



4th Annual Report
2010-11
Bajaj Finserv Limited

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Board of Directors

Rahul Bajaj
Chairman

Nanoo Pamnani
Vice Chairman

Sanjiv Bajaj
Managing Director

Madhur Bajaj

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.)

Hemant Kaul
CEO, Bajaj Allianz General
Insurance Company Limited

V Philip
CEO, Bajaj Allianz Life
Insurance Company Limited

Rajeev Jain
CEO, Bajaj Finance Limited

Arpit Agarwal
CEO, Bajaj Financial Solutions Limited

Anand Gore
CEO, Infrastructure Finance

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



Hemant Kaul



Rajeev Jain



Sanjiv Bajaj



Kevin D'sa



V Philip



Ranjit Gupta



Arpit Agarwal



Anand Gore



Chairman's Letter

Dear Shareholder

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

India has done well in FY2011. Its real GDP growth is estimated at 8.6% — the second highest among all large economies of the world, bettered only by China.

Your Company, too, has done well. Let me touch upon some features of Bajaj Finserv's three major businesses: life insurance, general insurance and lending. The details are in the chapter on Management Discussion and Analysis (MD&A).

Bajaj Allianz Life Insurance Company (BALIC)

The second half of FY2011 was a difficult year for the life insurance business in India. Major changes were introduced by the Insurance Regulatory and Development Authority (IRDA), which are detailed in the MD&A. In principle, these were welcome changes as they were meant to benefit policyholders and encourage greater transparency in the disclosures made by insurance companies. However, these affected business in the second half of the year across the industry, and forced all companies to revisit their strategies and alter their business models.

Considering the industry-wide effects of changes that were brought about by the IRDA's sweeping notification, I dare say that BALIC did well for itself. Although BALIC's gross premium written for FY2011 was lower than FY2010, as was its new business premium, the company continued to remain profitable, unlike most others in the industry.

For FY2011, BALIC posted a shareholders' profit of ₹ 1,057 crore, of which your Company's share stood at ₹ 782 crore. This was a significant improvement over the previous year's figures, which were ₹ 542 crore and ₹ 401 crore respectively. Accumulated profits as on 31 March 2011 stood at ₹ 1,039 crore, and the shareholders' net worth was ₹ 2,249 crore.

In other words, despite a difficult year for the industry, BALIC has succeeded in pursuing profitable growth with returns to all stakeholders. In FY2012, it will continue to focus on improving employee productivity, policy persistency, operational processes, customer service levels and also examine how to increase share of the agency channel.

Bajaj Allianz General Insurance Company (BAGIC)

BAGIC is the second largest private general insurance company in India. Despite a difficult environment, largely on account of the drain created by Indian Motor Third Party Insurance Pool (the Motor Pool), gross written premium for FY2011 (excluding premiums from the Motor Pool) grew by over 15% to ₹ 2,905 crore. The company's net earned premium in FY2011 (excluding the Motor Pool) also grew by more than 15% to ₹ 1,931 crore. During the year, BAGIC sold 6.4 million policies.

Financially, however, the company fared worse than the previous year, due to the drag on account of the Motor Pool. Even so, it earned a profit. Despite additional provisioning of ₹ 199 crore towards losses from Motor Pool, BAGIC's PBT for FY2011 was ₹ 62 crore. Its PAT was ₹ 43 crore.

Bajaj Finance Limited (BFL)

The most stellar performance came from BFL, a listed company, earlier known as Bajaj Auto Finance Limited. As of July 2010, it is a subsidiary of your Company. With assets under management of over ₹ 7,571 crore, BFL is one of the leading, diversified non-banking finance companies in the country. In addition to two-wheeler financing, loans for consumer durables, personal loan cross-selling, vendor financing, mortgage-backed lending and construction equipment financing, BFL has started its infrastructure lending business. The company delivered superior results in FY2011.

Loan deployment rose by 106% to ₹ 9,435 crore. Total income for FY2011 was up by 53% to ₹ 1,406 crore. Profit after tax (PAT) increased by 178% to ₹ 247 crore. Consequently, its EPS increased from ₹ 24.43 in FY2010 to ₹ 67.47 in FY2011. Capital adequacy ratio as on 31 March 2011 was 20%, which is well above the RBI norms.

Other Developments

Bajaj Financial Solutions Limited (Bajaj FinSol), which offers financial products and advises clients on financial and wealth management, has received its operating licenses from both the SEBI and the IRDA, and has launched operations in four cities in February 2011.

I have been sometimes asked whether we will get into the banking business if the sector were to be opened up, as desired by Government. My answer is this: "We will examine it carefully, if such an opportunity were to arise."

Let me end this letter with some words of warning. FY2012 may be a difficult year for the economy — one that could be beset with high inflation and rising interest rates. If these were severe enough, growth would be lower than what we saw in FY2011. Therefore, your various subsidiaries would have to perform even better in a tougher economic environment. This bears keeping in mind.

My best wishes to every employee in your Company, and to those in BALIC, BAGIC, BFL, Bajaj FinSol and Bajaj FinSec. And thank you for your support



Rahul Bajaj
Chairman

Management Discussion and Analysis

Bajaj Finserv Limited ('Bajaj Finserv' or 'the Company') is the financial services arm of the Bajaj group. This is the Company's fourth annual report to its shareholders

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

● Protection

- Life Insurance, under the Bajaj Allianz Life Insurance Company (BALIC).
- General Insurance, under the Bajaj Allianz General Insurance (BAGIC).

● Lending

- Structured under Bajaj Finance Limited (BFL, earlier Bajaj Auto Finance), a company listed on the Bombay Stock Exchange and the National Stock Exchange.

● Investments

- Asset Management. Bajaj Finserv plans to form an asset management company (AMC) with the Allianz group. In-principle approval has been received from the Securities and Exchange Board of India (SEBI).

● Financial Advisory and Wealth Management

- Bajaj Financial Solutions Limited (Bajaj Finsol), which offers financial products and advises clients on financial and wealth management. The business has been launched in four cities in FY2011.

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

The rest of this chapter gives details on each of these businesses and their rationale. Before doing so, it is useful to give a brief overview of the Indian economy during FY2011 and the macroeconomic prospects for FY2012.

During FY2011, India's GDP grew at 8.6%. It was the second highest growth rate among major countries in the world, bettered only by China. Growth occurred across all sectors, of which the most heartening were the performance of agriculture – a frequent laggard – as well as industry. Unfortunately, India also faced severe inflationary pressures coming across the entire spectrum of goods – foodstuff, hydrocarbons, commodities and manufactures. To combat this, the Reserve Bank of India has raised interest rates, often twice in a quarter – and in May 2011 upped to a hike of 50 basis points, instead of the usual 25 bps. Thus, growth may be moderated in FY2012 because of inflation and higher interest burden.

Protection

Bajaj Allianz Life Insurance Company Limited (BALIC)

Life insurance witnessed rapid growth from the time that the sector was opened up in FY2001 up to FY2010. Thereafter, it has slowed down largely on account of major regulatory changes enacted in FY2011.

The new changes have been introduced by the Insurance Regulatory and Development Authority (IRDA) for the benefit of policyholders and to impart greater transparency in the disclosures made by insurance companies. Though these changes are welcome, they have posed a tremendous challenge to the insurance industry in the short term – forcing companies to revisit their strategies and radically revise their business models. Some of the major regulatory changes are listed below.

- Capping of expenses at the end of fifth year, leading to reduction in commission to agents and intermediaries.
- Lock-in period, including top-ups, extended from three years to five years
- Pension withdrawal/maturity to be compulsorily converted into annuity. All ULIP pension/annuity products shall offer a minimum guaranteed return of 4.5% per annum on the maturity date.
- Capping of surrender charges and time to revive lapsed policies reduced.

The Life Insurance Market

There is no doubt that these changes have resulted in a lower rate of growth for the industry as a whole and, more specifically, the private sector players (see Table 1a). However, it is also a fact that the new business premium of the industry has increased twelve fold since inception — from ₹ 9,707 crore in FY2001 to ₹ 125,826 crore in FY2011, of which over 31.3% is accounted for by the private sector. Tables 1a and 1b gives the past six year data on growth and market share in new business from FY2006.

Table 1a: Growth in New Business Premiums, Life Insurance

	FY2011	FY2010	FY2009	FY2008	FY2007	FY2006
Private sector	2.6%	12.4%	1.0%	73.6%	89.9%	84.5%
LIC	21.9%	33.9%	-10.5%	5.8%	118.1%	29.6%
Industry	15.1%	25.5%	-6.3%	23.9%	110.1%	41.6%

Table 1b: Market Share in New Business Premiums, Life Insurance

	FY2011	FY2010	FY2009	FY2008	FY2007	FY2006
Private sector	31.3%	35.1%	39.2%	38.1%	25.8%	26.5%
LIC	68.7%	64.9%	60.8%	61.9%	74.2%	73.5%
Industry	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

- During FY2011, the life insurance industry had a new business growth of 15.1% versus 25.5% in FY2010. The 23 life insurers mobilised a first year premium of ₹ 125,826 crore in FY2011 compared to ₹ 109,290 crore in the previous year.
- The market share of LIC has increased from 64.9% to 68.7%, while that of the private players has reduced by 3.8 percentage points from 35.1% to 31.3%.
- The industry witnessed negative growth of 9.7% in the second half of FY2011 versus the corresponding period in the previous financial year.

The regulatory changes became effective from 1 September 2010, and these mainly affected the Unit Linked Insurance Products (ULIPs). Consequently, there has been a shift in the business mix across the industry – and mainly among the private players – from individual regular premium business towards individual single premium business and group business. This occurred during the second half of FY2011. Thus, during H2, FY2011, the industry saw a 26.8% decline in the individual regular premium business, with a 43.3% decline for the private companies. Tables 2 and 3 show the growth across segments during H1 and H2 of FY2011.

Table 2: Growth in New Business Premiums in H1, FY2011 (Apr-Sep 2010)

	Private Sector	LIC	Industry
Individual Single Premium	138.7 %	114.7%	116.9%
Individual Non-Single Premium	15.5%	27.6%	20.7%
Group Single Premium	194.8%	8.6%	16.8%
Group Non-Single Premium	-9.6%		453.2%
Total	26.0%	77.0%	59.7%

Table 3: Growth in New Business Premiums in H2, FY2011 (Oct 2010 – Mar 2011)

	Private Sector	LIC	Industry
Individual Single Premium	171.4%	-42.6%	-18.8%
Individual Non-Single Premium	-43.3%	-7.6%	-26.8%
Group Single Premium	729.7%	11.6%	28.2%
Group Non-Single Premium	-10.1%		71.1%
Total	-9.8%	-9.6%	-9.7%

As mentioned earlier, for FY2011 as a whole, the life insurance industry registered a growth of 15.1%, and garnered new business premium of ₹ 125,826 crore. Table 4 gives the market data.

Table 4: Industry Performance for the Year Ended 31 March 2011

(₹ In Crore)			
Insurer	NB, YTD Mar 11	Market Share	Group as a % of NB
ICICI Prudential	7,861	6.2%	31.0%
SBI Life	7,571	6.0%	36.8%
HDFC Standard	4,065	3.2%	14.0%
Bajaj Allianz	3,462	2.8%	25.2%
Reliance Life	3,035	2.4%	12.4%
Birla Sun Life	2,077	1.7%	21.0%
Other Private	11,310	9.0%	12.8%
Private Total	39,381	31.3%	22.7%
LIC	86,445	68.7%	39.6%
Total	125,826	100%	34.3%

The fall in new business premium growth has made most industry players review their business models. This has resulted in:

- Shift in new business mix from regular premium ULIPs to single premium ULIPs and the traditional life products.
- Fixed expenses have become a constraint, resulting in companies cutting down on their branches and distribution networks.
- Insurers are focusing more on ensuring that existing customers continue to pay their renewal premiums.
- Some agents moving away from the industry due to lower commission levels.

Performance of BALIC

BALIC's gross premium written for FY2011 was ₹ 9,610 crore, which was 15.8% lower than ₹ 11,420 crore of FY2010. Renewal premium reduced from ₹ 6,969 crore in FY2010 to ₹ 6,144 crore in FY2011.

BALIC strategically chose not to chase new business (NB) at high costs. Thus, new business premium for FY2011 was ₹ 3,466 crore versus ₹ 4,451 crore in the previous year.

Within the private sector, BALIC's market share of NB premium was 8.8% for FY2011. The company is fourth among the private life insurers on NB premium for FY2011. It ranks second among the private life insurers based on the number of new policies issued – 1.54 million policies in FY2011 versus 2.23 million in the previous year.

ULIPs contributed 58% of BALIC's NB premiums in FY2011, compared to 84% in the previous year. In the first half of the year, ULIPs accounted for 69% of the NB premium (versus 80% in the same period last year); in the second half of FY2011, ULIP's share of NB premiums was 51% (86% in the same period last year).

Due to the new regulation, almost all ULIP products had to be re-filed.

Financial Performance

BALIC's financial performance in FY2011 and FY2010 is summarised in Table 5.

Table 5: Financial Performance of BALIC

Particulars	₹ In Crore	
	FY2011	FY2010
Gross written premium	9,610	11,420
New business premium	3,466	4,451
Renewal premium	6,144	6,969
APE*	2,427	3,659
Policyholder surplus/(deficit) (After transfer to Shareholder)	16	10
Shareholder Profit/(Loss)**	1,057	542
Profit/(Loss)	962	427
Net contribution to policy holders account	32	69

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

** Shareholders' profit for the year is ₹ 1,057 crore – this comprises of current year Shareholders' profit of ₹ 122 crore, distribution of surplus from policyholders' account to shareholder of ₹ 825 crore and ₹ 111 crore on account of release from "Reserve for Lapsed unit linked policies unlikely to be revived".

For FY2011, thanks to tight control over operating expenses, BALIC posted a shareholders' profit of ₹ 1,057 crore, of which Bajaj Finserv's share stood at ₹ 782 crore. The previous year's figures were ₹ 542 crore and ₹ 401 crore respectively.

During FY2011, the company wrote off the opening accumulated losses of ₹ 18 crore. Accumulated profits as on 31 March 2011 stood at ₹ 1,039 crore, and the shareholders' net worth was ₹ 2,249 crore.

As is evident from Table 5, despite a difficult year of the industry, the company has succeeded in pursuing profitable growth with returns to all stakeholders. In fact, BALIC has been the most profitable life insurance company in the private sector.

In FY2012, BALIC will continue to focus on improving employee productivity, policy persistency, operational processes, customer service levels and also examine steps to increase share of the agency channel in overall company premium.

Investments

As on 31 March 2011, BALIC's assets under management (AUM) stood at ₹ 39,330 crore, which included unit linked funds of ₹ 32,884 crore. The unit-linked funds have increased by 16%, from ₹ 28,415 crore as on 31 March 2010. This has been due to the generally upward trend of the markets. Unit linked funds have performed well — with the major funds yielding returns that were in line with the benchmark. Table 6 gives the data.

Table 6: Performance of BALIC's AUM

UL Returns as on 31 March 2011 Funds	As at 31 March 2011	₹ In Crore	
		Absolute Returns FY2011	FY2010
Equity Index Fund II	9,386	10.8%	72.4%
Unit Gain Plus - Equity Index	204	11.1%	72.5%
Unit Gain – Equity Plan	377	9.7%	70.2%
Equity Growth Fund	8,406	12.7%	69.5%
Equity Plus	1,106	10.2%	73.3%
Equity Gain	797	10.2%	70.5%
CNX NSE Nifty Index		11.1%	73.8%
Asset Allocation Fund	4,119	8.2%	34.7%
Crisis Balanced Fund Index		9.4%	47.3%

Note:

The funds given in Table 6 contribute 70% - 75% of total unit-linked AUM of BALIC.

The traditional portfolios are carefully managed, keeping in mind the regulatory asset allocation requirements. The yield on non-unit linked instruments invested in FY2011 was 8.27%, versus 8.37% in the previous year.

Capital and Capital Adequacy

BALIC's equity base (including share premium) was at ₹ 1,211 crore, with no fresh infusions in FY2011. The company's solvency ratio was 366% as on 31 March 2011, versus the minimum regulatory requirement of 150%. The company has one of the best capital utilisation rates in the industry, as measured by the ratio of gross written premium to capital infused.

Challenges

The recent changes in regulations and guidelines have made life insurance companies re-think their strategy, mainly in terms of balancing growth with profitability. The major challenges for all companies are:

- Maintaining and improving persistency.
- Increasing productivity among agency force.
- Maintaining a balance between intermediary needs and profitability.

In addition, the industry may face some other challenges such as:

- Possibility of further regulations, mainly on the non-ULIP portfolio.
- Persistency linked agency termination.
- Guidelines on agency recruitment.

These might have an impact on the overall business of the industry.

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 24 entities: 15 in the private sector; four public sector corporations; three specialised health insurance companies; the Export Credit and Guarantee Corporation; and the Agricultural Insurance Corporation.

Gross written premiums of the industry, excluding the specialised insurers, have grown from ₹ 12,390 crore in FY2002 to ₹ 34,984 crore in FY2010, and have crossed ₹ 42,569 crore in FY2011. The compound annual growth rate is around 15%.

Nevertheless, penetration remains very low at 0.6% of GDP – versus 1.67% for Asia as a whole, 3.1% for Europe and 4.9% for North America. Equally, the per capita spend on general insurance remains below comparable emerging countries, leave aside the developed nations.

With India's real GDP expected to grow at a CAGR of 8% over the next five to seven years, spends on general insurance are bound to increase. The potential is vast, and insurers need to figure out ways to profitably tap this growth.

The general insurance industry has been adversely affected in FY2011 because of significant upward revision in the Motor Pool Loss Reserves. It needs explaining.

The Indian Motor Third Party Insurance Pool (or the Motor Pool) is an arrangement where all general insurers cede the premium related to third party risks of commercial vehicles and their related losses to the Motor Pool. These are then distributed back to the general insurers in proportion to their market share.

The IRDA has directed all general insurers to provide for the Motor Pool losses at 153%, versus 126% that was provided in the past. In order to absorb this enhanced provisioning, solvency requirements have also been relaxed at a reducing scale for financial years up to FY2013. This has hurt the industry.

For BAGIC, the good news is that even after absorbing this enhanced provisioning, the company has maintained its solvency ratio at 173% for the year ended 31 March 2011 — which is above the normal regulatory requirement of 150%.

The recent decision of IRDA to increase the premium on third party risks of commercial vehicles and indexing the future annual increase is a welcome move.

The general insurance industry posted a growth of nearly 22% for FY2011. Almost all companies achieved positive growth, and most were in the double-digit territory. The industry's and BAGIC's growth rates are shown in Table 7.

Table 7: Gross Direct Premium Written in India

	FY2011	FY2010	FY2009	FY2008	(₹ In Crore) FY2007
Bajaj Allianz	2,905	2,515	2,650	2,404	1,803
Private Sector	17,567	14,341	12,569	11,196	8,729
Public Sector	25,002	20,643	18,079	16,900	16,291
Industry	42,569	34,984	30,648	28,096	25,020
Growth Rates					
Bajaj Allianz	15.5%	-5.1%	10.2%	33.3%	41.7%
Private Sector	22.5%	14.1%	12.3%	28.3%	62.8%
Public Sector	21.1%	14.2%	7.0%	3.7%	8.6%
Industry	21.7%	14.1%	9.1%	12.3%	22.9%

Source: IRDA website and the IRDA Handbook of Insurance Statistics. Excludes specialised insurers

BAGIC's Business Performance, FY2011

Under testing conditions, BAGIC has focused on profitability by:

- Strong underwriting with careful selection of risk – and underwriting only those businesses which met its profitability hurdle rates.
- Emphasising uniformly high quality of 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 FY2011 (excluding premiums from the Motor Pool) was ₹ 2,905 crore, compared to ₹ 2,515 crore recorded in FY2010, or a growth of 15.5% with a market share of 6.8%.

The net earned premium for FY2011 (excluding premiums from the Motor Pool) was ₹ 1,931 crore versus ₹ 1,671 crore in FY2010, or a growth of 15.6%. During FY2011, BAGIC sold 6.4 million policies, compared to 6 million in FY2010. The number of claims reported in FY2011 was 561,720 versus 525,258 in FY2010.

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 8.

Table 8: BAGIC's Business Mix

Line of Business Mix	FY2011	FY2010	FY2009
Motor	59.0%	57.5%	56.8%
Health	11.7%	11.7%	12.6%
Fire	13.2%	13.7%	12.9%
Engineering	3.8%	4.0%	4.8%
Marine	2.7%	3.0%	3.3%
Others	9.6%	10.1%	9.6%
Total	100%	100%	100%

The channel-wise contribution to GWP is given in Table 9.

Table 9: Gross Written Premium From the Different Channels

Channel-Mix	FY2011	FY2010	FY2009
Agency and motor dealers	57.3%	53.1%	46.3%
Bancassurance	14.0%	17.3%	18.5%
Brokers	9.4%	8.9%	10.7%
Direct	14.9%	15.0%	14.3%
Others	4.4%	5.7%	10.2%
Total	100.0%	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, grew only marginally in FY2011 due to BAGIC's conservative pricing strategy on group health and other relatively less profitable 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 from FY2009 to FY2011 is summarised in Table 10.

Table 10: Financial Performance of BAGIC

	FY2011	FY2010	FY2009
	(₹ In Crore)		
Gross written premium	2,905	2,515	2,649
Net written premium	2,135	1,808	1,833
Underwriting result before Motor Pool losses	27	6	-20
Motor Pool losses	-246	-56	-53
Profit before tax (PBT)	62	180	150
Profit after tax (PAT)	43	121	95

- The Company recorded an underwriting profit (before considering share of losses from the Motor Pool) of ₹ 27 crore, compared to the previous year's profit of ₹ 6 crore.
- After considering the share of losses from the Motor Pool, the Company's underwriting loss was ₹ 219 crore in FY2011, compared to a loss of ₹ 50 crore in FY2010.
- The combined ratio, excluding losses from the Motor Pool, was 98.6% as against 99.6% recorded in FY2010. Including Motor Pool losses, the combined ratio increased from 103% in FY2010 to 110% in FY2011. In a market where combined ratios are close to 120%, this is a creditable achievement and vindicates the company's strong underwriting and cost management skills.

- On account of the additional provisioning of ₹ 199 crore towards losses from Motor Pool (over and above the normal provisioning for all the years), the PBT for the year has reduced by 66 % to ₹ 62 crore, against the previous year's PBT of ₹ 180 crore.
- PAT for FY2011 was ₹ 43 crore, compared to ₹ 121 crore recorded in FY2010 – a decrease of 64%.
- The return on average equity (ROE) for FY2011 was 5.3%, compared to 16.5% recorded in the previous year. However, if one were to calculate the ROE excluding the additional provisioning due to Motor Pool losses, the ROE for FY2011 would have been higher at 20%.

Capital

BAGIC's total capital, including share premium infused by shareholders, stood at ₹ 277 crore as on 31 March 2011. No new capital was needed in FY2011; and BAGIC's solvency margin was well above the required ratio as per IRDA's regulations.

It is worth noting that BAGIC has the best utilisation of capital in the private sector, as measured by the ratio of (i) GWP to capital infused, and (ii) GWP to shareholders' equity. The shareholders' equity of BAGIC stood at ₹ 836 crore as on 31 March 2011, compared to ₹ 793 crore a year earlier.

Investments

FY2011 was a strong year for debt markets, especially towards the latter half. The Company's cash and investments as on 31 March 2011 stood at ₹ 3,975 crore, versus ₹ 2,828 crore a year earlier.

Challenges

The general insurance industry is suffering from a crisis of profitability. While demand is picking up, the challenge is to remain profitable in the face of highly competitive pricing. 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. On the positive side, the recent increase in the third party motor premiums proposed by the IRDA, coupled with an indexing for future increases, should alleviate the problems arising out of regulated third party pricing.

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

Lending

Bajaj Finance Limited (BFL)

FY2011 was a good year for retail finance. After three years of low growth, the industry is estimated to have grown by over 29% during the year. The competitive environment remained

benign owing to challenges faced by lenders between 2007 and 2009. However, competitive intensity is bound to increase in the years ahead.

With assets under management of over ₹ 7,571 crore, Bajaj Finance Limited (BFL) is one of the leading, diversified non-banking finance companies (NBFCs) in the country. It delivered excellent results in FY2011.

- Total income for FY2011 was up by 53% to ₹ 1,406 crore.
- Profit after tax (PAT) was up 178% to ₹ 247 crore.
- Deployment was up 106% to ₹ 9,435 crore.
- Assets under management were at ₹ 7,571 crore.
- Receivables under financing rose 80% to ₹ 7,270 crore.
- Loan losses and provisions for the year reduced by 21% to ₹ 205 crore.
- Capital adequacy as on 31 March 2011 stood at 20% – well above the RBI norms.

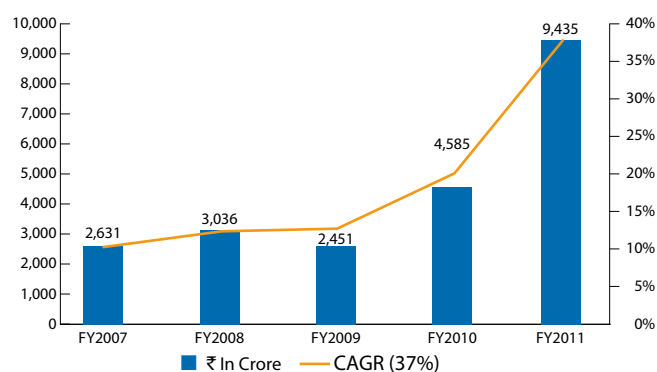
Loan Deployment Snapshot

Table 11 gives the loan deployment mix for FY2011 (compared to FY2010), while Chart A plots BFL's aggregate deployment over the last five years

Table 11: BFL's Deployment mix

Deployments	FY2011	FY2010	(₹ In Crore) Change
Two-Wheelers	2,034	1,364	49%
Consumer Durables	2,262	1,038	118%
Mortgages	1,672	1,067	57%
Vendor financing	1,346	148	809%
Other assets	389	165	136%
Construction equipment	694	—	
Small business loans and personal loans cross-sell	1,038	803	29%
Total	9,435	4,585	106%

Chart A: Growth in BFL's Loan Deployment



Receivables Under Finance

Table 12 gives the data of BFL's receivables under finance.

Table 12: BFL's Receivables under Finance

Receivable under finance	FY2011	FY2010	(₹ In Crore) Change
Two-Wheelers	1,953	1,393	40%
Consumer durables	892	427	109%
Mortgages	1,996	1,061	88%
Vendor financing	324	139	133%
Other assets	312	156	100%
Construction equipment	591	—	
Small business loans and personal loans cross-sell	1,202	856	40%
Total	7,270	4,032	80%

Business Segment Update

Two-wheeler financing

Riding on the back of a robust two-wheeler sales growth, loan deployment in this segment grew by 49% to ₹ 2,034 crore. BFL's two wheeler financing is available across 351 dealership locations and 1,170 sub-dealers across the country. The company acquired more than 522,000 customers in the year, representing a 38% growth over the previous year. BFL's Direct Cash Collection model, which was launched in FY2010, acquired over 157,000 customers in FY2011. This model caters to customers in the semi-urban and rural markets with no banking habits.

Consumer durables financing

This business is present in 71 cities of India. Consumer durable financing deployment grew by 118% to ₹ 2,262 crore in FY2011, versus an estimated industry growth of 31%. The company acquired over 969,000 new customers, and is currently present in over 2,000 points of sale across the country. BFL's strategy of focusing on relatively affluent customers and major dealerships has yielded benefits through lower operating costs and improved risk performance. The company is currently financing one in every five LCD and Plasma televisions in the country and works with all leading consumer durable manufacturers in boosting the sales of their products.

Personal loan cross-sell

This business is present in 81 cities of India. It targets customers with good repayment history of their two-wheeler and/or consumer durables loans to cross-sell a personal loan. BFL grew this business in a cautious manner in FY2011. During the year, deployment under this category grew by 66% to ₹ 375 crore. BFL financed 67,057 new customers in FY2011.

Personal and small business loans

This is present in 23 cities across India. Small business loan deployments grew by 51% to ₹ 663 crore in FY2011. The Company's strategy of focusing on affluent small business customers and its cautious approach has helped it to steadily grow this business without unwarranted risks.

Vendor financing

BFL started to grow this new line of business in the current year. It focuses on short and medium term lending needs of vendors of large auto manufacturers. The company deployed short term loans of ₹ 1,255 crore, and medium term loans of ₹ 91 crore in FY2011.

Mortgage business

Present in 23 cities of India, the business 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 of FY2011, the portfolio increased in line with the industry's growth. Loan against property grew by 35% to ₹ 1,440 crore. The company also launched home loans for affluent and high net worth self-employed customers, and sold loans worth ₹ 232 crore in its first half year of launching.

Construction equipment finance business

The company launched its construction equipment finance business during FY2012. It focuses on financing small, mid and large strategic contractors for their construction equipment financing needs. This is asset-backed financing collateralised by the construction equipment assets. During the first year of operation, the company deployed ₹ 694 crore and added some 2,900 customers.

Infrastructure Finance Business

The company has started its foray in infrastructure finance business towards the end of the financial year, and sanctioned loans worth ₹ 250 crore.

Financial Performance

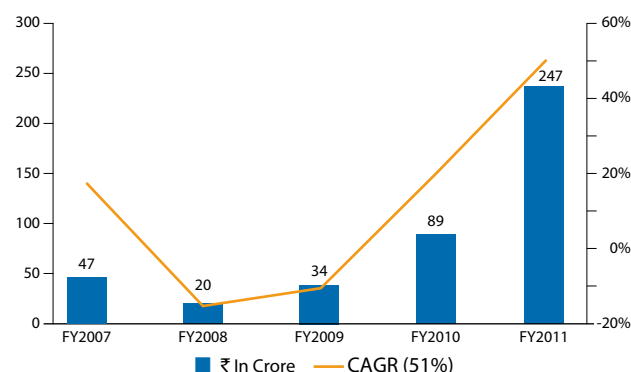
Table 13 gives BFL's financial performance for FY2011 compared with FY2010, while Chart B plots the company's profits after tax over the last five years

Table 13: BFL's Financial Performance, FY2011 and FY2010

Particulars	FY2011	FY2010	(₹ In Crore) Change
Total income	1,406	916	53%
Interest and finance charges	378	202	87%
Net interest income	1,028	714	44%
Salary cost	145	99	46%
Marketing and other commissions	56	28	100%
Dealer incentives	47	26	81%
Recovery commission	49	56	-13%
Loan loss and provisions	205	261	-21%
Depreciation	12	7	71%
Other expenses	144	103	40%
Profit before tax (PBT)	370	134	176%
Profit after tax (PAT)	247	89	178%
Earnings per share (EPS) basic, ₹	67.47	24.43	176%
Earnings per share (EPS) diluted, ₹	67.47	24.43	176%
Book value per share, ₹	370.76	314.93	21%

Chart B shows that FY2011 has been a landmark year for BFL – one in which the company has earned its highest ever PAT.

Chart B: Profit After Tax



Risk Management and Portfolio Quality

As an NBFC, the company is exposed to credit risk, liquidity risk and interest rate risk. BFL has invested in people, processes and technology to effectively mitigate risks posed by external environment and by its borrowers. It has in place a strong risk management team and an effective credit operations structure. It has further strengthened its risk management by separating the functions of Chief Risk Officer and Chief Credit Officer.

Sustained efforts of the company to strengthen the risk framework and portfolio quality have started bearing results. The overall portfolio quality has improved significantly over the last financial year. The company's Asset-Liability Committee (ALCO), set-up in line with the guidelines issued by the RBI, monitors asset-liability mismatches, to ensure that there are no imbalance or excessive concentration on either side of the balance sheet.

Fulfilment of the RBI's Norms and Standards

BFL meets or exceeds all norms and standards laid down by the RBI pertaining to recognition and provisioning of non-performing assets, capital adequacy, statutory liquidity ratio, and others. The capital adequacy ratio of the company is 20%, which is well above the RBI norm of 12%.

Business Outlook

BFL expects to deliver strong performance in FY2012 owing to significant momentum in its lines of businesses and robust portfolio quality. However, as mentioned earlier, the high inflation environment resulting in steadily rising interest rates may dampen consumer demand and lead to slower growth.

Asset Management, Financial Advisory and Wealth Management

In order to position itself as full-fledged financial services company, Bajaj Finserv is entering the business of distributing financial products and services and offering financial advisory as well as wealth management services. The Company is doing this through two entities. These are Bajaj Financial Solutions Limited (Bajaj FinSol) and Bajaj Financial Securities Limited (Bajaj FinSec).

Bajaj Financial Solutions Limited (Bajaj Finsol)

Having received its Association of Mutual Funds in India (AMFI) registration in 2009, Bajaj Finsol applied to the IRDA in August 2010 for a corporate agency licence to distribute insurance products of BALIC. IRDA approval was received in February 2011, and the licence is valid for three years.

After getting the licence, the business was launched in Aurangabad, Chandigarh, Ludhiana and Pune in February 2011. The financial planning process, client risk profiling document and corresponding asset allocation models have been finalised and incorporated into the company's core software platform to enable scalability of the business.

Bajaj Financial Securities Limited (Bajaj FinSec)

Bajaj FinSec had received its registration certificate from the Association of Mutual Funds in India (AMFI) and has completed the empanelment process with all the major asset management companies in India. Moreover, it has received the SEBI registrations for the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE). These allow the company to act both as a trading and clearing member of the exchanges.

The company expects to begin scaling up business from FY2012.

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 ₹ 294 crore. During FY2011 the project generated net wind energy of 837 lakh units of electricity, versus 908 lakh units in FY2010. The electricity generated in FY2011 was valued at ₹ 42 crore, compared to ₹ 43 crore in FY2010. 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.

All 138 windmills have been registered with National Load Despatch Centre (NLDC) through REC Registry and are eligible for Renewable Energy Certificates (REC) from 1 April 2011.

Financials

Standalone

The standalone results of Bajaj Finserv Limited are given in Table 14.

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.

Table 14: Standalone Results of Bajaj Finserv

	(₹ In Crore)	
	FY2011	FY2010
A. Income from Wind Farm Activity	42	43
Administrative Expenses	13	25
Depreciation	9	21
Profit from Wind farm activity	20	(3)
B. Income from Investment & Other	84	87
Other Expenses	20	25
Profit before tax and Exceptional Item	84	59
Add: Surplus on pre-payment of sales tax deferral	139	—
Profit before tax	223	59
Provision for tax	35	25
Profit after tax	188	34

Sales tax deferral incentive/loan has been prepaid during the year at a discounted value of ₹ 172 crore, thereby registering a surplus of ₹ 139 crore. The said sum has been reflected as an exceptional item and considered as a capital receipt.

Consolidated Financials

The consolidated results are given in Table 15. These include its subsidiaries, associates and joint ventures, in accordance with the accounting standards issued by The Institute of Chartered Accountants of India.

Table 15: Summarised Consolidated Results of Bajaj Finserv

	(₹ In Crore)	
Segment Revenue	FY2011	FY2010
Insurance	12,434	13,827
Windmill	42	43
Retail finance	1,109	—
Investments & others	140	127
	13,725	13,997
Less: Inter-segment	28	—
Total	13,697	13,997
Segment Results Profit/(loss) from each segment	FY2011	FY2010
Insurance	1,157	737
Windmill	159	(3)
Retail finance	310	38
Investments & others	44	58
Profit before tax	1,670	830
Tax expense	178	99
Minority interest	377	172
Group profit after tax	1,115	559

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 2010-11. 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

As on 31 March 2011, the board of the company consisted of eight directors, of whom one was executive (managing director), four were non-executive independent and 3 were non-executive & non-independent. The board has no institutional nominee directors.

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 Table 1 shows, this provision is met at Bajaj Finserv.

During the year under review, Shri Madhur Bajaj, the non-executive non-independent director was appointed in the casual vacancy with effect from 21 July 2010.

Non-executive directors' compensation

As fixed by the board of directors at its meeting held on 30 January 2008, a sitting fee of ₹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 have 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 will be paid ₹ 15,00,000 as commission for the year 2010-11 in consideration of the services rendered by him during the year 2010-11 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 payment of commission to non-executive directors (independent and non-independent) at the rate of ₹ 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 2010-11, the board of directors met six times: on 11 May 2010, 21 July 2010, 18 September 2010, 18 October 2010, 18 January 2011 and 26 March 2011. 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 2010-11

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)	6/6	Yes
Madhur Bajaj ¹	Non-executive	5/6	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	5/6	Yes
Nanesh Chandra	Non-executive, independent	6/6	Yes

¹ Appointed in casual vacancy with effect from 21 July 2010.

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 different

functional heads on important matters from time to time. Directors have separate and independent access to officers of the company. 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.

Pursuant to the requirement under the NBFC regulations, the following information is also being 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.
- iii. Minutes of Risk Management Committee & Asset Liability Committee meetings.

Directorships and memberships of board committees

Table 2: Number of Directorships/committee positions of directors as on 31 March 2011

Name of Director	In listed companies	In unlisted public limited companies	Committee Positions	
			As Chairman	As Member
Rahul Bajaj	4	2	0	0
Rajiv Bajaj	4	1	0	1
Sanjiv Bajaj	6	4	1	5
Nanoo Pamnani	4	0	5	2
Madhur Bajaj	6	1	0	0
D J Balaji Rao	10	0	4	6
S H Khan	5	3	5	5
Naresh Chandra	11	1	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 directors was a member in more than 10 committees, nor a chairman in more than five committees across all companies, in which he was a director.

Review of legal compliance reports

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 2010-11. 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 set up its audit committee 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.

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 2010-11, the audit committee met four times on: 11 May 2010, 21 July 2010, 18 October 2010 and 18 January 2011. 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.

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.

Table 3: Composition of the audit committee and attendance record of members for 2010-11

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	3/4
Naresh Chandra	Non-executive & independent	4/4

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.

Bajaj Finance Limited became a subsidiary of the company on 5 July 2010.

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, Bajaj Financial Solutions Limited and Bajaj Financial Securities 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.

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.

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.

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.

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 renamed 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 consisted of the following members as on 31 March 2011:

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 26 March 2011. The committee noted that Naresh Chandra & Rajiv Bajaj were due for retirement by rotation at the ensuing Annual General Meeting. The committee recommended for the consideration of the board the reappointment of these directors,

who are due for reappointment at the ensuing annual general meeting of the company & ensured their 'Fit & Proper' status. All the members of this committee attended this meeting.

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.

A statement showing the disclosure of transactions with related parties as required under Accounting Standard – 18 is set out separately in this Annual Report.

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 web-site 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.

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 .

Managing Director is entitled to superannuation benefits payable in the form of an annuity from the Life Insurance Corporation of India on his retirement and this forms part of the perquisites allowed to him. No pension is paid by the company.

Remuneration to Directors during the year

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 2010-11, 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 2010-11.

Table 4: Remuneration paid/payable to Directors during 2010-11

(Amount In ₹)					
Name of director	Relationship with other directors	Sitting fees	Salary & perquisites	Commission	Total
Rahul Bajaj	Father of Rajiv Bajaj & Sanjiv Bajaj	140,000	—	175,000	315,000
Madhur Bajaj*	—	100,000	—	125,000	225,000
Rajiv Bajaj	Son of Rahul Bajaj & brother of Sanjiv Bajaj	120,000	—	150,000	270,000
Sanjiv Bajaj	Son of Rahul Bajaj & brother of Rajiv Bajaj	—	9,772,008	18,000,000	27,772,008
D J Balaji Rao	—	220,000	—	275,000	495,000
S H Khan	—	180,000	—	225,000	405,000
Nanoo Pamnani	—	240,000	—	1,800,000	2,040,000
Naresh Chandra	—	220,000	—	275,000	495,000

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.

* Appointed as director in casual vacancy with effect from 21 July 2010.

Shares held by non-executive Directors

The non-executive directors who held shares in the company as on 31 March 2011 are:

Name of director	Number of shares held as on 31 March 2011
Rahul Bajaj	1,367,452
Madhur Bajaj	543,616
Rajiv Bajaj	3,050

Management**Management discussion and analysis**

This is given as a separate chapter in the 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 during the year.

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 directors liable to retire by rotation. Of these, one third

are required to retire every year and, if eligible, may seek re-appointment by the shareholders. Six out of eight directors of Bajaj Finserv Limited as on 31 March 2011 were retiring directors. This year, the retiring directors are Naresh Chandra and Rajiv Bajaj 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.

During the year under review, Shri Madhur Bajaj, the non-executive non-independent director was appointed in the casual vacancy with effect from 21 July 2010.

Communication to shareholders

Quarterly, half yearly and annual financial results are published in numerous leading dailies, such as The Economic Times, Financial Express, Financial Chronicle, Business Standard, Times of India, 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 such as Frequently Asked Questions (FAQs), forms etc. and details of the corporate contact persons & share transfer agent of the company. All financial and other vital official news releases are also communicated to the concerned stock exchanges, besides being placed on the Company's website.

Ministry of Corporate Affairs as a 'Green Initiative in the Corporate Governance' has issued a Circular no 17/2011 on 21 April 2011, permitting companies to service delivery of documents electronically on the registered members'/shareholders' email addresses under section 53 of the Companies Act, 1956. The company is accordingly proposing to send documents, such as notice calling the general meeting, audited financial statements, directors' report, auditors' report etc in electronic form at the email ids provided by the shareholders & made available by them to the company through the depositories. Shareholders desiring to receive the said documents in physical form will continue to get the same in physical form.

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

Since the company was incorporated on 30 April 2007, the Annual General Meetings (AGM) of the company have been held at the registered office of the company on the following dates and time:-

1st AGM	9 July 2008 at 3.30 p.m.
2nd AGM	15 July 2009 at 3.30 p.m.
3rd AGM	21 July 2010 at 3.30 p.m.

Details of Special Resolution(s) passed during the last years' AGM & Postal Ballot

The shares of the company (after demerger) got listed for the first time on 26 May 2008. No special resolution was passed at the general meeting held during the year 2008.

At the second AGM held on 15 July 2009, special resolutions were passed regarding 'Approval of Employee Stock Option Scheme'. 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 last three years.

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.

The committee consisted of the following directors (of whom the Chairman is an independent director) as on 31 March 2011:

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

During the year under review, the committee met on 26 March 2011 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. The committee expressed its whole-hearted satisfaction on the overall status of compliance and actions taken on various matters.

SEBI vide its circular no. CIR/CFD/DIL/10/2010 dated December 16, 2010 amended Clause 5A by inserting a para prescribing a Uniform procedure for dealing with physical unclaimed shares pursuant to public issue or any other issue. Accordingly, the company has sent the first reminder to its concerned shareholders on 31 March 2011 by registered post AD.

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 2010-11.

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 known as 'Remuneration & Nomination 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 2010-11.

5. Whistle Blower Policy

The company adopted its Whistle Blower Policy on 12 January 2010. This policy is to enable its 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	:	13 July 2011
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 ₹ 1.25 per equity share (25 per cent) for the financial year 2010-11, subject to approval by the shareholders at the annual general meeting. Dividend paid in the previous year was ₹ 1 per equity share (20 per cent).

Dates of book closure

The register of members and share transfer books of the company will remain closed from Friday, 1 July 2011 to Wednesday, 13 July 2011, both days inclusive.

Date of dividend payment

Dividend on equity share, if declared, at the Annual General Meeting, will be credited/dispatched between 18 July 2011 to 20 July 2011:

- to all those beneficial owners holding shares in electronic form, as per the ownership data made available to the company by National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL) as of the end-of-the-day on Thursday, 30 June 2011; and
- to all those shareholders holding shares in physical form, after giving effect to all the valid share transfers lodged with the Company/share transfer agent (i.e. Karvy Computershare Private Limited) on or before the closing hours on Thursday, 30 June 2011.

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 onwards 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.

Share Transfer Agent

The company has Karvy Computershare Private Limited as its share transfer agent. All physical transfers, transmissions, transpositions, 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 1,68,378 shares during 2010-11.

Dematerialisation of shares

During 2010-11: 318,647 shares were dematerialised compared to 47,725,409 during 2009-10. Distribution of shares as on 31 March 2011 is given in Table 1.

Table 1: Shares held in physical and electronic mode

	Position as on 31 March 2011		Position as on 31 March 2010		Net change during 2010-11	
	No. of shares	% to total share holding	No. of shares	% to total share holding	No. of shares	% to total share holding
Physical	10,837,770	7.49	11,156,301	7.71	318,531	0.22
Demat:						
NSDL	131,381,622	90.81	131,223,323	90.70	158,299	0.11
CDSL	2,464,118	1.70	2,303,886	1.59	160,232	0.11
Sub Total	133,845,740	92.51	133,527,209	92.29	318,531	0.22
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 the process of listing these GDRs 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):	INE918I01018
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 2010-11, 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 Exchanges (NSE).

Table 2: Monthly highs and lows of Bajaj Finserv Limited shares during 2010-11

Month	BSE		NSE		Closing BSE Sensex (₹ vis-à-vis BSE Sensex)
	High	Low	High	Low	
Apr-10	369.00	301.00	369.00	300.00	17,558.71
May-10	557.55	338.00	557.80	325.00	16,944.63
Jun-10	493.45	404.35	492.70	403.90	17,700.90
Jul-10	447.60	349.70	447.00	393.60	17,868.29
Aug-10	499.00	430.10	498.70	429.00	17,971.12
Sep-10	565.00	476.15	564.80	478.95	20,069.12
Oct-10	543.00	456.00	544.00	454.95	20,032.34
Nov-10	517.50	435.10	495.00	440.00	19,521.25
Dec-10	502.70	442.00	501.70	440.05	20,509.09
Jan-11	475.00	395.20	477.90	394.10	18,327.76
Feb-11	488.00	399.05	487.00	397.40	17,823.40
Mar-11	607.00	428.55	607.00	429.00	19,445.22

Distribution of shareholdings

Table 3 gives details about the pattern of shareholdings among various categories as on 31 March 2011 and 31 March 2010, while Table 4 gives the data according to size classes as on 31 March 2011.

Table 3: Distribution of shareholdings across categories as on 31 March 2011

Categories	2011		2010	
	No. of shares	% to total capital	No. of shares	% to total capital
Promoters	84,510,237	58.41	79,526,741	54.97
Friends and associates				
of promoters	14,847,933	10.26	16,469,826	11.38
GDRs ¹	85,214	0.06	155,285	0.11
Foreign Institutional Investors	12,319,652	8.51	7,253,737	5.01
Public Financial Institutions	7,349,570	5.08	8,465,588	5.85
Mutual Funds	2,052,063	1.42	7,746,310	5.35
Nationalised & other banks	83,654	0.06	115,930	0.08
NRIs & OCBs	665,973	0.46	652,342	0.45
Others	22,769,214	15.74	24,297,751	16.80
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 2011

No of shares	No of shareholders		Shares held in each class	
	Number	%	Number	%
1 TO 500	52,822	92.37	2,846,353	1.97
501 TO 1000	1,548	2.71	1,155,674	0.80
1001 TO 5000	1,970	3.44	4,397,069	3.04
5001 TO 10000	396	0.69	2,743,202	1.90
10001 TO 100000	343	0.60	9,757,673	6.74
100001 AND ABOVE	107	0.19	123,783,539	85.55
Total	57,186	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 4 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 fourth annual report and the audited statements of accounts for the year ended 31 March 2011.

Financial results

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

The highlights of the **Standalone Financial Results** are as under:

	(₹ In Lakh)	
	2011	2010
Income from Operations & other income	12,606	12,980
Gross profit before interest & depreciation	9,431	8,130
Interest	—	—
Depreciation	1,003	2,196
Gross Profit before exceptional item	8,428	5,934
Exceptional item-Surplus on pre-payment of sales tax deferral incentive/loan	13,907	—
Profit before tax	22,335	5,934
Provision for tax	3,501	2,536
Profit after tax	18,834	3,398
Profit available for appropriation	19,066	2,939
Transfer to Reserve Fund under section 45-IC (1) of the Reserve Bank of India Act, 1934	3,767	680
Transfer to General Reserve	1,883	340
Proposed dividend (inclusive of dividend tax)	1,809	1,687
Provision for Corporate Dividend Tax written back	(184)	—
Balance carried to Balance Sheet	11,791	232
Earnings per share (₹)	13.0	2.3

The highlights of the **Consolidated Financial Results** are as under:

	(₹ In Lakh)	
	2011	2010
Gross Revenue:		
i) Gross written premium		
a) Life Insurance– Bajaj Allianz Life Insurance Co Ltd	960,995	1,141,971
b) General Insurance– Bajaj Allianz General Insurance Co Ltd	312,937	272,489
ii) Interest & Finance Charges-Bajaj Finance Ltd	110,939	—
iii) Income from windpower generation– Bajaj Finserv Ltd	4,179	4,311
iv) Investment income (excluding accretions on unit linked Investment)	76,619	63,532
v) Others	5,514	4,336
Total	1,471,183	1,486,639

	(₹ In Lakh)	
	2011	2010
Income from Operations & other income	150,906	46,093
Amount transferred from the Policyholders' Account	93,551	52,448
Total Income	244,457	98,541
Gross profit before exceptional item	150,977	79,206
Exceptional item-Surplus on pre-payment of sales tax deferral incentive/loan	13,907	—
Profit before tax	166,973	83,028
Provision for tax	17,820	9,875
Profit before minority interest	149,186	73,153
Minority interest	37,702	17,241
Profit for the year	111,484	55,912
Earnings per share (₹)	77.1	38.6

Dividend

The directors recommend for consideration of the shareholders at the ensuing annual general meeting, payment of a dividend of ₹ 1.25 per share (25 per cent) for the year ended 31 March 2011. The amount of dividend is ₹ 1,809 lakh.

Dividend paid for the year ended 31 March 2010 was ₹ 1 per share (20 per cent). The amount of dividend and the tax thereon aggregated to ₹ 1,687 lakh.

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 categorised as a 'systemically important non-deposit taking non-banking financial company' having total assets of ₹ 100 crore 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 was Nil during the year under review as well as in previous year.

Total foreign exchange outflow during the year under review was ₹ 2 lakh, as against ₹ 4 lakh during the previous year.

Subsidiaries & Joint Venture

Following are the companies, which are the subsidiary & joint venture companies of the company as at 31 March 2011:

Name of the Company	% Shareholding of Bajaj Finserv Limited as on 31 March 2011	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 Finance Limited	55.98%	Subsidiary

Detailed information on the operations of each subsidiary of the company are covered in Management Discussion and Analysis Report.

Corporate Social Responsibility

During the year 2010-11, Bajaj Group continued its Corporate Social Responsibility initiatives in various fields. Activities in this area are set out in greater detail in the annexed Corporate Social Responsibility Report.

Directors

Naresh Chandra and Rajiv Bajaj retire from the board by rotation this year and being eligible, offer themselves for re-appointment.

Madhur Bajaj appointed as director in casual vacancy on the board with effect from 21 July 2010.

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 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 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 five subsidiaries of the company for the year 2010-11 and the approval for the same has been received. Also, the exemption is available under Ministry of Corporate Affairs General Circular no.2/2011 dated 8 February 2011. 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 or 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 2010-11 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 2010-11. 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

17 May 2011

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 2011.

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 P Amin
Partner
Membership Number: 40451
Pune: 17 May 2011

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 2011 compliance with the code of conduct of the company laid down for them.

Sanjiv Bajaj

Managing Director

Pune : 17 May 2011

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 2011 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: 17 May 2011

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, Shri Jamnalal Bajaj, who embodied the concept of Trusteeship in business and laid the foundation for its ethical, and value-based and transparent 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, Social & Philanthropic Organisations of repute and Civil Society, wherever deemed necessary.

Some of the major initiatives taken up /continued during the year under review are summarized below:-

A. Through Group Trusts

1. Jamnalal Bajaj Foundation (JBF – Foundation)

Awards

The Foundation gives 4 Awards annually - each of the value of ₹ 5 lakh. 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.

Financial Assistance

During the year, financial assistance was provided to wives and families of farmers, who have committed suicide in Wardha District for their subsistence and also for educational assistance to their children.

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.

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.

Schools under National Child Labour Project

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 continued running 24 Balwadis i.e. Bal Sanskar Kendra in rural areas for poor children below six years of age.

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.

2. Jankidevi Bajaj Gram Vikas Sanstha (JBGVS)

Rural and Community Development Activities and Empowerment of Women

The company continued with its rural development activities in Pune, Aurangabad & Wardha districts of Maharashtra & Sikar District of Rajasthan through JBGVS. JBGVS aims at helping integrated development of 61 selected villages, to be carried out by the villagers under their own leadership and catalyzing the unified efforts of Government, local organizations and other NGOs.

During the year, JBGVS undertook a number of development initiatives for improving education, specially primary education, primary healthcare, economic condition by promoting self-employment, environment and social development with special emphasis on women empowerment.

Education

This year, the focus was on improving infrastructure of the primary schools like building school rooms, providing furniture, providing clean drinking water, sanitary units and learning equipments. In addition to this, informal education was imparted to primary school students as also young girls and boys identified with

leadership potential. Computer education was started for youth. The activities of Rural Education and Information Network (REIN) project supported by the World Bank are being continued to generate interest in education in a non-formal way amongst tribal children and youth.

Primary Health Care (PHC)

Reproductive Child Health (RCH) programmes, tackling malnourishment amongst children, specialized check-up camps (gynaec, eye, pediatric, etc.), providing health services through mobile clinics, promoting low cost latrines, educating adults and children in hygiene and sanitation practices were taken up in the project villages to improve the health condition of the villagers in general and women and children in particular. The programmes were implemented through socially trained village health workers and local PHCs.

Economic development

The focus of this programme was to generate self-employment through a set of activities like vocational training, i.e, tailoring, dairy, goatery, backyard poultry, agro and food processing and two wheeler repairing and maintenance. Small enterprises were promoted by providing seed capital. Assistance was provided to farmers in preparing bank proposals and getting bank loans in association with Govt. and other local agencies. Three training programmes were organized on dairy, poultry and two wheeler maintenance for the SC/ST youth. Assistance was provided to women self-help groups to get loans for income generation activities from the banks and marketing their produce in various places including exhibitions.

Environmental development

In all JBGVS programmes, environmental upgradation is given special importance. The farmers as well as school children were encouraged to plant fruit trees. The Aamrai Project, which was started at the hands of Chairman, Bajaj Auto in August, 2009 has covered 340 acres of fruits and forestry tree plantation (more than 50,000 plants). 340 tribal families have got livelihood from this programme. This programme will cover more than 1000 tribal families.

Social development

Under social development, women self-help groups, traditional social and cultural activities, sports amongst school children and youth are promoted. Village level leadership trainings are organized for youth to create the future leaders in the villages.

Samaj Seva Kendra (SSK) (as part of JBGVS) provides facilities for social development of the residents of Akurdi, Nigdi and adjoining townships, with the aim of improving their quality of life, through skill development training, hobby centre, nursery education, health care, sports, music, dance and cultural programmes. Programmes are also organized for senior citizens. Events like making of Christmas craft, earthen pots, summer camps and trekking were conducted during the year.

JBGVS started activities in Sikar, Rajasthan, during the year by providing assistance for fodder to 5 gaushalas to see through

the drought period. Science Branch has been started in Jamnalal Bajaj Government School in village Kashi ka bas. Self Help Groups (SHGs) have been formed in all select villages. Goats were distributed to 48 Below Poverty Line (BPL) families. Other activities like tailoring classes, beautician training, drawing competitions, adolescent girls training, medical camps, eye check up camps were organized regularly.

JBGVS has started the planning process to initiate activities in a big way in Wardha district. Administrative machinery has been put in place at Wardha to start work in 10 villages starting with formation of SHGs, veterinary services, agricultural programmes, dairy development and sustainable agricultural practices to generate livelihood. Two projects through Magan Sangrahalay as NGO have been shortlisted for funding.

3. Group 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 services. Its mission is to provide high quality education at an affordable cost & to inculcate socially desirable values in its students.

All its Colleges are undergoing major upgradation in terms of infrastructure and work culture. During the year, a new girl's hostel and 30,000 sq. ft. of classrooms were built. Over 300 computers have been installed in it in the last 2 years and students have unlimited internet access.

Jankidevi Bajaj College of Science received a ₹ 1.4 crore grant from UGC for upgrading its laboratories. 3 of Shiksha Mandal teachers received UGC funding for Major Research projects. Over 20 proposals for research have been submitted by its teachers during 2010-11. M.Sc.(Biotech) was started in its Science College and an MBA program was started in its Commerce College at Wardha. Guidance for CA exam was started in its Commerce College at Nagpur which achieved 50% passing rate compared to the 20% rate nationally.

Its students continue to do well. Besides 15 students in University/ Board exam merit lists, 3 of the top 20 positions in Maharashtra Engineering Entrance exams were taken by its students. One of its students was adjudged as the best National Social Service (NSS) volunteer in Maharashtra. Another student captained the University Ball Badminton team and 4 of its students represented Maharashtra at the national games.

A booklet "Vichardhan" containing inspiring ideas in Hindi, Marathi and English was produced for distribution to all students. The students built water harvesting structures in 2 villages near Wardha, under its NSS program.

Bajaj Trusts have donated ₹ 8 crore in the last 3 years to Shiksha Mandal.

Bajaj Science Centre has been functioning in Wardha for the last four years. The culture of learning science by doing experiments is developing roots in Schools of Wardha and towns around it. Its students are consistently getting recognition in national

competitions. It is also reflected in the increasing number of students appearing for its entrance examination. This year, 830 students appeared for 250 vacancies. Students are coming to it from as far as Hinganghat, which is 50 kms away. Bajaj Science Centre is adding a scholar batch of 5th standard students from this academic year. This year, it functioned from its new campus, which has become a landmark in Wardha.

Gandhi Vichar Parishad, Wardha, organised a number of programmes during the year 2010-11. Important among them were its 8 month Post Graduate Diploma Course in Gandhian Thought, which had 7 students from different parts of India, 2 from Sudan and 1 from Brazil; orientation Camp Classes on Gandhian Thought for Medical Students, University Students' Camps at the regional and national level, Seminar on Gandhi's Concept of Swadeshi, Inter Religious Study Course on Ecological insights in Religions and a workshop on Peace and Conflict Resolution.

4. Marathwada Medical & Research Institute (MMRI)

Bajaj group is giving substantial financial support to this Trust, which runs Kamalnayan Bajaj Hospital and Kamalnayan Bajaj Nursing College for B.Sc. Nursing degree course.

Kamalnayan Bajaj Hospital

MMRI has established Kamalnayan Bajaj Hospital, located at Aurangabad in Marathwada region of Maharashtra and is providing super speciality and tertiary care medical facilities not available elsewhere in this region. The hospital has expanded its capacity to 250 beds and major part of the expansion has been for general category patients. It has cancer treatment facilities, including Linac Accelerator & Brachy therapy, facility for CT Scan and MRI of 1.5 Tesla, new generation Siemens Cath Lab for heart patients, latest ophthalmology equipment and other advanced facilities including for open heart surgeries and organ transplantation (Kidney). The hospital has been providing relief annually 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. Hospital with the help of NGO (JBGVS) has conducted 50 camps in the villages of the district of Aurangabad, where more than 2282 patients have been checked and given treatment and medicines free and out of these, 851 patients needing hospital treatment at the hospital were treated totally free, as in-patients at the hospital, at a cost of ₹ 59.45 lakh.

Kamalnayan Bajaj Nursing College

First batch of students joined in 2010 and second batch will join in July-August 2011. College has intake capacity of 50 students. A best in class college with all laboratories, library and class rooms and hostel for girls and boys with all facilities with investment of over ₹ 10 crore is coming up and would be ready for occupation by the end of 2011.

5. Fuji Guruji Memorial Trust

Fuji Guruji Memorial Trust has established Buddha Mandir, Vishwa Shanti Stupa at Wardha for promotion of thoughts and teachings of Lord Buddha, Mahatma Gandhi and other preachers preaching same or similar ideology and to propagate the message of world peace, love, non-violence and equality of all religions. It has also established Bal Sanskar Kendras for the benefit and upliftment of poor children below the age of six years from small villages of Wardha District.

6. Kamalnayan Bajaj Charitable Trust

Kamalnayan Bajaj Charitable Trust runs Gitai Mandir, Pujya Jamnalal Bajaj Exhibition and Vinoba Darshan Complex, Audio-video Hall at Wardha. It also runs a library where students from all over India with literature and books on Mahatma Gandhi, Vinoba Bhave, Pujya Jamnalal Bajaj, Smt Jankidevi Bajaj and other freedom fighters.

7. Jamnalal Bajaj Seva Trust

It conducted free computer training classes, tailoring classes and stitching classes for poor and needy people. It also carried out activities for promoting Indian art and culture.

B. Through Group Companies

1. Bajaj Auto Limited (BAL)

Code of conduct and affirmative action

BAL believes that its success is interlinked with the well-being of all sections of the society and equal opportunity for all sections. It continues to ensure no discrimination of any type to socially disadvantaged sections in the work place.

During the year under review, BAL recruited 1410 new employees, of which 179 numbers (12.70%) belong to weaker sections, in line with the affirmative action. At the end of the previous year, this percentage was 7.14%.

Support to weaker sections for IIT JEE entrance

Economically weaker, underprivileged children belonging to SC/ST category are encouraged to avail financial assistance to undertake coaching for Joint Entrance Examination to enable them to qualify for admission to India's premier engineering education centre i.e. Indian Institute of Technology.

Education

Under Public Private Partnership, BAL has undertaken to upgrade 3 Industrial Training Institutes (ITI) - two in Pune and one in Pantnagar. During the year, one more ITI - at Aurangabad was added.

BAL took actions to ensure better quality of output from the Institutes and also followed up with concerned agencies for approval of Institute Development Plan. For ITI Mulshi, BAL transferred used machinery (current selling price) of ₹ 34.05 lakh for better training and job orientation. This ITI has relocated

to a new premise. BAL also took actions to ensure better quality of output from the Institutes and also followed up with the concerned agencies for approval of Institute Development Plan for ITI Haveli. At Ramgarh in Panthnagar, the new structure is ready and will be available for use in the current year.

Health

Government of India – Ministry of Health and Family Welfare – National AIDS Control Organisation (NACO) and CII have initiated Public Private Partnership (PPP) in order to provide better healthcare to AIDS patients. From Aug 2008, the Bajaj YCMH ART Centre at YCM hospital has registered 5096 patients with 2707 cases for Anti Retroviral Therapy. This centre is a benchmark for new centers and is the largest one run by industries. In view of the increased patient flow, with the YCM hospital giving additional space, BAL expanded the facility further during the year by providing the required infrastructure to handle increased ART patients.

Others

Chakan plant employees of BAL organized a blood donation camp, in which 425 employees donated blood through Pimpri Serological Institute blood bank.

2. Bajaj Allianz Insurance Companies

Bajaj Allianz Life Insurance Co Ltd (BALIC) launched a unique initiative through its Child Plan campaign to support education requirements for Class 8 students through a known child welfare NGO, namely ASEEMA Foundation.

With a combined effort, BALIC and Bajaj Allianz General Insurance Co Limited (BAGIC) introduced 'Ability Insurance Plan', a customized solution kit comprising of a Life, Health and Motor plan; along with the regular product literature, the kit adds ease of understanding with an audio-visual presentation (created for those with hearing/speech disability) & a Braille document (for the visually challenged) that explain the product offering/ benefits.

BAGIC has recently brought forth a unique idea for a greener environment, wherein any Bajaj Allianz motor insurance claimant would be rewarded for getting his damaged vehicular plastic part repaired rather than replaced thus reducing the carbon footprint. Further for every claimant who practices this philosophy, the tie-up partner World Vision will have a tree-planted in return.

General

The Group has some other Trusts, which are also engaged in topical and socially relevant activities. 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.

The Company has been participating actively in the Ministry of Corporate Affairs' Green Initiative in Corporate Governance for paper less compliances.

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	Sr No.	Name of the Person/Entity
1	Anant Bajaj	39	Bajaj Finance Ltd.
2	Deepa Bajaj	40	Bajaj Financial Securities Ltd.
3	Geetika Bajaj	41	Bajaj Financial Solutions Ltd.
4	Kiran Bajaj	42	Bajaj Finserv Ltd.
5	Kriti Bajaj	43	Bajaj Holdings & Investment Ltd.
6	Kumud Bajaj	44	Bajaj International Pvt. Ltd.
7	Madhur Bajaj	45	Bajaj Sevashram Pvt. Ltd.
8	Minal Bajaj	46	Baroda Industries Pvt. Ltd.
9	Nimisha Bajaj	47	Hercules Hoists Ltd.
10	Niraj Bajaj	48	Hind Musafir Agency Ltd.
11	Niravnayan Bajaj	49	Jamnalal Sons Pvt. Ltd.
12	Pooja Bajaj	50	Kamalnayan Investment & Trading Pvt. Ltd.
13	Rahul Kumar Bajaj	51	Madhur Securities Pvt. Ltd.
14	Rajivnayan Bajaj	52	Mukand Engineers Ltd.
15	Rishab Bajaj	53	Mukand Ltd.
16	Ruparani Bajaj	54	Niraj Holdings Pvt. Ltd.
17	Sanjali Bajaj	55	Rahul Securities Pvt. Ltd.
18	Sanjivnayan Bajaj	56	Sanraj Nayan Investments Pvt. Ltd.
19	Shefali Bajaj	57	Shekhar Holdings Pvt. Ltd.
20	Shekhar Bajaj	58	Shishir Holdings Pvt. Ltd.
21	Siddhant Bajaj	59	The Hindustan Housing Co. Ltd.
22	Suman Jain	60	Anant Trading Company
23	Sunaina Kejriwal	61	Bachhraj Trading Company
24	Manish Kejriwal	62	Bajaj Trading Company
25	Aryaman Kejriwal	63	Rishabh Trading Company
26	Nirvaan Kejriwal	64	Anant Trust
27	Neelima Bajaj Swamy	65	Aryaman Trust
28	Aditya Swamy	66	Deepa Trust
29	Bachhraj and Company Pvt. Ltd.	67	Geetika Trust
30	Bachhraj Factories Pvt. Ltd.	68	Kriti Trust
31	Bajaj Allianz Financial Distributors Ltd.	69	Minal Trust
32	Bajaj Allianz General Insurance Company Ltd.	70	Neelima Trust
33	Bajaj Allianz Life Insurance Company Ltd.	71	Nimisha Trust
34	Bajaj Auto Employees' Welfare Funds	72	Niravnayan Trust
35	Bajaj Auto Holdings Ltd.	73	Nirvaan Trust
36	Bajaj Auto Ltd.	74	Rishabnayan Trust
37	Bajaj Electricals Ltd. Employees Welfare Funds	75	Sanjali Trust
38	Bajaj Electricals Ltd.	76	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 and its jointly controlled entity; hereinafter referred to as the "Group" (refer Note 1 on Schedule 15 to the attached consolidated financial statements) as at 31 March 2011, 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. We did not audit the financial statements of one jointly controlled entity included in the consolidated financial statements, which constitute total assets of ₹ 647 lakh and net assets of ₹ 204 lakh as at 31 March 2011, total revenue of ₹ 5,482 lakh, net profit of ₹ 95 lakh and net cash flows amounting to ₹ 99 lakh for the year then ended. These financial statements and other financial information have been audited by other auditors whose report has 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.
4. 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.
5. Based on our audit and on consideration of report of other auditor on separate financial statements and on the other financial information of the component 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 2011;
 - (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 P Amin

Partner

Membership Number: 40451

Pune: 17 May 2011

Consolidated Balance Sheet as at 31 March

(₹ In Lakh)

	Schedule	2011	2010
I. Sources of Funds			
1. Shareholders' Funds			
a) Share Capital	1	7,234	7,234
b) Reserves & Surplus	2	365,278	255,341
Fair value change account		(72)	(38)
		372,440	262,537
2. Policy Liabilities		384,842	303,218
3. Provision for Linked Liabilities		3,288,417	2,841,461
4. Funds for future appropriation in Policyholders' Account	3	29,290	38,746
5. Minority Interest		141,868	51,615
6. Loan Funds:			
a) Secured Loans	4	464,691	—
b) Unsecured Loans	5	205,168	31,076
		669,859	31,076
7. Deferred Tax Liability (net)		868	134
Total		4,887,584	3,528,787
II. Application of Funds:			
1. Fixed Assets:			
a) Gross Block		115,882	92,458
b) Less: Depreciation		68,065	56,004
c) Net Block	6	47,817	36,454
d) Capital Work in progress, expenditure to date		1,980	5,465
		49,797	41,919
2. Goodwill on investments in subsidiary/associate		10,181	265
3. Investments	7	661,382	547,788
4. Policyholders' Investments		409,371	346,224
5. Assets held to cover linked liabilities		3,288,417	2,841,461
6. Deferred Tax Assets (net)		10,669	3,785
Share of deferred tax assets (net) of joint ventures		—	27
		10,669	3,812
7. Current Assets, Loans and Advances	8		
a) Receivable under financing activity		727,009	—
b) Sundry Debtors		140	93
c) Cash and Bank Balances		154,140	51,845
d) Other Current Assets		46,718	85,610
e) Loans and Advances		39,947	19,403
		967,954	156,951
Less: Current Liabilities and Provisions	9		
a) Liabilities		363,962	286,570
b) Provisions		146,225	123,066
		510,187	409,636
Net Current Assets		457,767	(252,685)
8. Miscellaneous Expenditure (to the extent not written off)			
Preliminary Expenses		—	3
Total		4,887,584	3,528,787
Notes forming part of the Financial Statements	15		

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

Anish P Amin
Partner
Membership Number: 40451
Pune: 17 May 2011

Sonal R. Tiwari
Company Secretary

Rahul Bajaj
Nanoo Pamnani
Sanjiv Bajaj

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

Chairman
Vice Chairman
Managing Director

Directors

Consolidated Profit and Loss Account for the year ended 31 March

(₹ In Lakh)

	Schedule	2011	2010
Income:			
Income from Operations	10 A	150,797	33,549
Other Income	10 B	125	121
Operating result from general insurance business	11	(16)	12,423
Amount transferred from the Policyholders' Account		93,551	52,448
		244,457	98,541
Expenditure:			
Contribution to the policyholder fund		3,167	6,945
Other Expenses	12	43,369	10,188
Loan losses and provisions	13	14,394	—
Interest	14	30,523	—
Depreciation		2,027	2,202
		93,480	19,335
Profit before exceptional item & income from associate		150,977	79,206
Surplus on pre-payment of sales tax deferral incentive/loan liability		13,907	—
Profit before income from associate		164,884	79,206
Income from associate after tax (See note 1 c))		2,089	3,822
Profit before tax		166,973	83,028
Tax [including ₹ 16 lakh (previous year - ₹ 10 lakh) for Wealth tax]			
Current tax		18,255	11,677
Share of current tax of joint ventures		19	—
MAT Credit		(1,570)	—
Deferred tax		1,088	(1,802)
Share of deferred tax of joint ventures		28	—
		17,820	9,875
Profit/(Loss) for the year after tax		149,153	73,153
Prior period adjustments		33	—
		149,186	73,153
Minority Interest		37,702	17,241
		111,484	55,912
Balance brought forward from previous year		36,883	(12,348)
Adjustments on revaluation of deferred tax assets		—	(459)
Profits/(Losses) attributable to consolidated group		148,367	43,105
Appropriations :			
Transfer to Reserve fund in terms of Section 45IC(1) of the Reserve Bank of India Act, 1934		8,717	680
Transfer to General Reserve		4,383	3,855
Proposed Dividend		1,809	1,447
Corporate Dividend Tax thereon		—	240
Provision for Corporate Dividend Tax for previous year written back under Section 115 (o) of Income Tax Act, 1961		(184)	—
Balance Carried to Balance Sheet		133,642	36,883
Notes forming part of the Financial Statements	15		
Basic and diluted Earnings Per Share (₹)		77.1	38.6
Nominal value per share (₹)		5.0	5.0
Net Profit (₹ In Lakh)		111,484	55,912
Weighted average number of Shares (In Lakh)		1,447	1,447

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

Anish P Amin
Partner
Membership Number: 40451
Pune: 17 May 2011

Sonal R. Tiwari
Company Secretary

Rahul Bajaj
Nanoo Pamnani
Sanjiv Bajaj

Chairman
Vice Chairman
Managing Director

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

Directors

Schedules No 1-15 annexed to and forming part of the Balance Sheet as at and the Profit and Loss Account for the year ended 31 March

Schedule 1 Share Capital

	(₹ In Lakh)	
	2011	2010
Authorised		
150,000,000 Equity Shares of ₹ 5 each	7,500	7,500
Issued, Subscribed and Paid up		
144,683,510 Equity Shares of ₹ 5 each	7,234	7,234
Total	7,234	7,234

Notes

*Includes:-

1. **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)
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 85,214 (155,285)

Schedule 2 Reserves and Surplus

	(₹ In Lakh)	
	2011	2010
Share premium (Share of share premium of subsidiaries)	90,767	90,767
Reserve Fund in terms of Section 451C of Reserve Bank of India Act, 1934		
As per last account	1,508	828
Set Aside this Year	8,717	680
	10,225	1,508
General Reserve:		
As per last account	126,183	122,313
Add : Share of accumulated reserves of associate & subsidiaries	—	15
Add : Adjustments to reserves directly	78	—
Add : Set aside this year	4,383	3,855
	130,644	126,183
Balance in profit and loss account	133,642	36,883
Total	365,278	255,341

Schedule 3 Policyholders Account

	(₹ In Lakh)	
	2011	2010
Premiums Earned - Net		
(a) Premium	960,995	1,141,971
(b) Reinsurance ceded	(3,477)	(2,835)
(c) Reinsurance accepted	—	—
SUB-TOTAL	957,518	1,139,136
Income from Investment		
(a) Interest, Dividend & Rent - Gross	93,783	64,538
(b) Profit on sale/redemption of investments	322,267	318,392
(c) Loss on sale/redemption of investments	(38,265)	(49,701)
(d) Transfer/Gain on revaluation/change in fair value	(14,053)	643,474
(e) Other investment income	27,505	16,318
Other Income	869	2,816
Contribution from the Shareholders' Account	3,167	6,945
SUB-TOTAL	395,273	1,002,782
TOTAL(A)	1,352,791	2,141,918
COMMISSION	61,647	96,257
Operating Expenses related to Insurance Business	160,658	177,163
Provision for Income Tax	19,239	6,531
TOTAL(B)	241,544	279,951
BENEFITS PAID (Net)	498,467	263,019
Interim Bonuses Paid	196	103
Change in valuation of liability against life policies in force		
(a) Gross	81,533	122,952
(b) Fund Reserve	446,956	1,434,931
(c) Amount ceded in Reinsurance	—	—
(d) Amount accepted in Reinsurance	—	—
TOTAL(C)	1,027,152	1,821,005
SURPLUS/(DEFICIT) (D) = (A) - (B) - (C)	84,095	40,962
Opening balance of Funds for future appropriation	38,746	50,232
Less: Transfer to Shareholders' account	93,551	52,448
Closing balance of Funds for future appropriation	29,290	38,746

Schedule 4 Secured Loans

	(₹ In Lakh)	
	2011	2010
From Banks, against hypothecation of assets under finance, book debts and other receivables		
Cash Credit	72,595	—
Other loans	190,500	—
Secured privately placed redeemable non convertible debentures	201,100	—
Interest accrued and due on bank loans	496	—
Total	464,691	—

Schedule 5 Unsecured Loans

(₹ In Lakh)

	2011	2010
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. Pre-paid during the year.	—	31,076
Fixed Deposits	187	—
Add : Interest accrued and due	13	—
	200	—
Short term loan from banks	16,297	—
Term loan from banks	77,500	—
Short term borrowing by issue of Commercial Papers	52,500	—
Unsecured privately placed redeemable non convertible debentures	35,800	—
Unsecured Subordinated (Tier II) Redeemable Non Convertible		
Debentures of ₹ 1,000,000/- each	22,870	—
Interest accrued and due	1	—
Total	205,168	31,076

Schedule 6 Fixed Assets

(₹ In Lakh)

Particulars	Gross Block				As at 31 March 2011	Depreciation				As at 31 March 2011	Net Block	
	As at 31 March 2010	Change in Opening Balance	Additions	Deductions/ Adjustments		Up to 31 March 2010	Change in Opening Balance	Deductions/ Adjustments	For the Year (a)		As at 31 March 2011	As at 31 March 2010
Land Freehold	1,145	149	77	69	1,302	—	—	—	—	—	1,302	1,145
Buildings	22,436	2,892	11,093	513	35,908	854	49	15	803	1,691	34,217	21,582
Lease hold Improvements	7,996	—	264	310	7,950	6,314	—	273	1,248	7,289	661	1,682
Free hold Improvements	106	—	—	—	106	100	—	—	—	100	6	6
Information Technology Equipment	19,813	2,013	2,005	37	23,794	15,013	1,396	35	3,778	20,152	3,642	4,800
Intangibles- Computer Softwares	1,966	823	437	—	3,226	1,689	233	1	432	2,353	873	277
Electric Installations	—	—	7	—	7	—	—	—	1	1	6	—
Office Equipment	3,901	—	398	39	4,260	2,564	—	28	538	3,074	1,186	1,337
Furniture, Fixtures, Office equipment etc	6,129	1,322	960	213	8,198	3,249	608	179	725	4,403	3,795	2,880
Electric Fittings	130	—	26	—	156	25	—	—	8	33	123	105
Vehicles	464	221	259	105	839	144	89	77	125	281	558	320
Wind Energy Generators	28,372	—	—	—	28,372	26,052	—	—	872	26,924	1,448	2,320
Leased Assets: Plant & Machinery	—	1,764	—	—	1,764	—	1,764	—	—	1,764	—	—
Total	92,458	9,184	15,526	1,286	115,882	56,004	4,139	608	8,530	68,065	47,817	36,454
Share of fixed assets of joint ventures	16	—	—	1	15	11	—	1	1	11	5	5
Previous Year Total	70,921	—	21,890	353	92,458	46,419	—	269	9,854	56,004	36,454	
Share of fixed assets of joint ventures - Previous Year	16	—	—	—	16	4	—	—	7	11	5	

Schedule 7 Investments, at cost (unless otherwise stated)

	(₹ In Lakh)	
	2011	2010
In Government and Trust Securities	218,613	182,971
In Equity Shares		
Long Term: Associate Company	—	52,333
Others	273	279
	273	52,612
In Debentures, Bonds and Secured Premium Notes	274,334	212,642
In Bonds	67,378	62,667
In Mutual Fund Units	2,670	4,561
Share of joint ventures	35	30
	2,705	4,591
In Certificate of Deposits	60,696	14,050
In Commercial Paper	—	4,939
In Fixed Deposits with banks	37,234	16,829
	661,233	551,301
Less: Provision for diminution in value of Investments	51	3,513
	661,182	547,788
Add: Application Money for investment in Shares and Bonds	200	—
Total	661,382	547,788

Schedule 8 Current Assets, Loans and Advances

(₹ In Lakh)

	2011	2010
(a) Receivables under financing activity		
(I) Secured		
(i) (a) Against hypothecation of automobiles and durables (Includes overdue installments ₹ 20,900 lakh)	343,884	—
(b) Stock of repossessed vehicles, consumer durables etc. under Finance Agreements, at realisable/balance value	724	—
	344,608	—
(c) Overdue Installments under Finance Agreements considered doubtful	8,750	—
Less: Provision	8,750	—
	—	—
	344,608	—
(ii) Against equitable mortgage of immovable property under finance agreements (Includes overdue installments ₹ 19 lakh)		
Good	199,604	—
Doubtful	127	—
Less: Provision	127	—
—	—	—
	199,604	—
(iii) Loan against shares (secured by pledge of shares)	30,777	—
Total (I)	574,989	—
(II) Unsecured		
Loans at agreement values less installments received (Includes overdue installments ₹ 9,870 lakh)		
Good	152,020	—
Doubtful	6,533	—
Less: Provision	6,533	—
	—	—
	152,020	—
Total (II)	152,020	—
Total (I+II)	727,009	—
(b) Sundry Debtors		
Outstanding for a period exceeding six months	—	—
Others, Good	130	83
Share of debtors of joint venture	10	10
	140	93
(c) Cash and Bank Balances:		
Cash on hand [including cheques on hand ₹ 2955 lakh previous year - ₹ 2977 lakh]	29,452	12,101
Bank Balances:		
With scheduled banks:		
In current accounts	53,249	17,885
Share of current bank accounts of joint ventures	209	110
In fixed deposits	70,294	21,443
	123,752	39,438
With Other Banks:	936	306
	154,140	51,845
Carried over	881,289	51,938

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

			(₹ In Lakh)
		2011	2010
	Brought over	881,289	51,938
(d) Other Current Assets			
(good, unless otherwise stated)			
Dividend and Interest receivable on Investments	24,799		22,531
Outstanding Premiums	11,609		5,148
Finance charges receivable	2,571		—
Other receivables	730		—
Voluntary Emission Reduction receivable	27		23
Credit receivable for Windpower generated	294		458
Agent's Balances	31		302
Less: Provision for Doubtful Recoveries	26		—
		5	302
Dues from other entities carrying on insurance business	6,738		57,231
Less: Provision for doubtful amounts	55		83
		6,683	57,148
		46,718	85,610
(e) Loans and Advances			
(unsecured, good, unless otherwise stated)			
Advances Recoverable in Cash or in kind or for value to be received:			
Due from Associates	—		13
@ Others, Good	25,595		14,327
Share of advances recoverable of joint ventures	217		138
Doubtful	581		—
Less: Provision	581		—
	—		—
		25,812	14,478
Sundry Deposits	4,022		3,606
Share of Deposits of joint venture	3		3
Deposits with ceding companies	61		69
VAT refund receivable	49		—
CENVAT credit receivable	35		—
Capital Advances	—		16
Tax paid in Advance	54,816		8,108
Share of taxes paid in advance of joint ventures	204		261
Less: Provision for tax adjusted as per contra	45,020		7,121
Less: Share of provision for tax adjusted as per contra	35		17
		9,965	1,231
		39,947	19,403
Total		967,954	156,951

Schedule 9 Current Liabilities and Provisions

(₹ In Lakh)

	2011	2010
(A) Liabilities:		
Sundry Creditors:		
Other than small scale industrial undertakings	62,017	46,677
Share of other creditors of joint ventures	268	344
	62,285	47,021
Advance for sale of office premises	—	600
Unclaimed Dividends	53	8
Security deposits	1,746	—
Temporary overdraft with bank as per books	5,190	1,384
	69,274	49,013
Agent's Balances	37,191	37,726
Balances due to other insurance companies	5,938	5,005
Premiums received in advance	6,458	5,508
Unallocated Premiums	8,016	5,347
Claims Outstanding	196,873	152,405
Solatium Fund	172	144
Due to policyholders/insured	15,312	13,809
Premium & Other Deposits	10,972	17,613
Interest accrued but not due on loans	5	—
Interest accrued but not due on debentures	13,751	—
	294,688	237,557
	363,962	286,570
(B) Provisions:		
Provision for employee benefits	7,290	6,749
Share of provision for employee benefits of joint ventures	175	115
Premium Deficiency	31	566
Provision for loss estimates	1,890	—
Provision for tax	52,117	9,222
Share of provision for tax of joint ventures	35	17
Less: Tax paid in advance adjusted as per contra	45,020	7,121
Less: Share of tax paid in advance of joint venture adjusted as per contra	35	17
	7,097	2,101
Proposed Dividend	1,809	1,447
Corporate Dividend Tax thereon	—	240
Reserve for unexpired risk	127,933	111,848
	146,225	123,066
Total	510,187	409,636

Schedule 10 Income from Operations and Other Income

(₹ In Lakh)

	2011	2010
A. Income from Operations		
Wind Farm business:		
Income from power generation	4,176	4,307
Voluntary emission reduction credits	3	4
	4,179	4,311
Investments & Financing Activity:		
Interest		
On Government Securities	1,134	3,046
On Debentures and Bonds	3,906	2,191
Other	27,101	15,487
Share of interest of joint ventures	13	—
	32,154	20,724
Less: Amortisation of premium/discount on acquisition of fixed income securities	63	(143)
	32,091	20,867
Financial charges from assets under finance & secured loans	72,504	—
Interest on loans	24,045	—
Service and administration charges	4,822	—
Sundry credit balances appropriated	667	—
Bad debt recoveries	2,061	—
Miscellaneous Income	1,988	191
Share of Miscellaneous Income of joint venture	—	30
Profit on Sale of Investments, net	2,859	3,811
Share of Profit on Sale of Investments, net, of joint venture	—	1
Surplus on redemption of securities	30	32
Provision for diminution in value of investment written back, net	77	—
	141,144	24,932
Income from advisory business	4	—
Share of manpower & recruitment services of joint venture	5,450	4,267
Share of Brokerage of joint venture	20	39
	150,797	33,549
B. Other Income		
Miscellaneous Receipts	120	120
Provisions no longer required	5	1
	125	121
Total	150,922	33,670

Schedule 11 Operating Results from General Insurance Business
(Revenue Account for the year ended March 31, 2011)

		(₹ In Lakh)	
		2011	2010
Premiums earned - (Net)	1	214,965	188,420
Profit/Loss on sale/redemption of Investments (Net)		151	695
Other Income - miscellaneous income		1,539	3,722
Provision no longer required written back		—	81
Amortisation of discount/(premium)		88	(324)
Exchange rate difference gain		—	—
Interest, Dividend & Rent-Gross		21,453	16,721
	2	23,231	20,895
	(1)+(2)	238,196	209,315
Claims incurred (Net)		170,127	138,657
Commission		4,008	3,175
Contribution to Solatium Fund		171	145
Change in Premium Deficiency		(535)	213
Operating Expenses related to Insurance Business		64,441	54,702
	(3)	238,212	196,892
OPERATING PROFIT/(LOSS) from General Insurance Business	(1)+(2)-(3)	(16)	12,423
Balance carried to Profit and Loss Account		(16)	12,423

Schedule 12 Other Expenses

	(₹ In Lakh)	
	2011	2010
Repairs:		
Buildings and Roads	32	13
Windmill	698	697
Other	8	26
	738	736
Employees' Emoluments:		
Salaries, wages, bonus etc.	11,611	504
Share of salaries, wages, bonus etc. of joint ventures	5,302	4,174
Contribution to Provident and other funds and schemes	544	46
Share of contribution to funds and schemes of joint ventures	—	1
Welfare expenses	289	9
Share of welfare expenses of joint ventures	—	1
	17,746	4,735
Energy generation expenses	519	1,415
Rent	400	—
Share of rent of joint venture	12	16
Rates and taxes	32	31
Insurance	1	—
Auditors' Remuneration	36	12
Share of auditors' remuneration of joint ventures	2	2
Directors' fees and travelling expenses	27	12
Managing Directors' remuneration		
Salary	60	33
Commission	180	99
	240	132
Commission to Non Executive Directors	62	14
Warrants written off	—	1,046
Miscellaneous expenses	11,169	1,994
Share of miscellaneous expenses of joint ventures	23	39
Marketing commission	4,744	—
Recovery commission	3,819	—
Dealer incentive	3,784	—
Loss on redemption of securities	—	3
Preliminary expenses written off	15	1
Total	43,369	10,188

Schedule 13 Loan Losses and Provisions

	(₹ In Lakh)	
	2011	2010
Bad debts written off	17,240	—
Provision release on account of bad debts written off	(6,217)	—
Provision for standard assets	717	—
Provision for non performing assets	2,654	—
Total	14,394	—

Schedule 14 Interest

	(₹ In Lakh)	
	2011	2010
Interest		
On Fixed Loans	3,457	—
Others	6,587	—
Share of other interest of joint ventures	2	—
Interest on non-convertible debentures	15,851	—
Discount in respect of "Commercial Papers"	3,831	—
Bank charges	795	—
Total	30,523	—

Schedule 15 Notes forming part of the Consolidated Accounts

- (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 Finance Limited (Formerly known as Bajaj Auto Finance Limited)	India	55.98%	Subsidiary (See note 1(c))

* The consolidated financial results of Bajaj Financial Solutions Limited include 100% interest in Bajaj Financial Securities Limited as a subsidiary. Bajaj Financial Securities Limited was incorporated on 7 April 2010.

- 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.
 - Upon acquisition of further shares, Bajaj Finance Limited (BFL) became a subsidiary of the company from 5 July 2010. Accordingly, BFL has been consolidated as a subsidiary from that date. Prior to that date, BFL was consolidated as an associate and hence the consolidated financial results for the year ended 31 March 2011 are not comparable with those of the prior years.
- 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.

Schedule 15 Notes forming part of the Consolidated Accounts (Contd.)

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') prescribed in the Companies Act 1956 and Rules thereunder, 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 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 is recognised as income when due. For linked business, premium is recognised when the associated units are allotted.

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 debt securities, pertaining to non-linked investments is amortised 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 and previously recognised, for specific investments sold/redeemed during the year. Cost of security is determined on weighted average 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 computed on weighted average basis as on the date of sale.

Schedule 15 Notes forming part of the Consolidated Accounts (Contd.)

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

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 weighted average cost in the books of the Company.

The realised gain or loss 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, Policy/Fund Administration Charges and Cost of Insurance are accounted for on accrual basis in accordance with terms and conditions described in the issued policies.

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.

Surrender Charges recovered are netted off against the claim expense incurred.

d) Acquisition Costs

Acquisition costs such as commission, policy issue expenses etc. are costs that vary with and are primarily relatable to the acquisition of new and renewal insurance contracts. Such costs are expensed in the year in which they are incurred. Additional first year commission is accounted for on an accrual basis, after considering estimated lapsations. Claw back in future, if any, for the first year commission paid, is 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 the Institute of Actuaries of India.
- (ii) Accordingly 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 29th March 2006.
- (iii) Linked liabilities comprise unit liability representing the fund value of policies and non-unit liability for meeting insurance claims & expenses etc. This is based on an actuarial valuation carried out 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, fees and related taxes, if any and excludes pre-acquisition interest, if any.

Schedule 15 Notes forming part of the Consolidated Accounts (Contd.)

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

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.

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.

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.

Schedule 15 Notes forming part of the Consolidated Accounts (Contd.)

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

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 ₹ 5,000 are charged off as revenue expenses. Assets costing ₹ 5,000 and above, upto ₹ 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 is setoff against available service tax credits from service tax payments made for Insurance Auxiliary and other eligible services. Unutilised credits, if any, are carried forward under "Advances and other Assets" for adjustments/setoff in subsequent periods, after creating a provision based on estimated realisation of the unutilised credit. Such provisions are subsequently reversed only on reasonable 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.

B) Bajaj Allianz General Insurance Company Limited

Significant Accounting Policies followed by the Company

a. Basis of preparation of financial statements

The financial statements are prepared and presented in accordance with the Generally Accepted Accounting 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.

Schedule 15 Notes forming part of the Consolidated Accounts (Contd.)

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

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.

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).

Schedule 15 Notes forming part of the Consolidated Accounts (Contd.)

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

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 ₹ 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 rate 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%	—

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

Schedule 15 Notes forming part of the Consolidated Accounts (Contd.)

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

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 weighted average cost basis from this year as against First in First out basis in the past.

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 weighted average cost basis from this year as against First in First out basis in the past 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 weighted average cost basis from this year as against First in First out basis in the past 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 15 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 ₹ 7.5 billion (Previous year ₹ 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 31 December 2010.

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 1 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 31 March 2011, 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 28 February 2011 and, for the month of March 2011 the losses from the Pool of ₹ 881 lakh, 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.

During the year, IRDA has instructed to provide for ultimate loss ratio of not less than 153% for all the years the pool was underwriting, until the peer review report of IRDA is finalised. Accordingly Pool has calculated the ultimate loss ratio at 153% for the all the underwriting years and instructed the pool members to account these additional losses along with

Schedule 15 Notes forming part of the Consolidated Accounts (Contd.)

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

current year provisional accounts. This change has resulted in impact of additional losses of ₹ 14,096 lakh to the company and additional loss provision to this extent has been made in IBNR account.

p. Contributions to Funds

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

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. However where there is significant uncertainty around the recoverability of the unutilised credits the same are provided for as doubtful recovery. 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.

Schedule 15 Notes forming part of the Consolidated Accounts (Contd.)

C) Bajaj Allianz Financial Distributors Limited (Contd.)

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.

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. 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 estimate. Contingent liabilities are disclosed by way of notes to accounts. Contingent assets are not recognised.

D) Bajaj Finance Limited

Significant accounting policies followed by the Company

Fixed Assets, Depreciation and Amortisation:

l) (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.

Schedule 15 Notes forming part of the Consolidated Accounts (Contd.)

D) Bajaj Finance Limited (Contd.)

(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.

E) Bajaj Financial Solutions Limited

Significant accounting policies followed by the Company

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 financial advisory service charges is recognised net of service tax when due.
- ii) Brokerage and commission on sale of mutual fund units and life & general insurance policies is recognised net of service tax.
- iii) Profit/loss on sale/redemption of investments is recognised on the contract date.

Fixed Assets, Depreciation & Amortisation

Fixed assets are stated at cost of acquisition less accumulated depreciation and impairment loss if any thereon. Depreciation is charged using the straight line method based on the useful life of fixed assets as estimated by the management as specified below, or the rates specified in accordance with the provisions of schedule XIV of the Companies Act, 1956, whichever is higher.

Estimated useful life of the assets is as under:

Assets	Estimated useful life
Furniture and fixtures - Leased premises	5 years
Furniture and fixtures - other premises	10 years
Communication equipments	5 years
Electric Installation	3 years
IT Installation	3 years
Customised & licensed softwares	3 years
Office equipment	5 years
Vehicles	5 years

Depreciation is charged from the month in which new assets are put to use. 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.

Individual assets/group of similar assets costing less than ₹ 5,000 has been depreciated in full in the year of purchase.

Schedule 15 Notes forming part of the Consolidated Accounts (Contd.)

F) Bajaj Financial Securities Limited

Background

Bajaj Financial Securities Limited was incorporated, as wholly owned subsidiary of Bajaj Financial Solutions Limited, on 07 April 2010 with the main object of undertaking, inter alia, stock/share broking business and to act as Depository Participant, within the provisions of Securities and Exchange Board of India Act, 1992 & relevant rules & regulations.

Revenue recognition

- i) Income from broking operations includes brokerage on purchase/sale of listed securities, which is recognised when due, on trade date of transaction. Brokerage on purchase/sale of listed tradable securities is recognised net of service tax & other taxes, levies etc.
- ii) Profit/loss on sale/redemption of investments is recognised on the contract date.
- iii) Interest on fixed deposits is recognised when due.

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 the IRDA regulations and relevant guidance notes issued by the 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 the reserves are established having regard to the assumptions as to future experience, including the interest rate that will be earned on premiums not yet received, together with associated bonus rates. Regular premium participating business has been reserved using an interest rate of 7.20% per annum, which is same as that used for the previous year's valuation.

Single premium participating business has been reserved using an interest rate of 6.25% per annum, which is same as used in valuation as at 31 March 2010. The discount rate is determined after having regard to the yield likely to be obtained on relevant matching assets.

Assumptions as to the 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.

The non-linked non-par business written under Invest Plus and Invest Plus Premier has been reserved using an interest rate of 7.80% and the Guaranteed Investment Return (GIR) consistent with the interest rate assumption.

Linked business has been reserved using the unit price of the respective unit funds plus a non unit reserve to allow for the cost of insurance and any expenses and commissions in excess of future charges.

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 (Critical Illness Base Table for year 93).

The reserve is sufficient to allow for any adverse lapse experience. Further it has been ensured that for each policy the reserve is sufficient to pay the minimum guaranteed 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 pricing assumptions, which has been duly validated by the actual experience of the company during the last one year. An additional reserve has been included to allow for the 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.

Schedule 15 Notes forming part of the Consolidated Accounts (Contd.)

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

The reserve for the Group Term Business has been calculated having regard to the unearned gross premium and expenses already incurred. The group non-linked non-par savings business has been valued having regard to the accrued account value of the members of the group schemes.

Provision has been made for the possible revival of the lapsed 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 provision has been made for the incurred but not reported death claims (IBNR) based on the Company's past experience of delay in reporting the event of deaths.

Where minimum surrender value is guaranteed, the minimum reserve under those policies has been set as the guaranteed surrender value. In all other cases the minimum reserve has been set to zero.

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.

2. Claims

- Claims settled, undisputed and remaining unpaid for a period of more than six months at year-end amount to ₹ Nil (Previous Year: ₹ Nil.)
- Disclosure of unclaimed amounts of Policyholders as required vide Circular No. IRDA/F & I/CIR/CMP/174/11/2010 dated 4 November 2010 is as follows:

Particulars	Claims settled but not paid to the policyholders/insured due to any reasons except under litigation from the insured/policyholder	Sum due to the insured/policyholders on maturity or otherwise	Cheques issued but not encashed by the policyholder/insured*	Total
0 - 30 Days	5,527	355	235	6,117
01 - 06 Months	187	187	605	979
07 - 12 Months	169	74	508	751
13 - 18 Months	3	226	633	862
19 - 24 Months	1	Nil	126	127
25 - 30 Months	Nil	Nil	176	176
31 - 36 Months	Nil	Nil	257	257
Beyond 36 Months	Nil	Nil	298	298
TOTAL AMOUNT	5,887	842	2838	9,567

* represents cheques, exceeding 6 months, issued to policyholders.

- Expenses attributable to shareholders are charged to the Shareholders' Account.
- 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 6 May 2011.
- 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.

Schedule 15 Notes forming part of the Consolidated Accounts (Contd.)

B) Bajaj Allianz General Insurance Company Limited

- The appointed actuary has certified to the Company that actuarial estimates for IBNR (including IBNER) have been determined using actuarial principles. In the determination, the Guidance Notes issued by the Institute of Actuaries of India with the concurrence of the Authority and any directions issued by the Authority in this behalf have been followed.

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 99.6% (Previous year – 99 %) of the Company's total net written 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 ₹ 60 lakh (Previous year - ₹ 59 lakh) towards Environment Fund from public liability policies. The Company has paid all the funds collected towards Environment Fund up to February 28, 2011 to United India Insurance Company, the implementing agency for the fund. The balance payable has been included under current liabilities.

3. Claims

IRDA has vide circular no. IRDA/F&I/CIR/CMP/174/11/2010 advised all insurers to disclose under schedule 13 – Current Liabilities an amount due to policyholders/Insured on accounts of claims settled but not paid (except under litigation), excess collection of the premium/tax which is refundable and cheques issued but not encashed by policy holders/Insured. Age wise analysis of the amount due to policy holders/insured is disclosed as follows:

Ageing	(₹ In Lakh)						
	Upto 6 Months	7 To 12 Months	13 To 18 Months	19 To 24 Months	25 To 30 Months	31 To 36 Months	Beyond 36 Months
Claims settled but not paid to the policyholders/insured due to any reasons except under litigation from the insured/policyholders	4,428	—	—	—	—	—	—
Sum due to the insured/policyholders on maturity or otherwise	—	—	—	—	—	—	—
Any excess collection of the premium/tax or any other charges which is refundable to the policyholders either as terms of conditions of the policy or as per law or as may be directed by the authority but not refunded so far	3	—	—	—	—	—	—
Cheques issued but not encashed by the policyholder/insured	288	514	165	83	72	107	84

C) Bajaj Finance Limited

- Debenture Redemption Reserve if required, will be 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 company assesses all receivables for their recoverability and accordingly makes provisions for non performing assets as considered necessary. Further, with effect from the previous year the company has enhanced its provisioning norms by accelerating provision to an early stage based on past experience, emerging trends and estimates. However, the Company ensures that the said provisions are not lower than the provisions stipulated in the applicable Reserve Bank of India guidelines. The impact of such provisions in excess of RBI norms during the year amounted to ₹ 3877 lakh.
 - A general provision, amounting to ₹ 1,890 lakh, is also made by the company @ 0.25% on the standard assets outstanding and disclosed under "Provisions" in the schedule 8 in the financial statements as required by the Reserve Bank of India.

Schedule 15 Notes forming part of the Consolidated Accounts (Contd.)

C) Bajaj Finance Limited (Contd.)

3. Employee Stock Option Plan

The Board of Directors at its meeting held on 14 October 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. Under the scheme two grants have been made, details of which are given as under:

Grant Date	Exercise Price (In ₹)	Options Granted	Options Vested & Exercisable	Options Unvested	Options Exercised	Options Cancelled	Options outstanding
12-Jan-10	358.70	132,000	31,750	95,250	1,250	3,750	127,000
21-Jul-10	542.00	326,750	—	321,750	—	5,000	321,750
		458,750	31,750	417,000	1,250	8,750	448,750

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 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	12 January 2010	21 July 2010
1) Risk free interest rate	7.42%	6.70%
2) Expected life	3.5-6.5 years	1-5 years
3) Expected volatility	55.38%	54.01%
4) Dividend yield	1.28%	0.62%
5) Price of the underlying share in the market at the time of the option grant (₹)	542.00	358.70

Impact on 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:

(₹ In Lakh)

Particulars	31 March 2011	31 March 2010
Net profit (as reported)	24,696	8,941
Add : Stock-based employee compensation expense included in net income	—	—
Less: Stock based compensation expense determined under fair value based method (pro forma)	261	134
Net Profit (pro forma)	24,435	8,807
Basic Earnings per share (as reported)	67.47	24.43
Basic Earnings per share (pro forma)	66.76	24.07
Diluted earnings per share (as reported)	67.47	24.43
Diluted earnings per share (pro forma)	66.76	24.07

Schedule 15 Notes forming part of the Consolidated Accounts (Contd.)

C) Bajaj Finance Limited (Contd.)

4. Details of privately placed secured/unsecured redeemable non convertible debentures:

A) Details of privately placed secured redeemable non-convertible debentures of the face value of ₹ 100 lakh.

Number of Debentures 31 March 2011	Number of Debentures 31 March 2010	Terms of Redemption (Redeemable at par in)	Amount (₹ In Lakh)	
			31 March 2011	31 March 2010
60	(60)	April 2011	6,000	6,000
85	(85)	Jun 2011	8,500	8,500
85	(85)	Jun 2011	8,500	8,500
—	(75)	Mar 2011	—	7,500
10	(10)	Jul 2012	1,000	1,000
150	(150)	Jul 2011	15,000	15,000
100	(100)	Sep 2011	10,000	10,000
40	(40)	Apr 2012	4,000	4,000
10	(10)	Sep 2012	1,000	1,000
50	(50)	Apr 2011	5,000	5,000
50	(50)	May 2011	5,000	5,000
150	(150)	Aug 2011	15,000	15,000
50	(50)	Oct 2011	5,000	5,000
210	(210)	Nov 2012	21,000	21,000
25	(25)	Jan 2013	2,500	2,500
100	(100)	Oct 2013	10,000	10,000*
100	—	Apr 2012	10,000	—
25	—	Jun 2013	2,500	—
25	—	May 2013	2,500	—
25	—	Jul 2013	2,500	—
135	—	Jul 2013	13,500	—
50	—	Jul 2015	5,000	—
136	—	Jul 2013	13,600	—
30	—	Sep 2013	3,000	—
25	—	Oct 2015	2,500	—
250	—	Nov 2015	25,000	—
35	—	May 2012	3,500	—
			201,100	125,000

* Put call option available on completion of 3 year ie., on 24 October 2013

Security:

Secured by parri-passu charge by mortgage of Company's Flat No.103, Nayan Co-op Housing Society, CTS 2718, Plot No.11, ICS Colony, Shivajinagar, Pune - 411016 and book debts and receivables under financing activity as stated in the respective information memorandum

Schedule 15 Notes forming part of the Consolidated Accounts (Contd.)

C) Bajaj Finance Limited (Contd.)

B) Details of privately placed unsecured redeemable non-convertible debentures of the face value of ₹ 100 lakh.

Number of Debentures 31 March 2011	Number of Debentures 31 March 2010	Terms of Redemption (Redeemable at par in)	Amount (₹ In Lakh)	
			31 March 2011	31 March 2010
50	(50)	Aug 2011	5,000	5,000
150	—	May 2013	15,000	—
25	—	June 2012	2,500	—
125	—	July 2012	12,500	—
18	—	May 2012	1,800	—
			36,800	5,000

C) Details of privately placed unsecured Redeemable Non-Convertible Debentures of the face value of ₹ 10 lakh subordinated debt.

Number of Debentures 31 March 2011	Number of Debentures 31 March 2010	Terms of Redemption (Redeemable at par in)	Amount (₹ In Lakh)	
			31 March 2011	31 March 2010
650	—	April 2020	6,500	—
500	—	June 2020	5,000	—
500	—	July 2020	5,000	—
275	—	Sep 2020	2,750	—
362	—	Oct 2020	3,620	—
			22,870	—

6. Consolidated Contingent Liability:

	(₹ In Lakh)	
	31 March 2011	31 March 2010
(i) Claims against the Company not acknowledged as debts	1,518	1,304
(ii) Taxes, duties and other sums due	2,995	227
(iii) Claims, under policies, not acknowledged as debts	920	568

7. Capital commitments:

	(₹ In Lakh)	
Particulars	31 March 2011	31 March 2010
Capital Commitments to the extent not provided for, net of advances (including ₹ Nil (previous year ₹ 37 lakh) being share of associate)	12,586	2,782

8. Deferred Taxes :

	(₹ In Lakh)	
Particulars	31 March 2011	31 March 2010
Liabilities	868	134
Assets	10,669	3,812
Net	(9,801)	(3,678)

Schedule 15 Notes forming part of the Consolidated Accounts (Contd.)

9. 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	2011	2010
From Operating Activities	26,437	662,058
From Investment Activities	(314,386)	(684,329)
From Financing Activities	327,496	210
Net Change	39,547	(22,061)
Cash & Cash Flow Equivalents at the beginning of the year	84,554	104,379
Cash & Cash Flow Equivalents at the end of the year	124,101	82,318

Details of Cash & Cash Flow Equivalents at the end of the year:

Particulars	2011	2010
Cash & Bank balance as per Schedule 8	154,140	51,845
Add: Cash & bank balances for Unit linked business	21,358	52,732
Less: Fixed Deposits having maturity more than 3 months	51,387	20,875
Less: Temporary overdraft	10	1,384
Cash & Cash Flow Equivalents at the end of the year	124,101	82,318

10. Disclosure of transactions with Related Parties, as required by Accounting Standard 18 'Related Party Disclosures' has been set out in a separate statement annexed to this Schedule. Related parties as defined under clause 3 of the Accounting Standard have been identified on the basis of representations made by key managerial personnel and information available with the respective companies.
11. Statement of additional financial information, directed to be disclosed as a condition put forth by the ministry of company affairs for grant of exemption from the applicability of section 212(1) of the Companies Act, 1956, is attached hereto.
12. Previous year figures have been regrouped, wherever necessary, to make them comparable with those of the current year.

Signature to Schedules "1" to "15"

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

Anish P Amin
Partner
Membership Number: 40451
Pune: 17 May 2011

Sonal R. Tiwari
Company Secretary

Rahul Bajaj
Nanoo Pamnani
Sanjiv Bajaj

Madhur 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

		2011		(₹ In Lakh)	
				2010	
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.	Purchase of shares by BHIL [55,976,658 shares of ₹ 5 each	221	(2,799)	63	(2,578)
(investing party - holds 38.69% shares of	(previous year - 51,565,301 shares of ₹ 5 each)]				
Bajaj Finserv Ltd.)	Dividend paid	524	—	503	—
	Business Support Services received	60	—	49	—
	Business Support Services rendered	96	—	92	—
	Sale of 9.90% debentures of Tata Sons Ltd.	—	—	1,098	1,098
	Sale of investments	1,061	—	—	—
	Unallocated premium	—	—	—	8
	Purchase of investments	1,018	—	—	—
	Insurance premium received [(Previous year ₹ 34,000)]	8	—	—	—
Bajaj Allianz Financial Distributors Ltd.	Contribution to Equity (12,00,000 shares of ₹ 10 each)	—	120	—	120
(a joint venture - 50% shares held by Bajaj Finserv Ltd.)	Reimbursement received of revenue expenditure	—	—	7	—
	Billable expenses incurred on behalf	156	22	155	273
	Rental income	27	82	27	123
	Insurance premium received	24	—	15	—
	Premium received as an agent	1	—	16	—
	Insurance claim paid	17	—	5	—
	Unallocated premium [(Previous Year ₹ 74,000)]	—	(1)	—	—
	Manpower supply charges	10,507	(10)	9,320	(20)
	Insurance commission paid/payable [₹ 12,000]	—	—	2	—
	Other expenses paid [₹ 7,000]	—	—	—	—
Allianz SE.	Contribution to equity of BALICL including premium	—	(109,913)	—	(109,913)
	Contribution to equity of BAGICL including premium	—	(19,527)	—	(19,527)
	Licence fees/revenue expenditure for Opus	167	(129)	133	(122)
	Pre-Paid Licence fees for Opus	—	—	—	—
	Billable expenses incurred on behalf of Allianz AG	—	—	60	—
	Software Consultancy Fees	—	—	135	—
	Reimbursement of revenue expenses paid	—	—	7	—
	Reimbursement of revenue expenses received	2	—	—	—
Allianz Global Corporate & Speciality AG	Reinsurance premium paid/payable	2,575	(1,346)	1,321	(731)
Munich	Commission on reinsurance received/receivable	271	—	150	—
	Claims recovery on reinsurance	515	—	580	—
Allianz CP General Ins Co. Ltd.	Reinsurance premium received/receivable	158	(49)	162	(61)
	Commission on reinsurance paid/payable	8	—	16	—
	Software Consultancy Fees	—	—	446	—
	Deposits with the ceding company	61	61	—	69
	Income from software consultancy	—	—	36	—
Allianz SE Reinsurance,	Reinsurance premium paid/payable	9,178	(682)	11,092	(390)
branch Asia Pacific	Commission on reinsurance received/receivable	2,323	—	2,322	118
	Claims recovery on reinsurance	6,318	—	4,886	177
	Reinsurance profit commission receivable	49	—	—	—
	Portfolio Premium withdrawal	1,674	—	1,452	—
	Portfolio Claims withdrawal	3,088	—	2,635	—
	Portfolio Premium Entry	1,571	—	1,887	—
	Portfolio Claims Entry	2,898	—	3,425	—
	CAT XOL Premium paid/payable	2,760	(331)	—	—
Allianz Marine and Aviation Versicherungs AG	Reinsurance premium paid/payable	—	(4)	—	—
	[(Previous Year ₹ 37,000)]				
Allianz Insurance Management Asia	Billable expenses incurred	—	—	—	—
Pacific Pte.	Reimbursement received of revenue expenditure	17	16	3	15
	Paid towards revenue expenditure	2	—	—	—
Allianz Hongkong-	Reinsurance premium paid/payable	2	—	—	—
Name changed from Allianz China	Commission on reinsurance received/receivable	2	—	—	—
Allianz Ins Co of Singapore - PTE	Reinsurance premium paid/payable	5	—	20	16
	Commission on reinsurance received/receivable	4	—	2	—

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

				(₹ In Lakh)	
Name of related party and Nature of relationship	Nature of transaction	2011		2010	
		Transaction Value	Outstanding amounts carried in the Balance Sheet	Transaction Value	Outstanding amounts carried in the Balance Sheet
Allianz Elementar Versicherungs	Reinsurance premium paid/payable	6	—	1	—
	Commission on reinsurance received/receivable	2	—	—	—
Euler Hermes Cr Insurance (S) Ltd.	Reinsurance premium paid/payable	1,517	(165)	2,220	(758)
	Commission on reinsurance received/receivable	240	—	274	—
	Claims recovery on reinsurance	781	—	2,483	—
	Billable expenses incurred on behalf of Euler Hermes	238	20	301	89
Allianz SE India Liaison Office	Expenditure incurred on behalf of Allianz Liaison Office	—	—	—	—
	Deposits for rent premises	—	(15)	—	(15)
Allianz Mena Holding Co. SPC	Reimbursement received of revenue expenditure	—	—	21	—
IDS Gmbh	Remuneration for IDS services	29	(5)	25	—
Allianz Investment Management Singapore Pte. Ltd.	Data provision charges	380	(86)	389	(88)
	Investment Management	60	(15)	60	(15)
Allianz Insurance Co Lanka Ltd.	Billable expenses incurred on behalf	—	—	—	1
Ayudhya Allianz C.P	Income from software consultancy	3	—	3	3
Allianz Belgium	Reinsurance premium paid/payable	1,770	31	655	970
	Commission on reinsurance received/receivable	18	—	6	—
	Claim recovery on reinsurance	2,265	—	11,000	—
Allianz Global Corporate & Speciality	Reinsurance premium paid/payable	361	(159)	227	(187)
—Franch	Commission on reinsurance received/receivable	34	—	60	—
	Claims recovery on reinsurance	2	—	1	—
PT ASURANSI Allianz Life Indonesia	Billable expenses incurred on behalf	—	—	1	1
	Reinsurance premium received/receivable	—	—	10	—
	Reinsurance premium paid/payable	—	—	3	—
Allianz Insurance Co.Egypt (Non-life)	Reinsurance premium received/receivable	2	—	21	20
	Commission on reinsurance received/receivable [₹ 9,000]	—	—	1	—
	Claims paid/payable	313	—	—	—
Allianz Life insurance Co. Ltd. Korea	Income from software consultancy	—	—	6	—
C Individuals controlling voting power/ exercising significant influence and their Relatives:					
Rahul Bajaj (Chairman)	Sitting Fees	1	—	2	—
	Commission	2	(2)	—	—
Madhur Bajaj	Sitting Fees [(Previous Year ₹ 40,000)]	1	—	—	—
	Commission	1	(1)	—	—
Rajiv Bajaj	Sitting Fees	1	—	1	—
	Commission	2	(2)	—	—
Niraj Bajaj	Nil	—	—	—	—
Shekhar Bajaj	Nil	—	—	—	—
Sanjiv Bajaj (Managing Director)	Remuneration	98	—	48	—
(Also Key management personnel)	Commission	180	(180)	99	(99)
D Key Management Personnel & their Relatives:					
Mr. Kamesh Goyal	Remuneration	377	—	167	—
(CEO - BALICL)					
Mr. V Philip	Remuneration	19	—	—	—
(CEO - BALICL)					
Hemant Kaul	Remuneration	123	—	40	—
(CEO - BAGICL)	Perquisites [₹ 32,000 (Previous Year ₹ 20,000)]	—	—	—	—
Mr. Rajeev Jain	Remuneration	222	—	164	—
(CEO - BFL)	Housing deposit	4	—	4	4
Mr. Nanoo Pamnani	Commission	50	(50)	46	(46)
(Vice Chairman - BFL)	Sitting fees & expenses	3	—	3	—
Mr. Arpit Agarwal	Remuneration	156	—	77	—
(CEO - Bajaj Financial Solutions Ltd.)					

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

				(₹ In Lakh)	
		2011		2010	
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
E Enterprises over which anyone in (c) & (d) exercises significant influence:					
Bajaj Auto Ltd.	Sale of Windpower	1,822	—	2,957	—
	Business Support Services received	151	—	50	—
	Business Support Services rendered	19	—	8	—
	Aviation Charges paid	192	—	138	—
	Sale of 6.20% bonds of IDBI Ltd.	—	—	1,010	—
	Sale of 7.45% bonds of LIC Housing Finance Ltd.	—	—	619	—
	Sale of 11.45% bonds of Rural Electrification Corporation Ltd.	—	—	536	—
	Sale of 8.01% debentures of Samruddhi Cement Ltd.	996	—	—	—
	Sale of 8.80% bonds of Power Grid Corporation Ltd.	2,191	—	—	—
	Sale of 9.50% bonds of NABARD	2,774	—	—	—
	Sale of 7.99% NCDS of LIC Housing Finance Ltd.	2,576	—	—	—
	Sale of 8.90% bonds of Power Finance Corporation Ltd.	1,586	—	—	—
	Sale of 8.95% bonds of Power Finance Corporation Ltd.	1,056	—	—	—
	Sale of 11.25% bonds of Power Finance Corporation Ltd.	1,229	—	—	—
	Sale of 8.45% bonds of Rural Electrification Corporation Ltd.	2,611	—	—	—
	Sale of 8.50% bonds of Power Finance Corporation Ltd.	531	—	—	—
	Purchase of Certificate of Deposit of State Bank of Bikaner & Jaipur	2,366	—	—	—
	Investment purchased	1,480	—	—	—
	Investment sold	12,098	—	—	—
	Insurance premium received by BAGICL/BALICL	808	—	701	—
	Insurance claims paid by BAGICL/BALICL	441	—	782	—
	Other Expenses	30	—	16	—
	Unallocated premium	—	(19)	—	(141)
Bajaj Electricals Ltd.	Purchases	21	(5)	62	(8)
	Services received	1	—	—	—
	Insurance Claims paid	27	—	44	—
	Insurance premia received	216	—	151	—
	Unallocated premium	—	(15)	—	(1)
Bajaj International Ltd.	Other Debits	3	—	—	—
Hind Musafir Agency Ltd.	Travel Agency Services	332	(29)	231	(15)
	Commission on travel expenses	7	—	—	—
	Insurance Premium received	3	—	—	—
	Unallocated Premium	—	(1)	—	—
	Other expenses paid/payable	5	—	—	—
Hindustan Housing Ltd.	Services received [₹ 5,281 (Previous year ₹ 9,422)]	—	—	—	—
Mukand Ltd.	Sale of windpower	371	29	304	13
	Insurance premium received	249	—	247	—
	Insurance claim received	95	—	158	—
	Unallocated premium	—	(2)	—	(3)
Mukand Engineers Ltd.	Insurance Premium received	31	—	29	—
	Insurance Claims paid	15	—	5	—
Mukund Bekaert wire Industries Pvt. Ltd.	Insurance Premium received	12	—	—	—
	Insurance Claims paid	3	—	—	—
	Unallocated premium	—	(2)	—	—
Bajaj Auto Employees Welfare Fund	Purchase of Bajaj Auto Finance's equity shares by Bajaj Finserv Limited (513,423 equity shares)*	—	—	1,594	—
Jamnalal Sons Pvt. Ltd.	Purchase of Bajaj Auto Finance's equity shares by Bajaj Finserv Limited (455,600 equity shares)*	—	—	1,392	—

* 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 March 31, 2011

Particulars	(₹ In Lakh)			
	Bajaj Allianz General Insurance Co. Ltd.	Bajaj Allianz Life Insurance Co. Ltd.	Bajaj Finance Ltd.	Bajaj Financial Solutions Ltd. (Consolidated)
(a) Paid -Up Share Capital	11,023	15,071	3,663	2,100
(b) Share Premium	16,662	105,995	75,549	—
Other reserves	55,876	103,874	56,599	(896)
(c) Total Assets	83,561	3,927,490	806,671	2,500
(d) Total Liabilities	83,561	3,927,490	806,671	2,500
(e) Investments*	330,949	235,208	44,530	1,186
(f) Turnover/Operating result	6,375	18,238	140,613	32
Transfer from Policyholders' Account	—	93,551	—	—
(g) Profit before tax	6,191	108,167	36,992	(696)
(h) Provision for tax	1,864	2,463	12,329	—
(i) Profit after tax	4,327	105,704	24,663	(696)
(j) Proposed Dividend	—	—	3,663	—

* For details of investments refer schedule 7 of the consolidated financial statements



Standalone Financial Statements

Report of the Auditors to the Members

1. We have audited the attached Balance Sheet of BAJAJ FINSERV LIMITED (the "Company") as at 31 March 2011, 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 2011 and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2011 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 2011;
 - (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 2011 and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2011 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 2011;
 - (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 P Amin

Partner
Membership Number: 40451
Pune: 17 May 2011

Annexure to the Auditors' Report

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 2011

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 ₹ 5 lakh 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. The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act for any of the products of the Company.
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 2011 which have not been deposited on account of any dispute.
9. The Company has no accumulated losses as at 31 March 2011 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 not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.
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 our opinion, the Company has maintained proper records of transactions and contracts relating to dealing or trading in shares, securities, debentures and other investments during the year and timely entries have been made therein.
13. In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
14. The Company has not obtained any term loans.
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.

Annexure to the Auditors' Report (Contd.)

17. The Company has not issued any debentures.
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 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 P Amin
Partner
Membership Number: 40451
Pune: 17 May 2011

Balance Sheet as at 31 March

	Schedule	(₹ In Lakh)	
		2011	2010
I. Sources of Funds			
1. Shareholders' Funds			
a) Share Capital	1	7,234	7,234
b) Reserves & Surplus	2	131,782	114,573
		139,016	121,807
2. Loan Funds			
Unsecured Loans	3	—	31,076
3. Deferred Tax Adjustments [See note 12]			
a) Deferred Tax Liabilities		865	1,055
b) Deferred Tax Assets		2	(921)
		867	134
Total		139,883	153,017
II. Application of Funds			
1. Fixed Assets			
a) Gross Block		34,556	35,029
b) Less: Depreciation		27,383	26,395
c) Net Block	4	7,173	8,634
d) Capital Work in progress, expenditure to date		—	—
		7,173	8,634
2. Investments	5	135,740	146,659
3. Current Assets, Loans and Advances	6		
a) Sundry Debtors		130	83
b) Cash and Bank Balances		70	205
c) Other Current Assets		321	481
d) Loans and Advances		166	573
		687	1,342
Less: Current Liabilities and Provisions	7		
a) Liabilities		687	1,158
b) Provisions		3,030	2,460
		3,717	3,618
Net Current Assets		(3,030)	(2,276)
Total		139,883	153,017
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 P Amin
Partner
Membership Number: 40451
Pune: 17 May 2011

Sonal R. Tiwari
Company Secretary

Rahul Bajaj
Nanoo Pamnani
Sanjiv Bajaj

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

Chairman
Vice Chairman
Managing Director

Directors

Profit and Loss Account for the year ended 31 March

	Schedule	2011	2010
(₹ In Lakh)			
Income			
Income from Operations	8A	11,981	12,710
Other Income	8B	625	270
		12,606	12,980
Expenditure			
Administration and Other Expenses	9	3,175	4,850
Interest	10	—	—
Depreciation		1,003	2,196
		4,178	7,046
Profit before exceptional item and tax		8,428	5,934
Surplus on pre-payment of sales tax deferral incentive/loan liability [See note 9]		13,907	—
Profit after exceptional item and before tax		22,335	5,934
Tax			
Current Tax [including ₹ 11 lakh for Wealth tax (previous year ₹ 11 lakh)]		4,338	2,030
MAT credit		(1,570)	—
Deferred Tax [See note 12]		733	506
		3,501	2,536
Profit for the year after tax		18,834	3,398
Balance brought forward from previous year		232	—
Adjustments on revaluation of deferred tax assets		—	(459)
Profit available for appropriation		19,066	2,939
Appropriations :			
Transferred to Reserve Fund in terms of Section 45IC(1) of the Reserve Bank of India Act, 1934		3,767	680
Transfer to General Reserve		1,883	340
Proposed Dividend		1,809	1,447
Corporate Dividend Tax thereon		—	240
Provision for Corporate Dividend Tax for previous year written back under Section 115 (o) of Income Tax Act, 1961		(184)	—
Balance Carried to Balance Sheet		11,791	232
Notes forming part of the Financial Statements	11		
Basic and diluted Earnings Per Share (₹)		13.0	2.3
Nominal value per share (₹)		5.0	5.0
Net Profit (₹ In Lakh)		18,834	3,398
Weighted average number of Shares (In Lakh)		1,447	1,447

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

Anish P Amin
Partner
Membership Number: 40451
Pune: 17 May 2011

Sonal R. Tiwari
Company Secretary

Rahul Bajaj
Nanoo Pamnani
Sanjiv Bajaj

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

Chairman
Vice Chairman
Managing Director

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

Schedule 1 Share Capital

	(₹ In Lakh)	
	2011	2010
Authorised		
150,000,000 Equity Shares of ₹ 5 each	7,500	7,500
Issued, Subscribed and Paid up		
*144,683,510 Equity Shares of ₹ 5 each	7,234	7,234
Total	7,234	7,234

Notes

*Of the above:-

1. **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)
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 85,214 (155,285)

Schedule 2 Reserves and Surplus

	(₹ In Lakh)	
	2011	2010
Reserve Fund in terms of Section 45IC(1) of the Reserve Bank of India Act, 1934		
As per last Account	1,508	828
Set aside this year	3,767	680
	5,275	1,508
General Reserve		
As per last Account	112,833	112,493
Set aside this year	1,883	340
	114,716	112,833
Balance in Profit & Loss Account	11,791	232
Total	131,782	114,573

Schedule 3 Unsecured Loans

	(₹ In Lakh)	
	2011	2010
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. Pre-paid during the year. [See note 9]	—	31,076
Total	—	31,076

Schedule 4 Fixed Assets

(₹ In Lakh)

Particulars	Gross Block			Depreciation				Net Block		
	As at 31 March 2010	Additions	Deductions/ Adjustments	As at 31 March 2011	Up to 31 March 2010	Deductions/ Adjustments	For the Year (a)	As at 31 March 2011	As at 31 March 2011	As at 31 March 2010
Land Freehold (b) (d)	1,145	—	69	1,076	—	—	—	—	1,076	1,145
Buildings (c)	4,963	75	513	4,525	301	15	83	369	4,156	4,662
Computers	84	4	—	88	15	—	14	29	59	69
Electric fittings	29	17	—	46	—	—	2	2	44	29
Communication equipment	4	—	—	4	—	—	—	—	4	4
Furniture & Office equipment	286	13	—	299	14	—	18	32	267	272
Vehicles	146	—	—	146	13	—	14	27	119	133
Wind Energy Generators	28,372	—	—	28,372	26,052	—	872	26,924	1,448	2,320
Total	35,029	109	582	34,556	26,395	15	1,003	27,383	7,173	8,634
Previous Year Total	31,313	3,716	—	35,029	24,199	—	2,196	26,395	8,634	

- (a) Refer Para 3(A) & (B) of Statement on Significant Accounting Policies annexed to the Accounts.
- (b) 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).
- (c) Includes office premises given on lease ₹ 825 lakh. Accumulated depreciation ₹ 143 lakh. Depreciation for the year ₹ 13 lakh.
- (d) Includes proportionate ownership in land consequent to acquisition of office premises under a Deed of Apartment, at an attributed cost of ₹ 294 lakh (previous year ₹ 363 lakh)

Schedule 5 Investments, at Cost (Unless otherwise stated)

		2011	2010
(₹ In Lakh)			
Long Term Investments :			
In Government and Trust Securities :			
Quoted :			
—	6.07% Government of India Stock 2014 of face value of ₹ Nil (Previous Year ₹ 200,000,000)	—	1,986
—	6.25% Government of India Stock 2018 of face value of ₹ Nil (Previous Year ₹ 850,000,000)	—	9,005
—	6.49% Government of India Stock 2015 of face value of ₹ Nil (Previous Year ₹ 100,000,000)	—	988
—	7.02% Government of India Stock 2016 of face value of ₹ Nil (Previous Year ₹ 100,000,000)	—	996
—	7.46% Government of India Stock 2017 of face value of ₹ Nil (Previous Year ₹ 200,000,000)	—	2,229
—	7.94% Government of India Stock 2021 of face value of ₹ Nil (Previous Year ₹ 50,000,000)	—	545
—	9.85% Government of India Stock 2015 of face value of ₹ Nil (Previous Year ₹ 900,000,000)	—	12,551
—	10.25% Government of India Stock 2021 of face value of ₹ Nil (Previous Year ₹ 200,000,000)	—	2,656
		—	30,956
	Less: Amortisation of Premium/Discount on acquisition	—	970
		—	29,986
In Fully Paid Equity Shares :			
Trade :			
In Subsidiary Company :			
Quoted :			
20,505,089	(16,337,999) Shares of ₹ 10 each in Bajaj Finance Limited Formerly Bajaj Auto Finance Limited (A Subsidiary Company, earlier Associate Company)	63,336	39,249
Unquoted:			
111,524,660	Shares of ₹ 10 each in Bajaj Allianz Life Insurance Co Limited	11,152	11,152
81,568,165	Shares of ₹ 10 each in Bajaj Allianz General Insurance Co Limited	8,157	8,157
21,000,000	Shares of ₹ 10 each in Bajaj Financial Solutions Limited	2,100	2,100
		21,409	21,409
Others:			
Unquoted :			
1,200,000	Shares of ₹ 10 each in Bajaj Allianz Financial Distributors Limited (Joint Venture)	120	120
		—	—
	Carried over	84,865	90,764

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

		(₹ In Lakh)	
		2011	2010
In Debentures:	Brought over	84,865	90,764
Fully Paid:			
Other :			
Quoted :			
—	(50) Zero Percent Secured Redeemable Non Convertible Debentures of HDFC Limited	—	515
—	(350) Zero Percent Secured Redeemable Non Convertible Debentures of HDFC Limited	—	3,532
150	(300) 7.99% Secured Redeemable Non Convertible Debentures of ₹ 1,000,000 each of LIC Housing Finance Limited	1,535	3,000
100	(-) 7.64% Secured Redeemable Non Convertible Debentures of ₹ 1,000,000 each of LIC Housing Finance Limited- Series T60	1,042	—
50	(-) 7.76% Secured Redeemable Non Convertible Debentures of ₹ 1,000,000 each of LIC Housing Finance Limited - Series T-56	526	—
300	(200) 11.45% Secured Redeemable Non Convertible Debentures of ₹ 1,000,000 each of Reliance Industries Limited	3,520	2,348
250	(-) 10.90% Secured Redeemable Non Convertible Debentures of ₹ 1,000,000 each of Reliance Gas Transporation Infrastructure Limited - Series PPD1	2,857	—
—	(50) 10.48% Secured Redeemable Non Convertible Debentures of ₹ 1,000,000 each of Grasim Industries Limited	—	537
—	(100) 8.01% Secured Redeemable Non Convertible Debentures of ₹ 1,000,000 each of Grasim Industries Limited	—	1,000
		9,480	10,932
	Less: Amortisation of Premium/Discount on acquisition	167	(110)
		9,313	11,042
In Bonds:			
Fully Paid:			
Other :			
Quoted :			
100	8.45% Secured Redeemable Non Convertible Bonds of ₹ 1,000,000 each of ACC Limited	1,037	1,037
50	(-) 11.30% Secured Redeemable Non Convertible Bonds of ₹ 1,000,000 each of ACC Limited	587	—
100	(-) 7.40% Secured Redeemable Non Convertible Bonds of ₹ 1,000,000 each of Airport Authority of India Limited - Series S-1	1,035	—
100	(-) 8.75% Secured Redeemable Non Convertible Bonds of ₹ 1,000,000 each of Axis Bank Limited - Series S-11, Opt - II	1,051	—
50	(-) 10.10% Secured Redeemable Non Convertible Bonds of ₹ 1,000,000 each of Axis Bank Limited - Series S-15	559	—
250	(-) 10.75% Secured Redeemable Non Convertible Bonds of ₹ 1,000,000 each of Bharat Forge Limited	2,619	—
		6,888	1,037
	Carried over		
	Carried over	94,178	101,806

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

		(₹ In Lakh)	
		2011	2010
In Bonds: (Contd.) Fully Paid: (Contd.) Other: (Contd.) Quoted: (Contd.)	Brought over	94,178	101,806
	Brought over	6,888	1,037
—	(5) 6.40% Unsecured Non Convertible Redeemable Bonds of ₹ 10,000,000 each of EXIM Bank Limited	—	504
50	9.25% Unsecured Redeemable Taxable Non Convertible Bonds of ₹ 1,000,000 each of EXIM Bank Limited	565	565
—	(250) 9.50% Unsecured Redeemable Non Convertible Taxable Bonds of ₹ 1,000,000 each of EXIM Bank Limited	—	2,658
—	(50) 6.20% Taxable Secured Redeemable Non Convertible Bonds of ₹ 1,000,000 each of Indian Railway Finance Corporation Limited - Series 46DD	—	500
—	(10) 6.98% Taxable Secured Redeemable Non Convertible Bonds of ₹ 1,000,000 each of Indian Railway Finance Corporation Limited - Series 44HH	—	100
10	6.98% Taxable Secured Redeemable Non Convertible Bonds of ₹ 1,000,000 each of Indian Railway Finance Corporation Limited - Series 44II	100	100
10	6.98% Taxable Secured Redeemable Non Convertible Bonds of ₹ 1,000,000 each of Indian Railway Finance Corporation Limited - Series 44JJ	100	100
—	(50) 8.55% Secured Taxable Redeemable Non Convertible Non Cumulative Railway Bonds in the nature of Promissory notes of ₹ 1,000,000 each of Indian Railway Finance Corporation Limited	—	496
—	(100) 8.55% Secured Taxable Redeemable Non Convertible Non Cumulative Railway Bonds in the nature of Promissory Notes of ₹ 1,000,000 each of Indian Railway Finance Corporation Limited	—	1,001
250	(-) 9.20% Unsecured Redeemable Taxable Non Convertible Bonds of ₹ 1,000,000 each of L & T Limited	2,697	—
—	(250) 9.50% Redeemable Unsecured Non Convertible Taxable Non Priority Sector Bonds of ₹ 1,000,000 each of National Bank for Agriculture and Rural Development	—	2,658
—	(150) 8.78% Secured Non Cumulative Non Convertible Redeemable Taxable Bonds in the nature of Debentures (Series -XXXI) of ₹ 1,000,000 each of National Thermal Power Corporation Limited	—	1,500
250	(400) 8.40% Non Convertible Redeemable Bonds in the nature of Debentures (Series I) of ₹ 1,000,000 each of ONGC Videsh Limited	2,541	4,014
—	(40) 9.47% Secured Non Convertible Non Cumulative Redeemable Taxable Bonds in the nature of Debentures of ₹ 1,250,000 each of Power Grid Corporation of India Limited	—	502
80	9.20% Secured Non Convertible Non Cumulative Redeemable Taxable Bonds in the nature of Debentures Series C of ₹ 1,250,000 each of Power Grid Corporation of India Limited	1,083	1,083
150	(50) 8.50% Unsecured Redeemable Non Convertible Non Cumulative Taxable Bonds in the nature of Debentures Series 61 of ₹ 1,000,000 each of Power Finance Corporation Limited	1,601	507
	Carried over	15,575	17,325
	Carried over	94,178	101,806

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

		(₹ In Lakh)	
		2011	2010
In Bonds: (Contd.)	Brought over	94,178	101,806
	Fully Paid: (Contd.)		
	Other: (Contd.)		
	Quoted: (Contd.)		
	Brought over	15,575	17,325
—	(160) 8.80% Secured Non Convertible Non Cumulative Redeemable Taxable Bonds in the nature of Debentures of ₹ 1,250,000 each of Power Grid Corporation of India Limited	—	2,070
—	(40) 8.90% Secured Non Convertible Non Cumulative Redeemable Taxable Bonds in the nature of Debentures Series B of ₹ 1,250,000 each of Power Grid Corporation of India Limited	—	505
80	8.90% Secured Non Convertible Non Cumulative Redeemable Taxable Bonds in the nature of Debentures of ₹ 1,250,000 each of Power Grid Corporation of India Limited- Series XXXI STRPP-G	1,050	—
50	8.78% Unsecured Redeemable Non Convertible Non Cumulative Taxable Bonds in the nature of Debentures Series 6.I of ₹ 1,000,000 each of Power Finance Corporation Limited- (S-XXXI-A)	539	—
—	(150) 8.90% Unsecured Redeemable Non Convertible Non Cumulative Taxable Bonds in the nature of Debentures Series 6.I of ₹ 1,000,000 each of Power Finance Corporation Limited	—	1,513
100	(100) 8.95% Unsecured Redeemable Non Convertible Non Cumulative Taxable Bonds in the nature of Debentures Series 64 of ₹ 1,000,000 each of Power Finance Corporation Limited	1,063	1,009
—	(150) 11.25% Unsecured, Redeemable Non Convertible Non Cumulative Taxable Bonds in the nature of Debentures of ₹ 1,000,000 each of Power Finance Corporation Limited- Series 52-C	—	1,754
50	(-) 7.60% Secured Non Convertible Redeemable Bonds of ₹ 1,000,000 each of Rural Electrification Corporation Limited- Series 92-O-I	523	—
—	(250) 8.45% Secured Non Convertible Redeemable Bonds of ₹ 1,000,000 each of Rural Electrification Corporation Limited	—	2,492
50	(-) 8.65% Secured Non Convertible Redeemable Bonds of ₹ 1,000,000 each of Rural Electrification Corporation Limited- Series S-88	530	—
150	(-) 11.50% Secured Non Convertible Redeemable Bonds of ₹ 1,000,000 each of Rural Electrification Corporation Limited Series 87 C O III	1,773	—
250	(-) 6.10% Secured Non Convertible Redeemable Bonds of ₹ 1,000,000 each of SIDBI Limited S-II	2,603	—
50	(-) 6.60% Secured Non Convertible Redeemable Bonds of ₹ 1,000,000 each of SIDBI Limited- S-III	524	—
		24,180	26,668
	Less: Amortisation of Premium/Discount on acquisition	227	(9)
		23,953	26,677
	Carried over	118,131	128,483

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

		(₹ In Lakh)	
		2011	2010
Brought over		118,131	128,483
Current Investments :			
In Commercial Paper :			
Unquoted:			
—	(1,000) Commercial Paper of ₹ 500,000 each of EXIM Bank Limited - 25.06.2010	—	4,938
	Add: Amortisation of Premium/Discount on acquisition	—	1
		—	4,939
In Certificate of Deposit :			
Unquoted:			
—	(1,000) Certificate of Deposit of ₹ 100,000 each of IDBI Bank Limited - 04.06.2010	—	942
—	(1,000) Certificate of Deposit of ₹ 100,000 each of Corporation Bank-07.06.2010	—	944
—	(2,500) Certificate of Deposit of ₹ 100,000 each of Punjab National Bank-10.09.2010	—	2,420
—	(2,500) Certificate of Deposit of ₹ 100,000 each of Oriental Bank of Commerce - 23.09.2010	—	2,394
—	(2,500) Certificate of Deposit of ₹ 100,000 each of Axis Bank Limited - 29.10.2010	—	2,378
—	(2,500) Certificate of Deposit of ₹ 100,000 each of State Bank of Patiala-15.11.2010	—	2,380
—	(2,500) Certificate of Deposit of ₹ 100,000 each of Corporation Bank-02.03.2011	—	2,344
2,500	(-) Certificate of Deposit of ₹ 100,000 each of State Bank of Hyderabad 11.07.2011	2,389	—
2,500	(-) Certificate of Deposit of ₹ 100,000 each of State Bank of Bikaner & Jaipur -11.07.2011	2,390	—
2,500	(-) Certificate of Deposit of ₹ 100,000 each of State Bank of Bikaner & Jaipur -25.08.2011	2,319	—
2,500	(-) Certificate of Deposit of ₹ 100,000 each of State Bank of Hyderabad 21.09.2011	2,322	—
5,000	(-) Certificate of Deposit of ₹ 100,000 each of Bank of India 15.03.2012	4,549	—
2,500	(-) Certificate of Deposit of ₹ 100,000 each of Union Bank of India. 09.06.2011	2,455	—
		16,424	13,802
	Add: Amortisation of Premium/Discount on acquisition	302	248
		16,726	14,050
In Mutual Fund Units:			
Unquoted:			
—	(1,984,479.897) ICICI Prudential Institutional Liquid Plan - Super Institutional Growth	—	2,700
3,186,479.132	(-) Units of ₹ 10 each of Birla Sun Life Cash Plus-Institutional Premium - Growth	500	—
		500	2,700
Carried over		135,357	150,172

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

	(₹ In Lakh)	
	2011	2010
Brought over	135,357	150,172
Less: Provision for diminution in value of Investments	17	3,513
	135,340	146,659
Application Money for Investment in Shares, Bonds & Mutual Fund Units	400	—
	135,740	146,659

	Book Value as at		Market Value as at	
	31 March 2011	31 March 2010	31 March 2011	31 March 2010
	₹ In Lakh	₹ In Lakh	₹ In Lakh	₹ In Lakh
Quoted	96,585	103,442	*192,509	*117,171
Unquoted	38,755	43,217		
Total	135,340	146,659		

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

(₹ In Lakh)

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	Sale Proceeds
Birla Sun Life cash Plus - Instl.Prem.-Growth	438,012,107	66,745	66,763
DWS Insta Cash Plus Fund - Super Institutional Plan - Growth	1,177,737,709	175,500	175,551
HDFC Liquid Fund - Premium Plan - Growth	139,521,491	26,525	26,531
ICICI Prudential Institutional Liquid Plan-Super Institutional Growth	105,965,518	146,985	147,017
IDFC Cash Fund - Super Inst Plan C - Growth	1,136,232,371	131,600	131,632
Kotak Floater Short Term - Growth	33,916,432	5,325	5,328
Kotak Liquid (Institutional Premium)- Growth	295,140,558	56,325	56,336
Reliance Liquidity Fund - Growth Option	133,674,352	20,375	20,380

(b) Debentures:

Name of the company	Quantity Nos.	Purchase Cost	Sale Proceeds
7.70% Hindustan Petroleum Corporation Limited	400	4,005	4,112
7.45% Tata Sons Limited	200	2,000	2,074
10.48% Ultra Tech Cement Limited	200	2,253	2,105

(c) Bonds:

Name of the company	Quantity Nos.	Purchase Cost	Sale Proceeds
8.50% IRFC Limited - 2020	250	2,500	2,497
6.77% National Housing Bank	300	3,101	2,963
8.90% Power Grid Corporation Limited	40	526	495

(d) Certificate of Deposit:

Name of the company	Maturity Date	Quantity Nos.	Purchase Cost	Sale Proceeds
Bank of Baroda	27-Dec-10	5,000	4,913	4,921
Canara Bank	27-Sep-10	5,000	4,922	4,932
Canara Bank	28-Jan-11	2,500	2,440	2,444
Canara Bank	5-Apr-11	1,500	1,460	1,469
Central Bank of India	15-Jun-11	1,000	963	980
HDFC Bank Limited	25-Apr-11	1,500	1,409	1,449
Oriental Bank of Commerce	8-Jul-10	3,500	3,476	3,485
Punjab National Bank	14-Mar-11	2,500	2,445	2,468
Punjab National Bank	2-May-11	2,500	2,465	2,477
State Bank of Bikaner & Jaipur	4-Apr-11	2,500	2,408	2,497
State Bank of Bikaner & Jaipur	24-Jun-11	2,500	2,366	2,444
Vijaya Bank	7-Jan-11	2,500	2,391	2,457

2. The following investments were purchased and redeemed during the year

(a) Commercial Paper:

Name of the company	Maturity Date	Quantity Nos.	Purchase Cost	Sale Proceeds
JM Financial Services Private Limited	14-Dec-10	500	2,493	2,500

3. *Quoted Investments for which quotations are not available have been included in marketvalue at the face value/paid up value, whichever is lower, except in case of Debentures, Bonds and Government Securities, where the Net Present Value at current Yield to Maturity have been considered.

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

Schedule 6 Current Assets, Loans and Advances

	(₹ In Lakh)	
	2011	2010
(a) Sundry Debtors, Unsecured		
Outstanding for a period exceeding six months	—	—
Others, Good	130	83
	130	83
(b) Cash and Bank Balances		
Bank Balances :		
With Scheduled Banks:		
In current account	70	205
	70	205
(c) Other Current Assets (good, unless otherwise stated)		
Credit receivable for windpower generated	294	458
Voluntary Emission Reduction receivable	27	23
	321	481
(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	49	54
Dues from associates	—	13
Others	41	457
	90	524
VAT refund receivable	49	33
CENVAT credit receivable	27	—
Capital advances	—	16
Tax paid in Advance	11,057	7,121
Less: Provision for tax adjusted as per contra	11,057	7,121
	—	—
	166	573
Total	687	1,342

Schedule 7 Current Liabilities and Provisions

	(₹ In Lakh)	
	2011	2010
(a) Liabilities		
Sundry Creditors:		
Other than dues to Micro and Small Enterprises [See note 10]	505	379
Advance for sale of office premises	—	600
Unclaimed Dividend	11	8
Security deposits received from subsidiaries against leased premises	171	171
Interest accrued but not due (₹ Nil - previous year ₹ 10,574)	—	—
	687	1,158
(b) Provisions		
Provision for Employee Benefits [See note 11]	157	111
Provision for tax	12,121	7,783
Less: Tax paid in advance adjusted as per contra	11,057	7,121
	1,064	662
Proposed Dividend	1,809	1,447
Provision for Corporate Dividend Tax on Proposed Dividend	—	240
	3,030	2,460
Total	3,717	3,618

Schedule 8 Income from Operations and Other Income

(₹ In Lakh)

	2011	2010
A. Income from Operations		
Wind Farm business:		
Income from power generation	4,176	4,307
Voluntary emission reduction credits	3	4
	<u>4,179</u>	<u>4,311</u>
Investments Activity:		
Dividends		
From Subsidiary (previous year - Associate)	1,107	307
Other	—	—
	<u>1,107</u>	<u>307</u>
Interest[Gross - Tax Deducted ₹ 5,822 (previous year ₹ 21 lakh)]		
On Government Securities	1,083	3,046
On Debentures and Bonds	3,906	2,191
Other	1	3
	<u>4,990</u>	<u>5,240</u>
Less: Amortisation of premium/discount on acquisition of fixed income securities	53	(252)
	<u>4,937</u>	<u>5,492</u>
Profit on Sale of Investments, net *	1,728	2,568
Surplus on redemption of Securities *	30	32
	<u>7,802</u>	<u>8,399</u>
	<u>11,981</u>	<u>12,710</u>
B. Other Income		
Rent	171	149
Miscellaneous Receipts	371	120
Surplus on Sale of Assets	78	—
Provisions no longer required	5	1
	<u>625</u>	<u>270</u>
Total	12,606	12,980

* Including on Current Investments ₹ 754 lakh (previous year ₹ 599 lakh)

Schedule 9 Other Expenses

	(₹ In Lakh)	
	2011	2010
Repairs		
Buildings and Roads	23	13
Windmill	698	697
Other	4	26
	725	736
Employees' Emoluments		
Salaries,wages,bonus etc.	629	345
Contribution to Provident and other funds and schemes	104	41
Welfare expenses	15	9
	748	395
Energy generation expenses	519	1,415
Rates and taxes	30	31
Insurance	20	20
Auditors' Remuneration		
Audit Fees	6	6
Tax Audit Fees	2	2
Limited Review	3	2
Certification	2	1
Other capacity	—	1
Out of Pocket expenses (₹ 25,136 – previous year ₹ 17,980)		
	13	12
Directors' fees and travelling expenses	13	12
Managing Directors' remuneration		
Salary	60	33
Commission	180	99
	240	132
Commission to Non Executive Directors	30	14
Warrants written off	—	1,046
Miscellaneous expenses	837	1,037
Total	3,175	4,850

Schedule 10 Interest

	(₹ In Lakh)	
	2011	2010
Interest:		
Other than Fixed Loans		
(₹ Nil - previous year ₹ 10,868)	—	—
Total	—	—

Schedule 11 Notes forming part of financial statements

1. In response to the application made by the company, the company has been registered on 30 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 a review after a year.

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

	(₹ In Lakh)	
	2011	2010
3. Contingent Liability, not provided for:		
a. Claims against the company not acknowledged as debts	765	1,092
b. Income Tax Matters under dispute: Appeal by Company	14	—
4. Estimated amounts of contracts remaining to be executed on capital account and not provided for, net of Advances.	1	16
5. Expenditure in foreign currencies		
Travelling Expenses	2	4
	2011	2010
6. Details of Installed Capacity, Production/Generation and Turnover		
Wind Power Generation Installed Capacity (*) –	65.2 mega Watts	65.2 mega Watts
Credit for units Brought forward from previous year		
In Units	69 lakh	405 lakh
In value	₹ 458 lakh	₹ 1,453 lakh
Generated, during the year		
In Units	837 lakh	908 lakh
Sold, during the year		
In Units	847 lakh	1,244 lakh
In value	₹ 4,340 lakh	₹ 5,461 lakh
Credits receivable		
In Units	59 lakh	69 lakh
In value(**)	₹ 294 lakh	₹ 458 lakh

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

(**) Includes amount receivable from MSEDCL ₹ Nil (Previous year ₹ 159 lakh) in value not units

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

		(₹ In Lakh) 2011
7. Managerial Remuneration		
(a) Computation of Net Profits in accordance with Section 198(1) and Section 349 of Companies Act, 1956		
(i) Profit as per Profit and loss Account		18,834
Add: Managing Directors' Remuneration (including perquisites)	278	
Commission to Non-Executive Directors	30	
Provision for Tax	3,501	
		3,809
Less: Surplus on pre-payment of sales tax deferral incentive/loan liability	13,907	
Provisions no longer required	5	
Excess of Sales price over cost of assets sold	62	
		13,974
Profit on which commission is payable		8,669
(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		180
(iii) Commission to Non-Executive Director		
Commission @ 1% on ₹ 8,669 lakh		87
Commission payable, as determined by the Board of Directors		30
(b) The Profit & Loss Account includes payments and provisions on account of remuneration to the Managing Director as under		

	2011	2010
(i) Salary	60	33
(ii) Commission	180	99
(iii) Privilege Leave Entitlement	15	3
(iv) Contribution to Provident Fund, Superannuation & Gratuity	21	12
(v) Other perquisites	2	1
(vi) Estimated monetary value of perquisite in form of:		
Unfurnished Accommodation	—	—
Furniture at Residence	—	—
	278	148

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:

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 the guidelines adopted by the management, no provision has been determined during the year ended 31 March 2011.

9. Sales tax deferral benefit available to the company as a wind power generator was availed by the erstwhile Bajaj Auto Ltd. The amount of liability deferred by the latter had been passed on under a scheme of demerger to the company, and recognised as a liability, as the obligation to pay vested with the company. The said liability was prepaid at a discounted value of ₹ 17,169 lakh under Rule 84 of the Maharashtra Value Added Tax Rules, 2005 thereby resulting in a surplus of ₹ 13,907 lakh. The said sum has been reflected as an exceptional item in the Profit & Loss Account and considered as a capital receipt.

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

(₹ In Lakh)

	2011 Gratuity	2010 Gratuity
Amount To Be Recognised in Balance Sheet		
Present Value of Funded Obligations	187	123
Fair Value of Plan Assets	(74)	(53)
Net Liability	113	70
Amounts in Balance Sheet		
Liability	113	70
Assets	—	—
Net Liability	113	70
Expense To Be Recognised in the Statement of P&L		
Current Service Cost	8	5
Interest on Defined Benefit Obligation	8	6
Expected Return on Plan Assets	(3)	(1)
Net Actuarial Losses/(Gains) Recognised in Year	45	1
Total, Included in "Employee Benefit Expense"	58	11
Actual Return on Plan Assets	5	3
Reconciliation of Benefit Obligations & Plan Assets For the Period		
Change in Defined Benefit Obligation		
Opening Defined Benefit Obligation	123	109
Current Service Cost	8	5
Interest Cost	8	6
Actuarial Losses/(Gain)	48	3
Closing Defined Benefit Obligation	187	123
Change in Fair Value of Assets		
Opening Fair Value of Plan Assets	53	39
Expected Return on Plan Assets	3	1
Actuarial Gain/(Losses)	3	2
Contributions by Employer	15	11
Closing Fair Value of Plan Assets	74	53

Assets information

	2011	2011	2010
Insurer Managed Funds	74	100.00%	100.00%

Experience Adjustments

	2007	2008	2009	2010	2011
Defined Benefit Obligation	44	55	109	123	187
Plan Assets	27	30	39	53	74
Surplus/(Deficit)	(17)	(25)	(70)	(70)	(113)
Exp. Adj. on Plan Liabilities	—	6	44	4	49
Exp. Adj. on Plan Assets	—	(3)	1	2	3

Principal Actuarial Assumptions (Expressed as Weighted Averages)

	2011	2010
Discount Rate (p.a.)	8.30%	8.20%
Expected Rate of Return on Assets (p.a.)	7.50%	7.50%
Salary Escalation Rate (p.a.) - Senior Staff	8.00%	8.00%
Salary Escalation Rate (p.a.) - Junior Staff	9.00%	9.00%

Unfunded Scheme

(₹ In Lakh)

	2011	2010
Particulars	Compensated Absences	Compensated Absences
Present Value of Unfunded Obligations	44	41
Expense recognised in the Statement of P&L	30	7
Discount Rate (p.a.)	8.30%	8.20%
Salary Escalation Rate (p.a.) - Senior Staff	8.00%	8.00%
Salary Escalation Rate (p.a.) - Junior Staff	9.00%	9.00%

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

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

(₹ In Lakh)

Particular	Balance carried as at 31 March 2010	Arising During the year ended 31 March 2011	Balance carried as at 31 March 2011
Deferred Tax Liabilities:			
On account of timing difference in			
a) Depreciation and Amortisation	1,055	(190)	865
Total	1,055	(190)	865
Deferred Tax Assets:			
On account of timing difference in			
a) Provision for privilege leave etc.	11	4	15
b) Amortisation of premium/discount on acquisition of fixed income securities	119	(174)	(55)
c) Adjustments on account of gratuity provisions	23	13	36
d) Provision for diminution in value of investments in terms of scheme of arrangement	768	(766)	2
Total	921	(923)	(2)
Net	134	733	867

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. Future minimum lease rental in respect of assets

- (i) given on operating lease in the form of office premises after April 1, 2001
Minimum future lease payments as on March 31, 2011:
Receivable within one year - ₹ 171 lakh (₹ Nil)
Receivable between one year and five years - ₹ 71 lakh (₹ Nil)
Receivable after five years - ₹ Nil (₹ Nil)
- (ii) The company has not taken any asset under an operating lease arrangement.

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

- 16. 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.

17. Amounts less than ₹ 50,000 have been shown at actual, against respective line item statutorily required to be disclosed.

18. 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 P Amin
Partner
Membership Number: 40451
Pune: 17 May 2011

Sonal R. Tiwari
Company Secretary

Rahul Bajaj
Nanoo Pamnani
Sanjiv Bajaj

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

Chairman
Vice Chairman
Managing Director

Directors

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 where intended to be held for a long term, 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 1 April 2007 where the carrying costs of such investments were higher on that date, less amortisation 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) 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 with reference to realisable value, as necessary.
- c) Other Fixed income securities, other than current, are carried at cost, less amortisation of premium/discount, as the case may be, and provision for diminution, if any, as considered necessary.
- d) Investments other than fixed income securities are valued at cost of acquisition, less provision for diminution as necessary.
- e) 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.
- f) 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) Tax

- a) Provision for Tax 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, 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 and Contingent Liabilities

The Company creates a provision when there is present obligation as a result of a past event 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.

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)

Liabilities Side:

Liabilities Side:	Amount Outstanding	Amount Overdue
(1) Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid:		
(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)	Nil	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	166
(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

Schedule to Balance Sheet as on 31 March 2011 (Contd.)

(ii) Debentures and Bonds	Nil
(iii) Units of mutual funds	500
(iv) Government Securities	Nil
(v) Others: Certificate of Deposit	16,726
Long Term Investments	
1. Quoted	
(i) Shares: (a) Equity	63,336
(b) Preference	Nil
(ii) Debentures and Bonds	33,249
(iii) Units of mutual funds	Nil
(iv) Government Securities	—
(v) Others (Please specify)	Nil
2. Unquoted:	
(i) Shares: (a) Equity	21,529
(b) Preference	Nil
(ii) Debentures and Bonds	Nil
(iii) Units of mutual funds	Nil
(iv) Government Securities	Nil
(v) Others (Please specify)	
Share application money paid	400
Total	135,740

(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	49	49
(b) Companies in the same group	Nil	Nil	Nil
(c) Other related parties	Nil	Nil	Nil
2. Other than related parties	Nil	117	117
Total	Nil	166	166

(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		
— Quoted (disclosed at market value)	143,505	63,336
— Unquoted (disclosed at break up value)	226,666	21,809
(b) Companies in the same group	—	—
(c) Other related parties	204	120
2. Other than related parties		
Unquoted @	17,226	17,226
Quoted (disclosed at market value)	31,778	33,249
Total	419,379	135,740

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

@ 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.

Schedule to Balance Sheet as on 31 March 2011 (Contd.)

(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.

(8) CRAR

Items	2011	2010
(i) CRAR %	161%	132%
(ii) CRAR - Tier I capital (%)	161%	132%
(iii) CRAR - Tier II capital (%)	0%	0%

(9) Exposures: Exposures to Real Estate Sector

Category	2011	2010
(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 ₹ 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	3,086	7,199
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	3,086	7,199

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	500	—	2,456	9,703	4,567	20,701	10,414	87,399	135,740
Advances	—	—	—	—	—	—	—	—	—
Investments	500	—	2,456	9,703	4,567	20,701	10,414	87,399	135,740

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

		(₹ In Lakh)			
		2011		2010	
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 ₹ 10 each)	—	8,157	—	8,157
	Rent Received	171	—	149	—
	Deposit Received	—	(171)	53	(171)
	Insurance premium paid	20	—	20	22
	Revenue expenses incurred on behalf	96	29	17	—
	Capital expenses incurred on behalf	—	—	72	13
Bajaj Allianz Life Insurance Company Ltd. (74 % shares held by Bajaj Finserv Ltd.)	Contribution to Equity (111,524,660 shares of ₹ 10 each)	—	11,152	—	11,152
	Revenue expenses incurred on behalf	112	13	42	—
	Capital expenses incurred on behalf	—	—	53	19
Bajaj Finance Ltd. (55.98% shares held by Bajaj Finserv Ltd.)	Contribution to Equity (20,505,089 shares of ₹ 10 each)	24,087	63,336	2,985	39,249
	(Previous year 16,337,999 shares of ₹ 10 each)]				
	Warrants written off	—	—	1,046	—
	Dividend Received	1,107	—	307	—
	Revenue expenses incurred on behalf	62	7	37	—
	Capital expenses incurred on behalf	—	—	46	13
	Sale of office premises	645	—	600	(600)
	Business Support Services rendered	249	—	—	—
	Other debits	2	—	—	—
Bajaj Financial Solutions Ltd. (Fully owned subsidiary)	Contribution to Equity [21,000,000 equity shares of ₹ 10 each]	—	2,100	1,900	2,100
	Share Application Money for 4,000,000 equity shares of ₹ 10 each	400	400	—	—
	Business Support Services rendered	1	—	—	—
	Capital expenses incurred on behalf	46	—	—	—
Bajaj Financial Securities Ltd. (Fully owned subsidiary of Bajaj Financial Solutions Ltd.)	Business Support Services rendered	1	—	—	—
B Associates, joint ventures and investing parties:					
Bajaj Holdings & Investment Ltd. (investing party)	Purchase of shares by BHIL [55,976,658 shares of ₹ 5 each (Previous year - 51,565,301 shares of ₹ 5 each)]	221	(2,799)	63	(2,578)
	Dividend paid	524	—	503	—
	Business Support Services received	60	—	49	—
	Business Support Services rendered	96	—	92	—
	Sale of 9.90% debentures of Tata Sons Ltd	—	—	1,098	—
Bajaj Allianz Financial Distributors Ltd. (a joint venture - 50% shares held by Bajaj Finserv Ltd.)	Contribution to Equity (1,200,000 shares of ₹ 10 each)	—	120	—	120
C Individuals controlling voting power/exercising significant influence and their Relatives:					
Rahul Bajaj (Chairman)	Sitting Fees	1	—	2	—
	Commission	2	(2)	—	—
Madhur Bajaj	Sitting Fees	1	—	—	—
	Commission	1	(1)	—	—
Rajiv Bajaj	Sitting Fees	1	—	1	—
	Commission	2	(2)	—	—
Niraj Bajaj	Nil	—	—	—	—
Shekhar Bajaj	Nil	—	—	—	—
Sanjiv Bajaj (Managing Director)	Remuneration	98	—	49	—
(Also Key management personnel)	Commission	180	(180)	99	(99)

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

(₹ In Lakh)					
Name of related party and Nature of relationship	Nature of transaction	2011		2010	
		Transaction Value	Outstanding amounts carried in the Balance Sheet	Transaction Value	Outstanding amounts carried in the Balance Sheet
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	1,822	—	2,957	—
	Business Support Services received	151	—	50	—
	Business Support Services rendered	19	—	8	—
	Aviation Charges paid	192	—	138	—
	Sale of 6.20% bonds of IDBI Ltd.	—	—	1,010	—
	Sale of 7.45% bonds of LIC Housing Finance Ltd.	—	—	619	—
	Sale of 11.45% bonds of Rural Electrification Corporation Ltd.	—	—	536	—
	Sale of 8.01% debentures of Samruddhi Cement Ltd.	996	—	—	—
	Sale of 8.80% bonds of Power Grid Corporation Ltd.	2,191	—	—	—
	Sale of 9.50% bonds of NABARD	2,774	—	—	—
	Sale of 7.99% NCDS of LIC Housing Finance Ltd.	2,576	—	—	—
	Sale of 8.90% bonds of Power Finance Corporation Ltd.	1,586	—	—	—
	Sale of 8.95% bonds of Power Finance Corporation Ltd.	1,056	—	—	—
	Sale of 11.25% bonds of Power Finance Corporation Ltd.	1,229	—	—	—
	Sale of 8.45% bonds of Rural Electrification Corporation Ltd.	2,611	—	—	—
	Sale of 8.50% bonds of Power Finance Corporation Ltd.	531	—	—	—
	Purchase of Certificate of Deposit of State Bank of Bikaner & Jaipur	2,366	—	—	—
Bajaj Electricals Ltd.	Purchases	4	(4)	40	(4)
	Services Received	1	—	—	—
Bajaj International Ltd.	Other Credits	3	—	—	—
Hind Musafir Agency Ltd.	Services received	16	—	19	—
Hindustan Housing Ltd.	Services received (₹ 5,281 (Previous year ₹ 9,422))	—	—	—	—
Mukand Ltd.	Sale of windpower	371	29	304	13
Bajaj Auto Employees Welfare Fund	Purchase of Bajaj Auto Finance's equity shares by Bajaj Finserv Limited (513,423 equity shares)*	—	—	1,594	—
Jamnallal Sons Pvt. Ltd.	Purchase of Bajaj Auto Finance's equity shares by Bajaj Finserv Limited (455,600 equity shares)*	—	—	1,392	—

* 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 2011

(₹ In Lakh)

Primary Segment : Business Segment

	Insurance*	Windmill	Retail Financing	Investments & Others	Consolidated
Revenue					
External Sales and Other Income	1,243,441	4,179	109,652	12,462	1,369,734
Inter segment Sales and Other Income	—	—	1,287	1,479	2,766
Total Revenue	1,243,441	4,179	110,939	13,941	1,372,500
Segment Result	115,645	15,901	31,005	4,422	166,973
Interest Expense	—	—	—	—	—
Income Taxes	—	—	—	—	17,820
Net Profit	115,645	15,901	31,005	4,422	149,153
Segment Assets	4,471,619	2,858	855,499	57,126	5,387,102
Unallocated Corporate Assets	—	—	—	—	—
Total Assets	4,471,619	2,858	855,499	57,126	5,387,102
Segment Liabilities	4,168,421	40	40,127	1,275	4,209,863
Unallocated Corporate Liabilities	—	—	—	—	2,873
Total Liabilities	4,168,421	40	40,127	1,275	4,212,736
Capital Employed	303,198	2,818	815,372	55,851	1,174,366
Capital Expenditure	8,775	—	6,407	344	15,526
Depreciation	—	878	979	170	2,027
Non Cash Expenses other than Depreciation	—	—	—	15	15

* 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 ₹ 24,613 lakh for the year ended March 31, 2011 has been included in a manner consistent with the parent's reporting format. External Sales and Other Income excludes accretions to unit linked investments.

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 2010

(₹ In Lakh)

Primary Segment : Business Segment

	Insurance*	Windmill	Retail Financing	Investments & Others	Consolidated
Revenue					
External Sales and Other Income	1,382,726	4,311	—	12,698	1,399,735
Inter segment Sales and Other Income	—	—	—	—	—
Total Revenue	1,382,726	4,311	—	12,698	1,399,735
Segment Result	73,660	(281)	3,822	5,827	83,028
Interest Expense	—	—	—	—	—
Income Taxes	—	—	—	—	9,875
Net Profit	73,660	(281)	3,822	5,827	73,153
Segment Assets	3,783,735	3,849	52,598	94,442	3,934,624
Unallocated Corporate Assets	—	—	—	—	—
Total Assets	3,783,735	3,849	52,598	94,442	3,934,624
Segment Liabilities	3,589,120	57	—	1,551	3,590,728
Unallocated Corporate Liabilities	—	—	—	—	2,349
Total Liabilities	3,589,120	57	—	1,551	3,593,077
Capital Employed	194,615	3,792	52,598	92,891	341,547
Capital Expenditure	18,170	—	—	3,720	21,890
Depreciation	—	2,096	—	106	2,202
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 ₹ 29,084 lakh for the year ended March 31, 2010 has been included in a manner consistent with the parent's reporting format. External Sales and Other Income excludes accretions to unit linked investments.

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

	2011	2010
I. OPERATING ACTIVITIES		
A) Profit before tax	22,335	5,934
B) Adjustments:		
Add:		
i) Depreciation	1,003	2,196
ii) Warrants written off	—	1,046
iii) Amortisation of premium/discount on acquisition of fixed income securities	53	(252)
	1,056	2,990
Less:		
i) Surplus on sale of assets	78	—
ii) Surplus on pre-payment of sales tax deferral incentive/loan liability	13,907	—
	13,985	—
	9,406	8,924
C) (Increase)/Decrease in Current Assets		
i) Sundry Debtors	(47)	206
ii) Other Current Assets and Loans and Advances	567	2,991
	520	3,197
Increase/(Decrease) in Current Liabilities		
i) Liabilities	172	204
	692	3,401
(Increase)/Decrease in Investment in subsidiaries, joint ventures and associates, etc.	(24,486)	(4,885)
(Increase)/Decrease in other investments, net	35,352	(1,580)
	10,866	(6,465)
NET CASH FROM OPERATING ACTIVITIES BEFORE INCOME TAX	20,964	5,860
Income Tax, Wealth Tax paid	(2,366)	(2,143)
Income tax refund for earlier year	—	1,169
NET CASH FROM OPERATING ACTIVITIES	18,598	4,886
II. INVESTMENT ACTIVITIES		
i) Capital Expenditure	(109)	(3,715)
ii) Sale proceeds of office premises	45	600
NET CASH FROM INVESTMENT ACTIVITIES	(64)	(3,115)
III. FINANCING ACTIVITIES		
i) Pre-payment of sales tax deferral incentive loan/liability	(17,169)	—
ii) Dividend Paid	(1,444)	(1,444)
iii) Corporate Dividend Tax Paid (net)	(56)	(246)
NET CASH FROM FINANCING ACTIVITIES	(18,669)	(1,690)
NET CHANGE IN CASH & CASH EQUIVALENTS	(135)	81
Cash and Cash Equivalents as at 01.04.2010 [Opening Balance]	205	124
Cash and Cash Equivalents as at 31.03.2011 [Closing Balance]	70	205

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

Anish P Amin
Partner
Membership Number: 40451
Pune: 17 May 2011

Sonal R. Tiwari
Company Secretary

Rahul Bajaj
Nanoo Pamnani
Sanjiv Bajaj

Madhur 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 2011
		₹ In Thousand
II CAPITAL RAISED DURING THE YEAR ENDED 31 March 2011		
Public Issue		—
Rights Issue		—
Bonus Issue		—
Private Placement		—
Others		—
		31 March 2011
III POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS AS AT		
Total liabilities		13,988,387
Total assets		13,988,387
SOURCES OF FUNDS:		
Paid-up capital		723,418
Reserves and surplus		13,178,170
Secured loans		—
Unsecured loans		—
Deferred Tax Adjustments		86,799
		13,988,387
APPLICATION OF FUNDS:		
Net Fixed Assets		717,339
Investments		13,574,001
Net Current Assets		(302,953)
		13,988,387
IV PERFORMANCE OF THE COMPANY FOR THE YEAR ENDED 31 March 2011		₹ In Thousand
i) Turnover (sale of products and other income)		1,260,614
ii) Total Expenditure		417,889
iii) Profit before tax and extraordinary items		842,725
iv) Profit after tax		1,883,324
v) Expenses for earlier years		—
vi) Net Profit		1,883,324
vii) Earnings per share ₹ (See Note 2)(Face Value ₹ 5/-)		13.0
viii) Dividend Rate (%)		25%
V PRODUCTS OF THE COMPANY		
Item Code No.:		
Product Description: Financial services and windpower		
(ITC Code)————> Not applicable		

Notes:

- The above particulars should be read along with the balance sheet as at 31 March 2011, the profit and loss account for the year ended on that date and the schedules forming part thereof.
- Earnings 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	Madhur Bajaj Rajiv Bajaj D.J. Balaji Rao S.H. Khan Naresh Chandra	} Directors
Pune: 17 May 2011		

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 Finance Ltd.*	Bajaj Financial Solutions Ltd. (Consolidated)
2	Financial year of the Subsidiary ended on	31 March 2011	31 March 2011	31 March 2011	31 March 2011
3	Holding Company's interest : Equity Share Capital	74%	74%	55.98%	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 ₹ 3202 lakh	Profit ₹ 78221 lakh	Profit ₹ 13013 lakh	Loss ₹ 696 lakh
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 ₹ 38218 lakh	Loss ₹ 1354 lakh	Nil	Loss ₹ 200 lakh
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	₹ 1107 lakh	Nil

* Became a subsidiary from 5 July 2010.

Sonal R. Tiwari
Company Secretary

Pune: 17 May 2011

Rahul Bajaj
Nanoo Pamnani
Sanjiv Bajaj

Chairman
Vice Chairman
Managing Director

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

Directors



Bajaj Finserv Limited
Akurdi Pune 411 035 India
www.bajajfinserv.in