20 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. 2,927.7 million	Loss Rs. 4,148.3 million	Nil
6. Net aggregate amounts received as dividends for previous financial years since becoming subsidiary dealt with in the accounts of the Holding Company in relevant years	Nil	Nil	Nil

Rahul Bajaj
Nanoo Pamnani
Sanjiv Bajaj

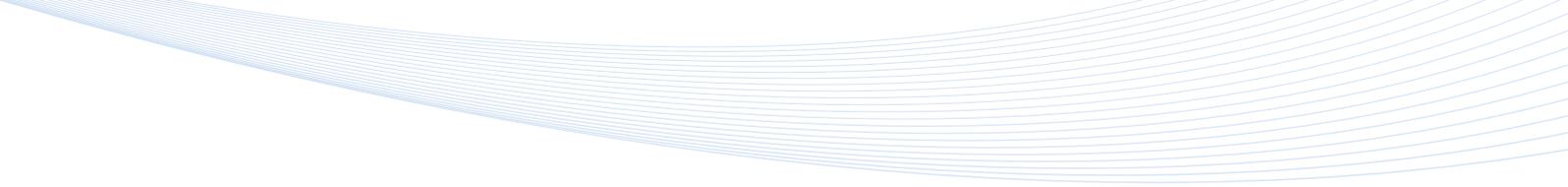
Chairman
Vice Chairman
Managing Director

Sonal R. Tiwari
Company Secretary

Rajiv Bajaj
D.J. Balaji Rao
S.H. Khan
Naresh Chandra

Directors

Pune: 11 May 2010





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