

Bajaj Finance Limited

25th Annual Report 2011-12







Contents

Corporate Information	02
Directors' Report	03
Management Discussion and Analysis	11
Corporate Governance	19
General Shareholder Information	30
Report on Corporate Social Responsibility	37
M RTP Disclosure	44
Auditors' Report	47
Balance Sheet and Statement of Profit & Loss	50

Corporate Information

Board of Directors

Rahul Bajaj
Chairman

Nanoo Pamnani
Vice Chairman

Madhur Bajaj

Rajiv Bajaj

Sanjiv Bajaj

D S Mehta

D J Balaji Rao

Omkar Goswami
(w.e.f. 16 May 2012)

Dipak Poddar

Ranjan Sanghi

Rajendra Lakhotia

Chief Executive Officer

Rajeev Jain

Company Secretary

Anant Damle

Auditors

Dalal & Shah
Chartered Accountants

Bankers

Central Bank of India
State Bank of India
IDBI Bank Limited
Syndicate Bank
Bank of India

Registrar & Share Transfer Agent

Karvy Computershare Private Limited
Plot No.17 to 24, Near Image Hospital,
Vittalrao Nagar, Madhapur,
Hyderabad - 500 081.

Debenture Trustee

GDA Trusteeship Limited
S.No. 94/95, Plot No. 85,
Opp. Kothrud Bus Depot,
Off Paud Road, Kothrud,
Pune - 411 038.

Registered Office

Mumbai-Pune Road,
Akurdi, Pune-411 035.

Corporate Office

4th Floor, Bajaj Finserv Corporate Office,
Off Pune-Ahmednagar Road,
Viman Nagar, Pune-411 014.

Directors' Report

The directors present their twenty fifth annual report and the audited statement of accounts for the year ended 31 March 2012.

Business performance

The gross deployments of the company for the FY2012 were ₹ 15,797 crore as against ₹ 9,435 crore for the FY2011.

Financial results

Particulars	(₹ in Crore)	
	2011-12	2010-11
Income from Operations	2,163.02	1,392.33
Other Income	8.89	13.80
Total	2,171.91	1,406.13
Expenses	657.36	451.00
Loan Losses and Provisions	154.38	204.61
Finance Costs	746.18	371.01
Depreciation	11.77	9.64
Total Expenditure	1,569.69	1,036.26
Profit Before Taxation	602.22	369.87
Tax Expenses	195.78	122.91
Profit for the year after Taxation	406.44	246.96
Balance brought forward from the previous year	215.14	85.25
Profit available for appropriations	621.58	332.21
Appropriations :		
Transfer to Reserve Fund	(81.50)	(49.50)
Transfer to General Reserve	(41.00)	(25.00)
Transfer to Infrastructure Reserve	(0.15)	—
Provision for Proposed Dividend	(49.58)	(36.63)
Provision for Dividend Tax	(8.04)	(5.94)
Balance carried to Balance Sheet	441.31	215.14

Dividend

The directors recommend for the consideration of the shareholders at the ensuing annual general meeting, payment of dividend of ₹ 12 per share of face value of ₹ 10 each (120%) for the year ended 31 March 2012. The amount of dividend and tax thereon aggregates to ₹ 57.62 crore.

Dividend paid for the year ended 31 March 2011 was ₹ 10 per share (100%). The amount of dividend and tax thereon aggregated to ₹ 42.57 crore.

Increase in authorised share capital

During the year, the company increased its authorised capital from ₹ 50 crore divided into 50,000,000 equity shares of ₹ 10 each to ₹ 75 crore divided into 75,000,000 equity shares of ₹ 10 each.

Issue of warrants on preferential basis to promoter, Bajaj Finserv Limited

During the year, pursuant to the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, the company issued 6,000,000 warrants at a price of ₹ 651 per warrant with a right to convert the same into equal number of equity shares to the promoter, Bajaj Finserv Limited.

On 29 March 2012, Bajaj Finserv Ltd. exercised its right of conversion of 4,690,000 warrants out of the said 6,000,000 warrants. Accordingly, 4,690,000 equity shares of face value of ₹ 10 have been allotted to Bajaj Finserv Ltd., taking its shareholding in the company to 60.98% as on 31 March 2012.

Qualified institutions placement (QIP)

At the annual general meeting of shareholders held on 13 July 2011, the shareholders had approved a QIP of upto 7,500,000 equity shares of ₹ 10 each at a price as per the pricing formula prescribed in the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009. However, in view of the unfavourable market conditions, the company did not proceed with the same.

**Increase in
borrowing
powers from
₹ 10,000 crore
to ₹ 20,000
crore**

Increase in borrowing powers

During the year, pursuant to section 293(1)(d) of the Companies Act, 1956 and the Companies (Passing of the Resolution by Postal Ballot) Rules, 2011, the company increased the limit of the borrowing powers of the board of directors from ₹ 10,000 crore to ₹ 20,000 crore, to meet the increasing business requirements.

Working results

The company, during FY2012, deployed a total amount of ₹ 15,797 crore under various products. As against this, during FY2011, the total amount deployed was ₹ 9,435 crore, an increase of 67% over the previous year.

The receivables under financing activity as on 31 March 2012 were ₹ 12,283 crore as compared to ₹ 7,272 crore as on 31 March 2011, an increase of 69% over the previous year.

Total income during FY2012 increased to ₹ 2,172 crore from ₹ 1,406 crore during FY2011, an increase of 54 % over the previous year.

The profit before tax for the year was ₹ 602 crore, as against ₹ 370 crore for the previous year, an increase of 63 % over the previous year. The profit after tax for the year was ₹ 406 crore as compared to ₹ 247 crore for the previous year an increase of 64% over the previous year. This has been due to improvement in net interest margins across businesses, contribution from new lines of businesses, third party fee products distribution and various re-engineering initiatives.

The company's current provisioning standards are more stringent than RBI prudential norms. In line with its conservative approach, the company continues to strengthen its provisioning norms beyond the Reserve Bank of India regulation by accelerating provisioning to an early stage of delinquencies based on the past experience and emerging trends. Consequently, the additional provision over RBI norms and existing provisioning policies aggregates ₹ 19.97 crore for the year under review.

The company had an excellent year aided by strong volume growth in consumer finance, SME finance and commercial lending business lines. During the year, the company launched new products and product variants to enhance product proposition for its customers. The new initiatives included launch of an Existing Member Identification Card (EMI Card) for its consumer durable customers, expansion of unsecured loans to salaried customers, launch of a co-branded credit card with Standard Chartered Bank and a flexible loan proposition for its SME finance and commercial lending business lines. The company also launched an extension of its “0%” interest offering for customers desirous of acquiring lifestyle products such as furniture, home furnishings, fitness equipments, luxury watches etc.

The company also had an excellent year with regard to the quality of its loan book. Its credit loss line dropped by 25% from ₹ 205 crore in FY2011 to ₹ 154 crore in FY2012 despite a significant growth in its receivables. The company exited FY2012 with a net NPA of 0.12%.

**Total income
up by 54% to
₹ 2,172 crore
and PAT up
by 64% to
₹ 406 crore**

Operations

The operations of the company are elaborated in the annexed 'management discussion and analysis' report.

Conservation of energy and technology absorption

The company, being a non-banking finance company, does not have any manufacturing activity. The directors, therefore, have nothing to report on “Conservation of Energy and Technology Absorption”.

Foreign currency

Foreign currency expenditure amounting to ₹ 2.51 crore (previous year ₹ 1.27 crore) was incurred during the year under review. The company did not have any foreign exchange earnings.

Employee stock option scheme

Details required to be provided under Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 are set out in the annexure to this report.

Fixed deposits

During the year under review, the company renewed fixed deposits of ₹ 0.16 crore. Public deposits outstanding at the year-end were ₹ 1.47 crore and the number of depositors were 476. At the end of the financial year under review, there were 50 deposits aggregating ₹ 0.08 crore which matured but remained unclaimed as on that date. The company had written to these depositors and as on date, none of the said depositors have claimed their deposits.

Credit rating

Despite a tough economic environment, the company managed to retain all its credit ratings owing to high capital adequacy, strong promoter support, tightened credit acceptance criteria and robust asset-liability management.

CRISIL has re-affirmed the highest rating of “FAAA/Stable” for the fixed deposit programme of the company. This rating indicates highest degree of safety with regard to timely payment of interest and principal. The company is one of the very few non-banking finance companies (NBFCs) which enjoy the highest rating.

The company also enjoys the highest rating of “CRISIL A1+” from CRISIL and “(ICRA) A1+” from ICRA for short term debt programme for ₹ 2,000 crore and ₹ 1,500 crore respectively.

**Highest
rating for
fixed deposit
& short
term debt
programmes
by CRISIL**

The long term non-convertible debentures have been assigned “CRISIL AA+/Stable” rating by CRISIL and “[ICRA] AA+(Stable)” rating by ICRA indicating high degree of safety with regard to timely payment of interest and principal for an amount of ₹ 3,350 crore and ₹ 3,000 crore respectively.

The company has also been assigned “CRISIL AA+/ Stable” rating by CRISIL and “[ICRA] AA+(Stable)” rating by ICRA for ₹ 700 crore lower tier II bond programme.

As regards the bank loan ratings for the bank facilities stipulated by RBI, as a part of BASEL II guidelines, CRISIL has assigned “CRISIL AA+/Stable” rating for the company's cash credit/ working capital demand loan amounting to ₹ 1,400 crore and long term bank facilities amounting to ₹ 6,275 crore and “CRISIL A1+” rating for the short term bank facilities amounting to ₹ 325 crore.

RBI guidelines

The company continues to fulfill all the norms and standards laid down by the Reserve Bank of India (RBI) pertaining to non-performing assets, capital adequacy, statutory liquidity ratio etc. As against the RBI norm of 15%, the capital adequacy ratio of the company was 17.5% as on 31 March 2012.

In line with the RBI guidelines for Asset-Liability Management (ALM) system for NBFCs, the company has an asset-liability committee which meets monthly to review its ALM risks and opportunities.

Corporate social responsibility

During the FY2012, Bajaj Group continued its corporate social responsibility initiative in various fields. Activities in this area are set out in greater detail in the corporate social responsibility report.

Directors

D S Mehta, Ranjan Sanghi and Rajendra Lakhota, directors, retire from the board by rotation this year and being eligible, offer themselves for re-appointment.

The board of directors has, at its meeting held on 16 May 2012, appointed Omkar Goswami as an additional director of the company. Omkar Goswami will hold the office upto the ensuing annual general meeting. The company has received a notice from a shareholder of the company, under section 257 of the Companies Act, 1956, proposing his candidature as a director at the ensuing annual general meeting. Necessary resolution for this purpose is being proposed in the notice of the ensuing annual general meeting for approval of the shareholders.

As required under clause 49 of the listing agreement with the stock exchanges, the information on the particulars of directors proposed for appointment/re-appointment has been given in the notice of annual general meeting.

In terms of section 255 of the Companies Act 1956, it is proposed to change the status of Rahul Bajaj, Rajiv Bajaj and Sanjiv Bajaj, from retiring directors to non-retiring directors in view of their being part of the promoter group and their long association and involvement in the functioning of the company. Notice of the annual general meeting, accordingly, contains the said items as special business.

Directors' responsibility statement

In compliance of section 217(2AA) of the Companies Act, 1956, the directors state that :

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;

- (ii) the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit of the company for that period;
- (iii) 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;
- (iv) the directors have prepared the annual accounts on a going concern basis.

Presentation of financial statements

Pursuant to notification dated 28 February 2011 issued by the Ministry of Corporate Affairs, the format for disclosure of financial statements prescribed under schedule VI to the Companies Act, 1956 has been substantially revised. The financial statements of the company for the year ended 31 March 2012 have, therefore, been disclosed as per the revised schedule VI. Previous year's figures have also been restated to conform with the current year's presentation.

Statutory disclosures

As required under the provisions of section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, particulars of employees are set out in the annexure to the directors' report. As per the provisions of section 219(1)(b)(iv) of the said Act, this report is being sent to all the shareholders excluding the employee particulars. These particulars will be made available to any shareholder on request.

Directors' responsibility statement as required by section 217(2AA) of the Companies Act, 1956 appears in the foregoing paragraph.

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

Disclosures as prescribed by Non-Banking Financial (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 FY2012 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 FY2012. A declaration to this effect signed by the Chief Executive Officer (CEO) of the company is contained in this annual report.

The CEO and Chief Finance Officer (CFO) have certified to the board with regard to the financial statements and other matters as specified in clause 49 of the listing agreement and the said certificate is included in this annual report.

Auditors' report

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

Auditors

The directors recommend the appointment of 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.

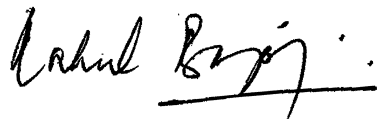
The company has obtained a certificate from Dalal & Shah, Chartered Accountants, to the effect that their re-appointment as auditors of the company, if made, would be within the limits prescribed under section 224 (1B) of the Companies Act, 1956.

Acknowledgement

The board of directors takes this opportunity to express their sincere appreciation for the support and the co-operation from the shareholders, banks, financial institutions and the debenture trustees.

The board of directors also put on record their sincere appreciation of the commitment and hard work put in by the management and employees of the company and thank them for another good year for the company.

On behalf of the board of directors



Rahul Bajaj
Chairman

Pune
16 May 2012

Annexure to the Directors' Report

Disclosure pursuant to the provisions of Securities and Exchange Board of India (Employee Stock Option and Employee Stock Purchase Scheme) Guidelines, 1999, as on 31 March 2012

1. Options granted	834,950
2. Pricing formula	Closing market price one day prior to the date of Grant on the stock exchange with the highest trading volume subject to the condition that exercise price will not be less than the face value of the shares
3. Options vested	151,688
4. Options exercised	5,500
5. Total number of shares arising as a result of exercise of options	5,500
6. Options lapsed	22,750
7. Variation of terms of options	N.A.
8. Money realised by exercise of options	₹ 2,751,875
9. Total number of options in force	806,700
10. Employee wise details of options granted	
(i) Senior managerial personnel	
Sr. no. Name	No. of options granted in
	Grant I Grant II Grant III
1. Rajeev Jain	39,000 39,000 31,700
(ii) Any other employee who receives a grant in any one year of options amounting to 5% or more of options granted during the year	Nil
(iii) Identified employees who were granted options, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant	Nil
11. Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of options calculated in accordance with Accounting Standard (AS) 20 'Earning Per Share':	₹ 110.48
12. Where the company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options, shall be disclosed. The impact of this difference on profits & on EPS of the company shall also be disclosed:	Had compensation cost for the stock options 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:

Annexure to the Directors' Report (Contd.)

Particulars	31 March 2012
Net profit (as reported) (₹ in crore)	406.44
Add : Stock based employee compensation expense included in net income (₹ in crore)	Nil
Less: Stock based compensation expense determined under fair value based method (pro forma) (₹ in crore)	7.57
Net Profit (pro forma) (₹ in crore)	398.87
Basic Earnings per share (as reported) (₹)	110.84
Basic Earnings per share (pro forma) (₹)	108.78
Diluted earnings per share (as reported) (₹)	110.29
Diluted earnings per share (pro forma) (₹)	108.24
13. Weighted average exercise price of options whose	
(i) Exercise price equals market price (₹)	705.15
(ii) Exercise price is greater than market price (₹)	Nil
(iii) Exercise price is less than market price (₹)	Nil
Weighted average fair value of options whose	
(i) Exercise price equals market price (₹)	349.16
(ii) Exercise price is greater than market price (₹)	Nil
(iii) Exercise price is less than market price (₹)	Nil
14. A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted average information	The fair value has been calculated using the Black Scholes Option Pricing model. The assumptions used in the model are as follows:

Date of Grant	28 July 2011	21 July 2010	12 January 2010
(i) Risk-free interest rate	8.27%	7.42%	6.70%
(ii) Expected life	3.5-6.5 years	3.5-6.5 years	1-5 years
(iii) Expected volatility	53.01%	55.38%	54.01%
(iv) Expected dividend yield	1.42%	1.28%	0.62%
(v) The price of the underlying share in market at the time of option grant (₹)	705.15	542.00	358.70

Management Discussion and Analysis

These have been challenging times for India.

For the last eight quarters, the economy has witnessed a steady decline in GDP growth – from 9.4% in January-March 2010 to 6.1% in October-December 2011. Compared to a growth of 8.4% in 2010-11 (or FY2011), the country is expected to grow somewhere between 6.9% and 7.1% in FY2012. That is a stark slowdown in growth, and a far cry from the 9% that we enjoyed for three consecutive years from FY2006 to FY2008.

In such a bearish and uncertain environment, financial markets continued to witness high volatility – driven by the direction of foreign capital flows and movement of industrial production index and inflation. Owing to high inflationary pressures, the Reserve Bank of India (RBI) continued to tighten monetary policy by increasing repo and reverse repo rates five times in FY2012. This was in addition to eight rate hikes that occurred since March 2010.

It was only in the fourth quarter of FY2012 that the RBI relented. In an effort to ease liquidity, it reduced the cash reserve ratio (CRR) in two stages by 125 basis points (bps). And followed it with a 50 bps reduction in repo and reverse repo rates in April 2012, but with a warning that more could be expected only if inflation reduced substantially, and was seen to remain stable at the 5% to 6% level.

Despite these challenges which led to increased borrowing costs in FY2012 for the industry as well as Bajaj Finance, the demand for retail finance remained robust, with the sector witnessing all-round growth. Going forward, retail finance is expected to grow at a healthy pace due to large untapped demand, demographic shift in favour of a younger and more consumption and lifestyle conscious working population which, in turn, should continue to improve affordability and increase the demand for homes as well as consumer white goods and durables.

Non-banking finance companies (NBFCs) are playing a critical role in making financial services accessible to wider set of India's population, and are emerging as strong intermediaries in the retail finance space. Going forward, one should expect NBFCs to further strengthen their presence in retail finance and grow at a healthy pace.

With assets under management of over ₹ 13,100 crore, **Bajaj Finance Limited**[#] is one of the leading, diversified NBFCs in the country. The company delivered excellent results in FY2012. Here are some financial facts:

Bajaj Finance Limited: Performance Highlights, FY2012

Total income	up 54% to ₹ 2,172 crore
Profit before tax	up 63% to ₹ 602 crore
Profit after tax	up 64% to ₹ 406 crore
Deployment	up 67% to ₹ 15,797 crore
Assets under management	up 73% to ₹ 13,107 crore
Receivables under financing	up 69% to ₹ 12,283 crore
Loan losses and provisions	down 25% to ₹ 154 crore
Capital adequacy as on 31 March 2012	17.5% - well above the RBI norms
Capital infusion	₹ 305 crore and preferential share warrant money of ₹ 21 crore

Assets under management up by 73% to ₹ 13,107 crore

[#] In this chapter, Bajaj Finance Limited is interchangeably referred to as 'Bajaj Finance', 'BFL' or 'the company'.

Bajaj Finance continues to focus in the three broad verticals, namely consumer finance, SME finance and commercial lending. The company's product suite in each of these verticals is given below.

Verticals	Product
Consumer Finance	2 Wheeler & 3 Wheeler
	Consumer Durables
	Personal Loan Cross Sell
	Salaried loans
	Co-branded Credit Card
SME Finance	Mortgage
	Business Loans
	Loan Against Securities
	Construction Equipment Finance
Commercial Lending	Infrastructure Finance
	Vendor Financing

The quality of Bajaj Finance's loan book continued to improve throughout current fiscal. The company further strengthened its provisioning standards, and is among the most prudent in the NBFC space. Its net non-performing assets stood at 0.12% as at end of FY2012 – demonstrating strong credit quality. By remaining focused only on customer segments that it understands well, the company expects to maintain its credit quality in the coming years. While the cost of borrowings continued to rise in FY2012, Bajaj Finance continued to strengthen its asset-liability framework by raising longer tenor borrowings. As on 31 March 2012, the company's total borrowings stood at ₹ 10,226 crore.

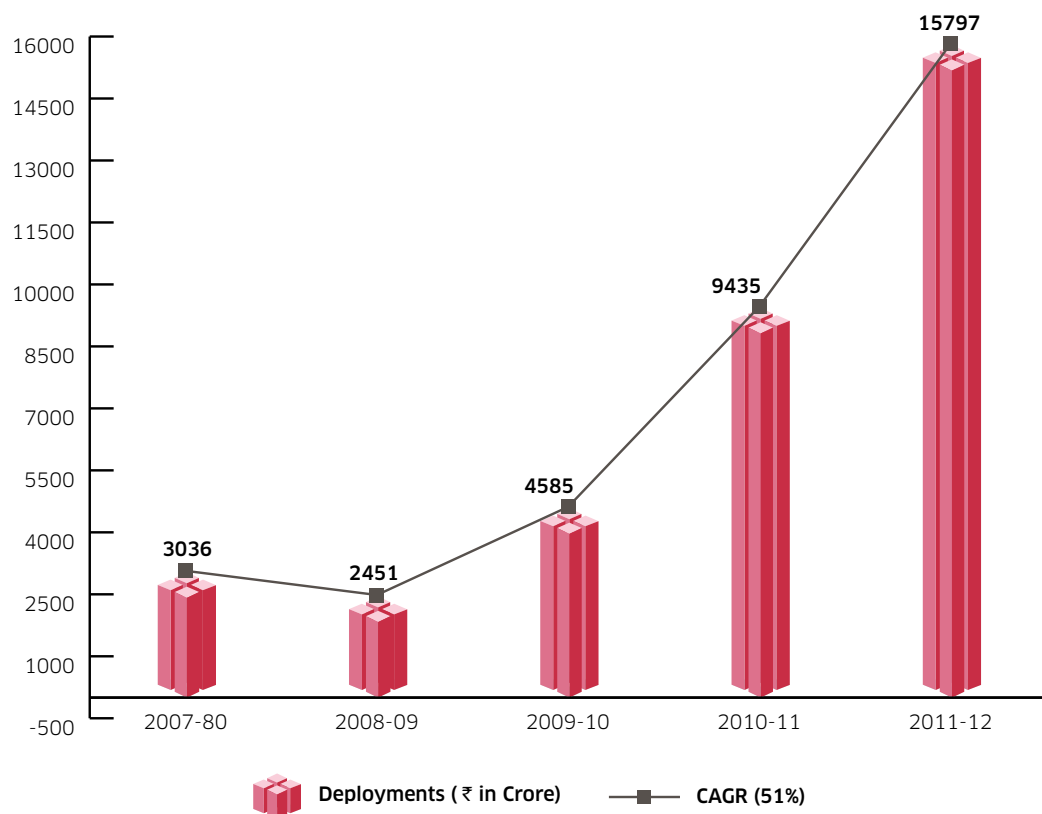
Deployment snapshot

Table 1 gives the deployment mix for FY2012 compared to FY2011, while Chart A plots the company's loan deployments over the last five years.

Table 1: Bajaj Finance's Deployment Mix

Deployment	(₹ in Crore)		
	FY2012	FY2011	Change
Consumer Finance			
2 Wheeler & 3 Wheeler	2,671	2,034	31%
Consumer Durables	3,576	2,262	58%
Personal Loan Cross Sell	586	382	53%
Salaried Loans	207	–	NA
SME Finance			
Mortgage	2,985	1,672	79%
Business Loans	899	663	36%
Loan Against Securities	527	382	38%
Commercial Lending			
Construction Equipment Finance	891	694	28%
Infrastructure Finance	975	–	NA
Vendor Financing	2,480	1,346	84%
TOTAL	15,797	9,435	67%

Chart A : Deployments



Receivables under finance

Table 2 gives the data on the company's receivables under finance.

Table 2: Receivables under Finance

	(₹ in Crore)		
Receivables under finance	FY2012	FY2011	Change
Consumer Finance			
2 Wheeler & 3 Wheeler	2,727	1,953	40%
Consumer Durables	1,282	893	44%
Personal Loan Cross Sell	781	497	57%
Salaried Loans	189	–	NA
SME Finance			
Mortgage	3,605	1,996	81%
Business Loans	967	708	37%
Loan Against Securities	429	308	39%
Commercial Lending			
Construction Equipment Finance	922	591	56%
Infrastructure Finance	733	–	NA
Vendor Financing	648	326	99%
TOTAL	12,283	7,272	69%

Business update

Consumer finance

Two and three-wheeler financing

In FY2012, Bajaj Finance emerged as one of the largest two-wheeler financier in India.

Despite an increase in competitive activity throughout the year with some banks aggressively promoting two-wheeler and three-wheeler loans, the company financed over 650,000 new customers. It operates at 571 Bajaj Auto dealerships as well as over 1,700 of its sub-dealers across the country.

**One of the
largest
two-wheeler
financier in
India**

Over 45% of the customers acquired during the year were under the Direct Cash Collection model. Bajaj Finance has created this model with the rural and semi-urban consumers in mind. It allows customers with low banking habits to obtain a loan from Bajaj Finance by using a cash repayment mode, as opposed to payment via cheques or the ECS method. Employed for over three years, the model has become a unique selling proposition for many of our customers.

Consumer durables financing

Present in the top 79 cities of the country, **Bajaj Finance is now the largest consumer durables financier in India. It helped finance 10% of all consumer electronics sold in the year.** Consumer durable financing deployments grew by 58% to ₹ 3,576 crore in FY2012. Competitive activity remained benign due to high up-front investments required in distribution, technology and processes to compete in this relatively low ticket size, high volume business. **The company acquired more than 1.45 million new customers, and is currently present in over 2,500 points of sale across the country.**

Bajaj Finance strategy of focusing on 'affluent' customers and major dealerships has yielded significant benefits through lower operating costs and improved risk performance. **BFL is currently financing one out of every four LCD and Plasma televisions sold in the country,** and works with all leading consumer durable manufacturers. It continues to invest in cutting edge technology to improve its operating leverage, risk performance and offer better customer experience.

**The largest
consumer
durables
financier in
India**

During the year, Bajaj Finance launched an innovative product offering for its existing consumer durable customers. It now offers, at the time of the first consumer durable loan to its customers, an option to apply for an EMI (Existing Member Identification) card. For all incremental consumer durable loans, the customer will be able to 'Swipe, Sign and Go', subject to the payment performance remaining good. This application processing is the first of its kind in India for a loan product, and should help the company improve its existing customer cross-sell performance. Bajaj Finance has invested in point of sale infrastructure across 2,500 consumer durable retailers.

Personal loan cross sell

This business is present in top 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. While maintaining focus on the balance between business growth and the risk-reward equation, deployments under this category grew by 53% to ₹ 586 crore. The company financed over 86,000 new customers in the current year.

Salaried loans

To diversify its offerings in the consumer finance business, the company launched personal loan offering for salaried employees in the current year. The business targets affluent salaried employees above a threshold salary range employed with leading companies. The company deployed ₹ 207 crore in this vertical during FY2012.

Co-Branded credit card

The company has entered into a strategic partnership with Standard Chartered Bank and launched a co-branded credit card ('Platinum' and 'World Card') for customers with a good repayment track record. Given Bajaj Finance's strength in retail customer acquisition, it is expected that the business will have the potential to generate a sizeable fee income in the future.

SME finance

Mortgage

This business is present in the top 31 cities of India. It targets affluent and high net worth small business and self-employed customers, and offers loans against the mortgage of retail, residential and commercial premises. Loan against property deployments in FY2012 grew by 57% to ₹ 2,259 crore; Home loan deployments grew 213% to ₹ 726 crore. The company has continued not to levy upon its customers any pre-payment or part-pre-payment charges. In Q3 of FY2012, Bajaj Finance launched a new product variant for its SME customers. Called 'Flexisaver', this product offers customers the flexibility to 'draw when they want' and 'pay when they want' without any extra charges – the first of its kind in this space.

Business loans

This business is present in the top 31 cities across India. Deployments grew by 36% to ₹ 899 crore in FY2012. The company's strategy of focusing on carefully chosen affluent small business customers has been extended to include unsecured loans to doctors as well.

Commercial lending

Construction equipment finance

Present in the top 23 cities in India, this business focuses on financing small, mid-sized and large contractors for their construction equipment needs. It is an asset backed financing business collateralised by construction equipment assets. In FY2012, the company deployed ₹ 891 crore.

Infrastructure finance

Bajaj Finance commenced this business in the previous year. Despite a high interest rate scenario and uncertainty in government policy in key areas, infrastructure is a core need of the country. Bajaj Finance has been selective in lending in this sector, and offers Project Finance, Corporate Finance and Mezzanine Debt to infrastructure companies/projects. It disbursed ₹ 975 crore during FY2012, and ended with a receivable book of ₹ 733 crore.

Vendor financing

The business is now three years old and has been growing steadily. It focuses on short and medium term lending needs of vendors of large auto manufacturers. The company deployed ₹ 2,480 crore in this business in FY2012 – comprising short term loans of ₹ 2,161 crore and medium term deployment of ₹ 319 crore.

Financial performance

Table 3 gives the company's financial performance for FY2012 vis-à-vis the previous year, and Chart B and Chart C plot profit after tax and net owned funds respectively over the last five years.

Table 3: BFL's Financial Performance, FY2012 and FY2011

Particulars	₹ in Crore)		
	FY2012	FY2011	Change
Total income	2,172	1,406	54%
Interest and finance charges	746	371	101%
Net interest income	1,426	1,035	38%
Salary cost	190	145	31%
Marketing and other commissions	97	56	73%
Dealer incentives	64	47	36%
Recovery costs	89	58	53%
Loan loss and provisions	154	205	-25%
Depreciation	12	10	20%
Other expenses	218	144	51%
Profit before tax (PBT)	602	370	63%
Profit after tax (PAT)	406	247	64%
Earnings per share (EPS) basic, ₹	110.84	67.47	64%
Earnings per share (EPS) diluted, ₹	110.29	67.47	63%
Book value per share, ₹	492.16	370.76	33%

Chart B : Profit after tax

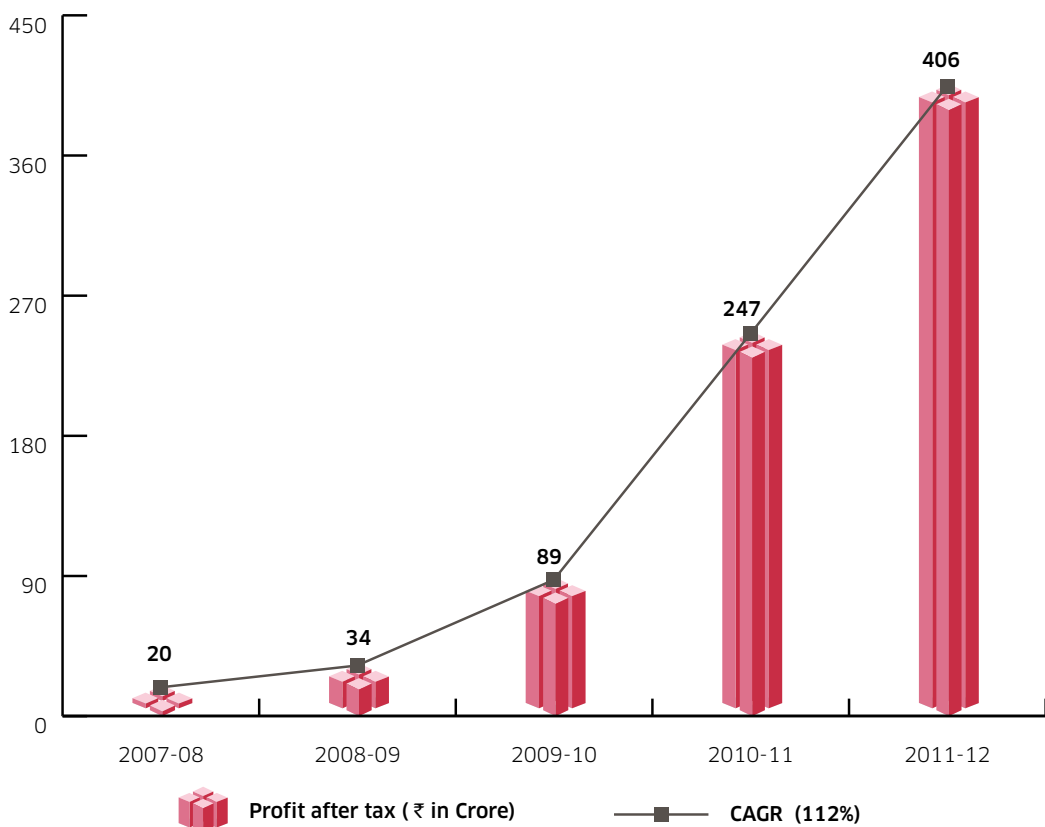
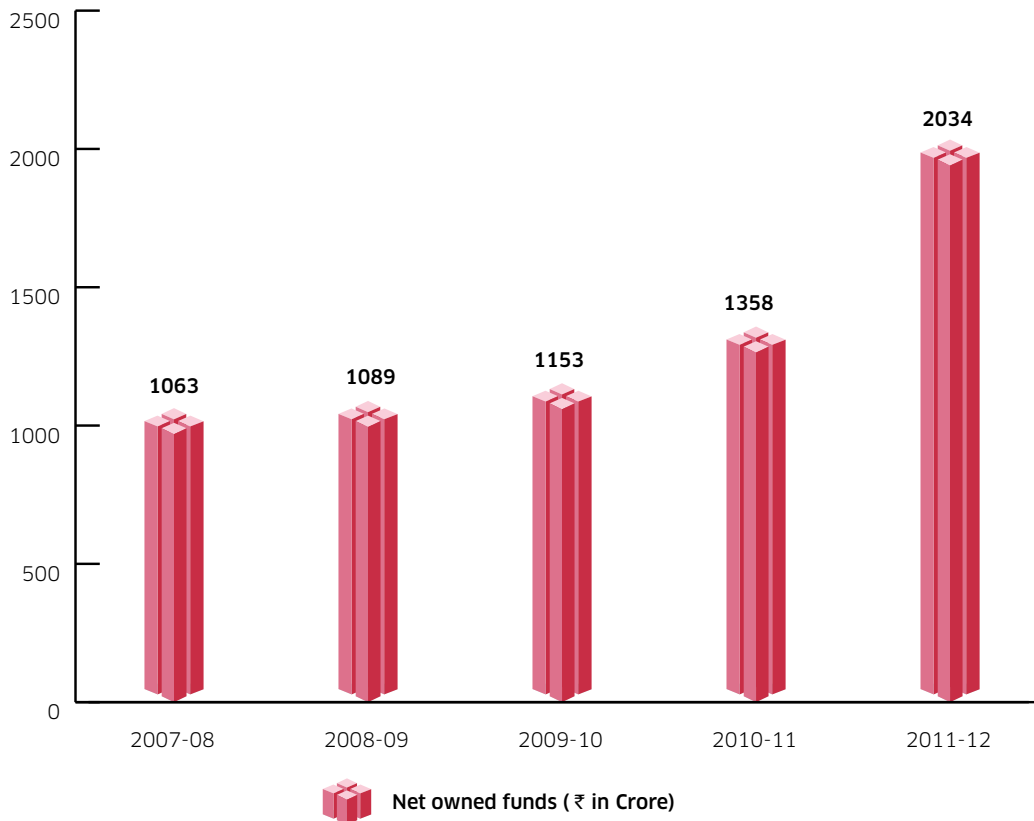


Chart C : Net owned funds



Risk management and portfolio quality

As an NBFC, Bajaj Finance is exposed to credit risk, liquidity risk and interest rate risk. The company has invested in people, processes and technology to 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. Its risk management policies continue to segregate the functions of a Chief Risk Officer and a Chief Credit Officer to focus on portfolio management and underwriting. Sustained efforts to strengthen the risk framework and portfolio quality have yielded significant results over the last few years. **Bajaj Finance ended the year with a net NPA of 0.12%, which is amongst the lowest in the industry.**

The company's assets-liability committee (ALCO), set-up in line with the guidelines issued by the RBI, monitors asset-liability mismatches to ensure that there are no imbalances or excessive concentrations on either side of the balance sheet.

**Net NPA
at 0.12%,
amongst the
lowest in the
industry**

Internal control systems and their adequacy

Bajaj Finance has an independent internal management assurance function which is commensurate with the size and scale of the company. It evaluates the adequacy of all internal controls and processes, and ensures strict adherence to clearly laid down processes and procedures as well as to the prescribed regulatory and legal framework. The company has further strengthened its internal audit function by investing in domain specialists to increase effectiveness of controls. The audit committee of the board of directors reviews the internal audit reports and the adequacy and effectiveness of internal controls.

Fulfilment of RBI's norms and standards

Bajaj Finance fulfils 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, etc. The capital adequacy ratio of the company is 17.5%, which is well above the RBI norm of 15%.

Human resources

The company continues to lay emphasis on people, its most valuable resource. In an increasingly competitive market for human resources, it seriously focuses on attracting and retaining the right talent. It provides equal opportunity to employees to deliver results. During FY2012, Bajaj Finance added 750 permanent employees, taking the total employee strength to 2,184.

Business outlook

Bajaj Finance expects to maintain its performance in FY2013 and hopes to grow at a rate faster than the growth of bank credit. The approach would be to continue the growth momentum while balancing risk. As before, it will be investing in strengthening risk management practices and in maintaining its investment in technology and human resources to consolidate its position as a leading NBFC in India.

Cautionary statement

Statements in this management discussion and analysis describing the company's objectives, projections, estimates and expectations may be 'forward looking' within the meaning of applicable laws and regulations. Actual results may differ from those expressed or implied.

Corporate Governance

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

Given below are the company's corporate governance policies and practices for FY2012. As will be seen, the company'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 independent and non-independent directors to maintain the independence of the board, and to separate the board functions of governance and management.

Composition

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

As on 31 March 2012, the board of the company consisted of ten directors, of whom six were non-executive independent and four were non-executive non-independent. The board has no institutional nominee directors. As Table 1 shows, the company is in compliance with the guidelines.

Non-executive directors' compensation

A sitting fee of ₹ 20,000 per meeting is paid to non-executive directors, including independent directors, for every meeting of the board or committee of the board attended by them.

The shareholders of the company vide a special resolution passed at the annual general meeting held on 9 July 2008 have, by way of an enabling provision, approved the payment of commission of a sum not exceeding one per cent 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 one or more or all non-executive directors as may be decided by the board of directors at its discretion from time to time for a period of five years commencing from 1 April 2007. Necessary resolution for the purpose of obtaining such approval for further period of five years commencing from 1 April 2012 is proposed in the notice of annual general meeting for members' approval.

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 18 January 2011 has approved payment of commission to non-executive directors (independent and non-independent) at the rate of ₹ 25,000 per meeting of board and/or committee attended by them with effect from 1 April 2011, subject to the aggregate being within the overall ceiling of one per cent of the net profits.

The board of directors has also approved, at its meeting held on 26 March 2012, payment of an amount of ₹ 6,500,000 to Nanoo Pamnani, vice chairman, and non-executive independent director, as additional commission for the time devoted by him in attending to the business of the company during the FY2012.

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

Board procedures

During FY2012, the board of directors met six times: on 17 May 2011, 9 June 2011, 13 July 2011, 19 October 2011, 18 January 2012 and 26 March 2012. 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 FY2012

Name of director	Category	No. of board meetings attended	Whether attended AGM
Rahul Bajaj	Chairman, Non-executive	6	Yes
Nanoo Pamnani	Vice-Chairman, Non-executive, Independent	6	Yes
Madhur Bajaj	Non-executive	5	Yes
Rajiv Bajaj	Non-executive	5	Yes
Sanjiv Bajaj	Non-executive	6	Yes
D S Mehta	Non-executive, Independent	4	Yes
D J Balaji Rao	Non-executive, Independent	5	Yes
Dipak Poddar	Non-executive, Independent	5	Yes
Ranjan Sanghi	Non-executive, Independent	6	Yes
Rajendra Lakhotia	Non-executive, Independent	6	Yes

Information supplied to the board

In advance of each meeting, the board is presented with relevant information on various matters related to the working of the company, especially those that require deliberation at the highest level. Presentations are also made to the board by the different functional heads on various issues concerning the company from time to time. The directors have separate and independent access to senior management at all times.

In addition to items which are required to be placed before the board for its noting and/or approval, information is provided on various significant items. In terms of quality and importance, the information supplied by management to the board of the company is far ahead of the list mandated under clause 49 of the listing agreement.

Pursuant to the requirement under the NBFC regulations, the board is also provided with the information on risk management system, risk management policy and strategy followed and compliance with the corporate governance standards. Minutes of asset liability committee meetings are also placed before the board.

Directorships and memberships of board committees

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

Table 2: Directorships/committee positions as on 31 March 2012

Name of director	In listed companies	In unlisted public limited companies	Committee positions	
			As chairman	As member
Rahul Bajaj	4	2	-	-
Nanoo Pamnani	4	-	5	2
Madhur Bajaj	6	1	-	-
Rajiv Bajaj	4	1	-	1
Sanjiv Bajaj	6	4	1	5
D S Mehta	4	-	-	5
D J Balaji Rao	10	-	4	6
Dipak Poddar	5	2	-	4
Ranjan Sanghi	4	2	2	3
Rajendra Lakhotia	2	2	-	-

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/investors grievance committee are considered for the purpose of committee positions as per listing agreement.

None of the director was a member in more than ten committees nor a chairman in more than five committees across all companies in which he was a director.

Review of legal compliance reports

During the year, the board periodically reviewed legal 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 has laid down a code of conduct for all board members and senior management of the company, which has been posted on the website of the company. All the board members and senior management personnel have affirmed compliance with the code for the year ended 31 March 2012. A declaration to this effect signed by the CEO is given elsewhere 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 board of directors set up its audit committee. The board 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 terms of reference 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. These broadly include review of financial statements, review of compliances and review of systems and controls etc.

The present audit committee consists of the following directors:

1. Nanoo Pamnani, Chairman
2. Sanjiv Bajaj
3. D S Mehta
4. Ranjan Sanghi

In compliance with clause 49 of the listing agreement, three members of the audit committee including Chairman are independent directors. All the members are non-executive directors and are financially literate and have accounting or related financial management expertise.

Meetings and attendance

During FY2012, the audit committee met four times:

17 May 2011, 13 July 2011, 19 October 2011 and 18 January 2012.

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, executives considered necessary for providing inputs to the committee and representatives of the statutory auditors. The company secretary acted as the secretary to the audit committee.

Table 3: Composition of the audit committee and attendance record of members for FY2012

Name of director	Category	Meetings attended
Nanoo Pamnani	Chairman, Non-executive & Independent	4
Sanjiv Bajaj	Non-executive	4
D S Mehta	Non-executive & Independent	3
Ranjan Sanghi	Non-executive & Independent	4

Disclosures

A summary statement of transactions with related parties was placed periodically before the audit committee during the year. During the year under review there were no materially significant related party transactions that may have potential conflict with the interest of the company at large. Suitable disclosures have been made in the financial statements, together with the management's explanation in the event of any treatment being different from that prescribed in accounting standards.

At its meeting held on 21 May 2008, the board laid down procedures to inform it of the company's risk assessment and minimisation procedures. These are periodically reviewed to ensure that management identifies and controls risk through a properly defined framework.

As reported in directors' report, during the year, the company issued 6,000,000 warrants on preferential basis to the promoter, Bajaj Finserv Ltd. out of which 4,690,000 warrants were converted into equal number of equity shares on 29 March 2012. There were no public issues and right issues during the year.

Remuneration and nomination committee

The terms of reference of the remuneration and nomination committee in brief pertain to, inter-alia, determining the company's policy on and approve specific remuneration packages for executive director(s)/manager under the Companies Act, 1956 after taking into account financial position of the company, trend in the industry, qualification, experience, past performance, past remuneration, interest of the company and shareholders.

The remuneration and nomination committee also acts as compensation committee for implementation of Employee Stock Option Scheme 2009.

During the year the committee met on 17 May 2011, 13 July 2011 and 28 July 2011.

Composition of the committee as on 31 March 2012 was as under:

Name of director	Category	Meetings attended
Nanoo Pamnani	Chairman, Non-executive & Independent	3
Rahul Bajaj	Non-executive	3
Sanjiv Bajaj	Non-executive	3
Ranjan Sanghi	Non-executive & Independent	2
Rajendra Lakhotia	Non-executive & Independent	2

Remuneration of directors

Pecuniary relationship or transactions of non-executive directors

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

Criteria of making payments to non-executive directors

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

The criteria of making payments to non-executive directors has been put on the company's website www.bajajfinservlending.in

Non-executive directors

All non-executive directors are paid sitting fees and commission and one independent director is paid additional commission as separately stated in this report.

The company currently has no stock option plans for any of its directors. During the year under review, none of the directors was paid any performance-linked incentive. In FY2012, the company did not advance any loans to any of the non-executive directors. Table 4 gives details of the remuneration paid or payable to directors during FY2012.

Table 4: Remuneration paid/payable to directors during FY2012

Amount in ₹

Name of director	Relationship with other directors	Sitting fees	Salary & perquisites	Commission for attending board/committee meetings	Commission	Total
Rahul Bajaj	Father of Rajiv Bajaj & Sanjiv Bajaj	180,000	–	225,000	–	405,000
Nanoo Pamnani	–	280,000	–	350,000	6,500,000	7,130,000
Madhur Bajaj	–	100,000	–	125,000	–	225,000
Rajiv Bajaj	Son of Rahul Bajaj & brother of Sanjiv Bajaj	100,000	–	125,000	–	225,000
Sanjiv Bajaj	Son of Rahul Bajaj & brother of Rajiv Bajaj	280,000	–	350,000	–	630,000
D S Mehta	–	160,000	–	200,000	–	360,000
D J Balaji Rao	–	100,000	–	125,000	–	225,000
Dipak Poddar	–	100,000	–	125,000	–	225,000
Ranjan Sanghi	–	260,000	–	325,000	–	585,000
Rajendra Lakhotia	–	160,000	–	200,000	–	360,000

Details of shares and convertible instruments held by non-executive directors as on 31 March 2012

Name of director	Number of shares	Number of convertible instruments
Rahul Bajaj	16,000	–
Madhur Bajaj	16,000	–
Rajendra Lakhotia	92,234	–

Management

Management discussion and analysis

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

Disclosure of material transactions

Under clause 49, senior management is required to make disclosures to the board relating to all material, financial and commercial transactions where they had (or were deemed to have had) personal interest that might have been in potential conflict with the interest of the company. Provision regarding the above has been adhered to.

Compliances regarding insider trading

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

Shareholders

Appointment / re-appointment of directors

According to the Companies Act, 1956, at least two-third of the board should consist of retiring directors. Of these, one third are required to retire every year and, if eligible, may seek re-appointment by the shareholders. Accordingly, D S Mehta, Ranjan Sanghi and Rajendra Lakhotia retire from the board by rotation this year and being eligible, offer themselves for re-appointment.

The board of directors has, at its meeting held on 16 May 2012, appointed Omkar Goswami as an additional director of the company. Omkar Goswami will hold the office upto the ensuing annual general meeting. The company has received a notice from a member of the company, under section 257 of the Companies Act, 1956, proposing his candidature as a director at the ensuing annual general meeting. Necessary resolution for this purpose is being proposed in the notice of the ensuing annual general meeting for members' approval.

Brief profile of the directors proposed to be appointed/re-appointed are given in the notice convening the ensuing annual general meeting of the company.

Rahul Bajaj, Rajiv Bajaj and Sanjiv Bajaj were appointed retiring directors in the earlier annual general meetings. Subject to the approval of the shareholders and pursuant to section 255 of the Companies Act, 1956, it is proposed to change their status to non-retiring directors in view of their being part of the promoter group and their long association and involvement in the functioning of the company.

Communication to shareholders

Quarterly, half yearly and annual financial results are published in Business Standard (all editions) and Kesari (Pune edition). An abridged version of the financial results is also published in Mint (all editions), Hindustan Times (all editions), Hindu Business Line (all editions), Financial Express (all editions) and Economic Times (all editions). The company also sends the half-yearly financial results, along with a detailed write-up, to all shareholders.

The company has a website, www.bajajfinservlending.in which contains all important public domain information including presentations made to the media, analysts and institutional investors. The website also contains information on matters concerning the shareholders and details of the corporate contact persons. All financial and other vital official news releases are also communicated to the concerned stock exchanges, besides being placed on the company's website.

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. 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 www.corpfiling.co.in as specified by SEBI:

- Full version of the annual report including the balance sheet, statement of profit and loss, directors' report and auditors' report, cash flow statement and quarterly financial statements
- Corporate governance report
- Shareholding pattern

Information on general body meetings

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

22nd AGM	15 July 2009	at 11.30 a.m.
23rd AGM	21 July 2010	at 12.00 noon
24th AGM	13 July 2011	at 12.00 noon

Details of special resolution(s) passed at the last three years' annual general meetings (AGM) and postal ballot

I. Special resolution passed at the previous three annual general meetings:

At the 24th AGM held on 13 July 2011, three special resolutions were passed pertaining to:

- Issue of equity shares to qualified institutional buyers
- Preferential issue of warrants to the promoter, Bajaj Finserv Ltd., and
- Re-appointment of Rajeev Jain as 'Manager' under the Companies Act, 1956

At the 23rd AGM held on 21 July 2010, one special resolution was passed, pertaining to the change in the name of the company

At the 22nd AGM held on 15 July 2009, one special resolution was passed for incorporating new articles in the articles of association of the company

II. During the year no special resolution was passed through postal ballot

III. No special resolution is proposed to be passed through postal ballot at this annual general meeting

Material disclosure of related party transactions

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

Details of capital market non-compliance, if any

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

Shareholders/investors grievance committee

The shareholders/investors grievance committee has been constituted to specifically look into the shareholders/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 as on 31 March 2012:

1. Sanjiv Bajaj, Chairman
2. Nanoo Pamnani
3. D S Mehta
4. Ranjan Sanghi

During the year under review, the committee met on 26 March 2012 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.

Unclaimed shares

SEBI vide its circular no. CIR/CFD/DIL/10/2010 dated 16 December 2010 amended clause 5A of the listing agreement by inserting a para prescribing an uniform procedure for dealing with physical unclaimed shares pursuant to public issue or any other issue. Accordingly, the company sent the reminders to the concerned shareholders on 31 March 2011, 13 May 2011 & 28 June 2011 by registered post AD. After taking into account the responses received by the company to such reminders, the company had arrived at the final list of shareholders with unclaimed shares. Such unclaimed shares aggregating to 900 (Nos.) pertaining to 9 shareholders were transferred to a demat account titled "Bajaj Finance Limited - Unclaimed Suspense Account" with HDFC Bank Ltd., Pune. As and when the concerned shareholders claim their shares from the company, the company will, after proper verification, transfer the same to them. Till date none of the said 9 shareholders have claimed their shares.

More details on this subject have been furnished in the chapter on 'general shareholder information'.

Certification from CEO & CFO

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 FY2012.

Auditors' certificate on corporate governance

The company has obtained a 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 report.

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:

The board

The non-executive chairman has an office at the company's premises. All independent directors of the company, except D S Mehta, Ranjan Sanghi and Rajendra Lakhota have tenures not exceeding a period of 9 (nine) years on the board. The board believes that their continuation on the board is in the company's interest.

Remuneration committee

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

Shareholder rights

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

Audit qualifications

There are no qualifications on the financial statements of the company for FY2012.

Whistle blower policy

The company has a whistle blower policy. This policy is to enable employees to report to the management their concerns about unethical behaviour, actual or suspected fraud or violation of company's code of conduct or ethics policy. This mechanism provides safeguards against victimisation of employees, who avail of the mechanism. This also provides for direct access to the chairman of the audit committee in exceptional cases. The policy has been appropriately communicated to the employees within the organisation. The same has been put on the company's website www.bajajfinservlending.in.

None of the employees has been denied access to the audit committee under this policy during the year under review.

Auditors' certificate regarding compliance of conditions of corporate governance

To the members of
Bajaj Finance Limited

We have examined the compliance of conditions of corporate governance by Bajaj Finance Limited, for the year ended 31 March 2012, as stipulated in clause 49 of the listing agreement(s) of the said company with stock exchange(s) in India.

The compliance of conditions of corporate governance is the responsibility of the company's management. Our examination was carried out in accordance with the guidance note on certification of corporate governance (as stipulated in clause 49 of the listing agreement), issued by the Institute of Chartered Accountants of India and was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

We certify that the company has complied with the conditions of corporate governance as stipulated in the above mentioned listing agreement.

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

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

Anish Amin
Partner
Membership Number:40451
Pune: 16 May 2012

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

To,

The Board of Directors,
Bajaj Finance Limited

We, Rajeev Jain, CEO and Pankaj Thadani, CFO of Bajaj Finance Limited, certify:

1. That we have reviewed the financial statements and the cash flow statement for the year ended 31 March 2012 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.

Rajeev Jain
Chief Executive Officer

Pankaj Thadani
Chief Finance Officer

Pune : 16 May 2012

Declaration on Code of Conduct

To,

The Board of Directors,
Bajaj Finance Limited

I, Rajeev Jain, Chief Executive Officer of Bajaj Finance Limited hereby declare that all the board members and senior managerial personnel have affirmed, for the year ended 31 March 2012, compliance with the code of conduct of the company laid down for them.

Pune : 16 May 2012

Rajeev Jain
Chief Executive Officer

General Shareholder Information

25th annual general meeting

Date	17 July 2012
Time	12 Noon
Venue	Registered office of the company at Mumbai - Pune Road, Akurdi, Pune - 411 035.

Financial calendar for the FY2013

Unaudited first quarter financial results	July 2012
Unaudited second quarter financial results	October 2012
Unaudited third quarter financial results	January 2013
Audited annual results	May 2013
Mailing of annual reports	June 2013
Annual general meeting	July 2013

Dividend

The board of directors of the company has proposed a dividend of ₹ 12 per equity share of the face value of ₹ 10 (120%) for the financial FY2012, subject to approval by the shareholders at the annual general meeting. Dividend paid in the previous year was ₹ 10 per equity share (100%).

**Proposed
a dividend
of ₹ 12
per equity
share (120%)**

Dates of book closure

7 July 2012 to 17 July 2012 (both days inclusive)

Date of dividend payment

The payment of dividend, upon declaration by the shareholders at the forthcoming annual general meeting, will be made between 23 July 2012 to 25 July 2012 -

- to all those beneficial owners holding shares in electronic form, as per the ownership data made available to the company by National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL) as of the end-of-the-day on Friday, 6 July 2012; and
- to all those shareholders holding shares in physical form, after giving effect to all the valid share transfers lodged with the company on or before the closing hours on Friday, 6 July 2012.

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 secretarial department of the company.

Unclaimed dividend

Unclaimed dividends upto FY1995 have been transferred to the general revenue account of the Central Government. Those who have not encashed their dividend warrants for the period prior to and including FY1995 are requested to claim the amount from Registrar of Companies, Maharashtra, Pune, PMT Building, Deccan Gymkhana, Pune 411 004.

As per section 205C of the Companies Act, 1956, any amount 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. Accordingly, the unpaid/unclaimed dividend amount for the years FY1996 to FY2004 were transferred by the company to the said fund in the years 2004 to 2011. No claim shall lie against the fund or the company in respect of the amounts so transferred.

Unpaid/unclaimed dividend for FY2005 shall become transferable to the said fund in September 2012. Shareholders are requested to verify their records and send claim, if any, for FY2005, before the amount becomes due for transfer to the fund.

Registrar and share transfer agent

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

Share transfer system

Share transfers received by the company and the share transfer agent are registered within 12 working days from the date of receipt, provided the documents are complete in all respects. Total number of shares transferred in physical category during FY2012 was 8,499 shares.

Dematerialisation of shares

During FY2012, 35,603 shares were dematerialised. Distribution of shares as on 31 March 2012 is given in Table 1.

Table 1: Shares held in physical and electronic mode

	Position as on 31 March 2012		Position as on 31 March 2011		Net change during FY2012	
	No. of shares	% of total shares	No. of shares	% of total shares	No. of shares	% of total shares
Physical	433,468	1.05	469,071	1.28	(35,603)	(0.23)
Demat:						
NSDL	40,167,122*	97.21	35,298,468	96.37	4,868,654	0.84
CDSL	718,486	1.74	861,537	2.35	(143,051)	(0.61)
Sub Total	40,885,608	98.95	36,160,005	98.72	4,725,603	0.23
TOTAL	41,319,076	100.00	36,629,076	100.00	4,690,000	

* Includes 4,690,000 equity shares allotted to Promoter – Bajaj Finserv Limited against conversion of warrants as on 29 March 2012, demat credit for which has been given on 24 April 2012 on receipt of requisite approval from BSE and NSE.

Stock code

1. BSE Ltd.	500034
2. National Stock Exchange of India Ltd.	BAJFINANCE -EQ
3. ISIN for depositories (NSDL & CDSL)	INE296A01016

Listing on stock exchanges

Name	Address
1. BSE Ltd. (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

Annual listing fees as prescribed have been paid to the above stock exchanges upto 31 March 2013.

Market price data:

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

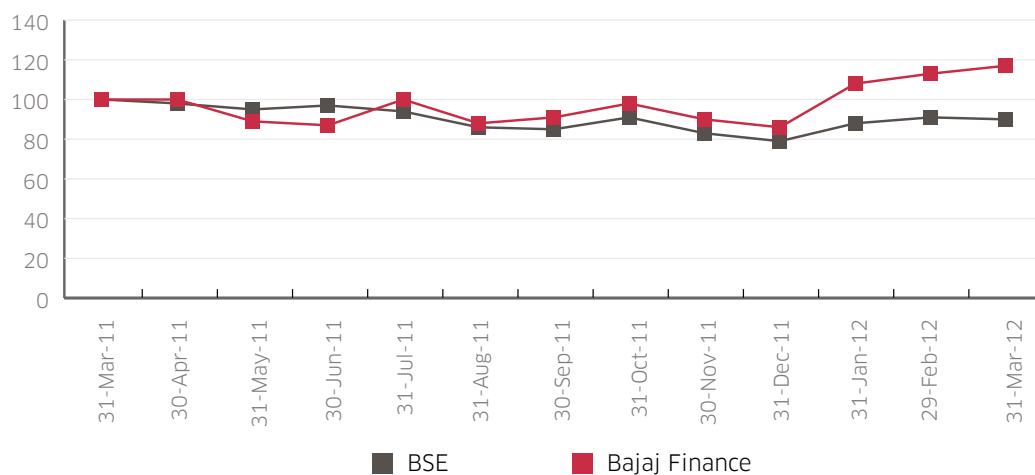
Table 2: Monthly highs and lows of Bajaj Finance Limited shares during FY2012

(₹ vis-à-vis Sensex)

Month	BSE		NSE		Closing BSE Sensex
	High	Low	High	Low	
Apr - 11	720.30	697.85	721.45	699.40	19,135.96
May - 11	694.60	590.85	691.20	595.05	18,503.28
Jun - 11	636.55	570.90	635.60	566.10	18,845.87
Jul - 11	738.20	618.40	738.30	618.60	18,197.20
Aug - 11	709.80	614.70	711.90	611.85	16,676.75
Sept - 11	654.35	623.55	653.75	624.90	16,453.76
Oct - 11	698.80	619.25	696.50	622.55	17,705.01
Nov - 11	711.60	630.05	711.55	630.35	16,123.46
Dec - 11	661.65	600.25	663.25	606.15	15,454.92
Jan - 12	751.85	589.55	750.65	590.00	17,193.55
Feb - 12	825.40	765.75	822.60	761.50	17,752.68
Mar - 12	817.65	762.05	819.05	762.30	17404.20

Chart : Performance in comparison to BSE sensex

Bajaj Finance Limited stock performance vs BSE sensex



Distribution of shareholdings

Table 3 gives details about the pattern of shareholding among various categories as on 31 March 2012 and 31 March 2011, while Table 4 gives the data according to size classes as on 31 March 2012.

Table 3: Distribution of shareholding across categories

Categories	31 March 2012		31 March 2011	
	No. of Shares	% to total capital	No. of Shares	% to total capital
Promoter & Promoter Group	25,228,169	61.06	20,538,169	56.07
Resident Individuals	4,744,770	11.48	4,843,857	13.22
Domestic Companies	2,342,109	5.67	2,566,969	7.01
Financial Institutions/Banks/Mutual Funds	4,960,001	12.00	4,603,368	12.57
Foreign Institutional Investors	2,041,363	4.94	2,021,423	5.52
Foreign Corporate Bodies	1,656,000	4.01	1,656,000	4.52
Non Resident Individuals	225,555	0.55	318,106	0.87
Others	121,109	0.29	81,184	0.22
TOTAL	41,319,076	100.00	36,629,076	100.00

Table 4: Distribution of shareholding according to size class as on 31 March 2012

Range of holding	No. of shareholders	% to total shareholders	No. of Shares held	% to total shares
1 - 100	10,629	69.54	666,201	1.61
101 - 500	3,429	22.44	793,749	1.92
501 - 1000	519	3.40	397,257	0.96
1001 - 10000	586	3.83	1,802,282	4.36
10001 - 50000	86	0.56	1,859,343	4.50
50001 - 100000	16	0.10	1,072,040	2.59
100001 and above	19	0.13	34,728,204	84.06
TOTAL	15,284	100.00	41,319,076	100.00

Shareholders and investors grievances

The board of directors of the company currently has a shareholders/investors grievance committee consisting of four directors to specifically look into the shareholders/investors complaints on various matters. 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. As on 31 March 2012 there was no pending issue to be addressed or resolved. During the year, there were 14 complaints received 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 participants as per the bye-laws and business rules applicable to NSDL and CDSL.

Outstanding convertible instruments

As reported in the directors' report, there are 1,310,000 outstanding warrants, allotted to the promoter, Bajaj Finserv Limited, convertible into one equity share of face value of ₹ 10 on or before 27 January 2013.

Address for correspondence

Investors and shareholders can correspond with the share transfer agent or the company at the following address:

Share transfer agent

Karvy Computershare Private Limited

Unit : Bajaj Finance 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
Email id: mohsin@karvy.com
Website: www.karvy.com

Company

Registered Office

Bajaj Finance Limited
Mumbai-Pune Road,
Akurdi, Pune - 411 035.

Corporate Office

Secretarial Department
4th Floor, Bajaj Finserv Corporate Office,
Off Pune - Ahmednagar Road,
Viman Nagar, Pune 411 014
Tel. No. (020) 30405060
Fax No. (020) 30405020/30
Email id: investor.service@bajajfinserv.in
Website: www.bajajfinservlending.in

Additional information

1. The company, during the year under review, has not sanctioned any loan to any of the directors and there is no outstanding towards loans to directors as on date.
2. None of the employees of the company is related to any of the directors of the company.
3. From the date of the balance sheet till the date of this report, there is no significant event which will have an impact on the performance of the company during FY2012.
4. Profile of fixed deposits as on 31 March 2012 was as under:

Period of deposit (months)	No. of depositors	Amount (₹)	% to total deposits
36	476	14,692,000	100%

Report on Corporate Social Responsibility (CSR)

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

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

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

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

A) Through Group Trusts

1. Jamnalal Bajaj Foundation (JBF-Foundation)

In 1976, the Jamnalal Bajaj Foundation was established to promote Gandhian constructive programmes and assist constructive workers devoted to the national cause.

Awards

The Foundation gives four 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 upliftment and welfare of women and children. The fourth 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.

Other charitable activities

The Foundation has given donations to various Institutions/NGOs from time to time to strengthen their various community welfare activities and charitable objectives of welfare of general public utility based on Gandhian philosophy and ideals. Special mention must be made of the Foundation's project to provide financial assistance to widows of farmers who had committed suicide in the Vidarbha region of Maharashtra.

2. Janakidevi Bajaj Gram Vikas Sanstha (JBGVS)

Rural and Community Development Activities and Empowerment of Women

The group continued with its rural development activities through JBGVS in Pune, Aurangabad and Wardha districts of Maharashtra, and Sikar district of Rajasthan. JBGVS aims at integrated development of 75 villages, to be carried out by the villagers themselves, and under their own leadership by forging partnerships with the Government, local institutions and NGOs. This year, JBGVS has started working in 90 villages of Wardha district in association with local NGOs on specific need based projects such as natural farming, sanitation, etc.

During the year, JBGVS implemented several programmes to strengthen primary education and primary health care, improve socio-economic conditions, and develop the environment. Out of a total of 39,000 beneficiaries through our programmes, about 75% were from economically weaker sections. Of these, 16,400 beneficiaries belong to socially backward sections (5,900 Scheduled Caste & 10,500 Scheduled Tribe), 2,600 to Nomadic Tribe and 5,560 to Other Backward Classes. The focus of all the initiatives has been to provide support to economically weak and socially neglected communities, i.e., schedule caste, scheduled tribes, and families below the poverty line.

Primary Education

Primary education has been the major area of intervention in the villages. Support has been provided for infrastructure development in primary schools and anganwadis (pre-primary schools). School rooms have been repaired and furniture and equipment have been provided to both primary and pre-primary schools. Special efforts were taken to check malnutrition by conducting awareness and training programmes for mothers on the importance of breast feeding, nutritious food using local materials, special check up camps, supporting VCDs, etc. Non-formal educational programmes for children in primary schools were organised by involving secondary school students from the villages. These programmes are aimed at generating interest in education among children. Through various short programmes, teachers and parents were motivated to actually participate and improve the quality of education. Special programmes on health related issues and HIV/AIDS were organised for adolescent boys and girls in the schools.

Primary Health Care

JBGVS attaches a lot of importance to its community health initiatives and follows the philosophy 'Prevention is better than cure'. Programmes such as Mother & Child Health (MCH), health check up camps, mobile clinic service, hygiene and sanitation programs, etc. were organised with the help of trained village level health workers. In the JBGVS villages of Aurangabad, six health check up camps were organised for BPL families only, in association with Kamalnayan Bajaj Hospital, Aurangabad; 305 patients were examined in these camps. The idea was to screen and detect complicated cases and provide free treatment at Kamalnayan Bajaj Hospital; 32 patients have been provided this benefit under these programmes. During the year, 30 HIV/AIDS awareness programmes were organised, in which 1,250 women participated.

Economic Development

Agriculture is the main occupation in the villages where JBGVS works. Programmes like soil testing, demonstration plots for improved variety seeds and fertilizers, improved agricultural practices, natural farming, promotion of horticulture, etc. were implemented in all the project areas. Various types of farm and non-farm based vocational training programmes, such as dairy, poultry, goatery, two wheeler repairing, fashion designing, etc. were organised. A few such programmes were organised exclusively for 34 SC/ST youths. Of the 34 youths participating in the two wheeler repairing course, 12 were sent to Om Sai Service Station, Pune for onsite training. In Wardha, JBGVS has been working in partnership with Magan

Sangrahalaya Samiti to promote natural farming. This will help reduce the cost of inputs in agriculture. During the year, 750 farmers registered to start natural farming.

In Kasi ka bas village of Sikar district, a revolving fund of ₹ 105,000 has been created with support from JBGVS. During the year, 90 women have taken loans of ₹ 9 lakh for various income generation activities, like goatery, grocery shops, tea stalls, trading of incense sticks (agarbatti), etc. The focus of all economic development programmes has been to generate gainful self employment amongst youth and women at the grass-root level.

Environmental Development

Under this programme, soil and water conservation, plantation, and horticulture based livelihood development amongst tribal families have been implemented. The Central Government supported DPAP (Drought Prone Area Programme) which was started in FY2004 came to an end on 31 March 2012. During the year, various treatments like continuous contour trenches, farm bunds, cement nala bunds, Vanarai bandhara, etc. were carried out on 2,525 Hectares of land to increase productivity. Under the Aamrai project, supported jointly by National Bank for Agriculture & Rural Development (NABARD) and JBGVS, 448 tribal families were benefitted.

A total of 393.5 acres of waste land was brought under horticulture plantation. In Bhojankheda village, Wardha, water conservation work was carried out in a nala, which resulted in higher storage capacity (around 6TCM) and increased water level up to 5 ft. in five wells downstream. This will help solve the drinking water problem in the village and irrigate about 60-70 acres of land.

Social Development

Local leadership plays a very important role in the development of villages. During the year, JBGVS organised various types of leadership development programmes for local youth, women, and adolescent girls and boys. Under the youth programme, support was provided for sports competitions and sports equipment. Support was also provided to promote local culture and celebrate various festivals. Women Self Help Groups (SHG) were formed and motivated to take up village development activities in addition to their regular saving and credit programmes. During the year, 15 new SHGs consisting of 160 women were formed.

Urban Development

Samaj Seva Kendra (SSK) is the urban development wing of JBGVS. It has a total membership of 1,050 families. SSK provides facilities for social, educational, cultural and economic development to the residents of Akurdi, Nigadi and adjoining areas. During the year, various types of programmes were carried out, such as pre-primary classes, balbhavan, literacy, tailoring, yoga, karate, tabla and harmonium, classical and western dance, senior citizen programmes, etc. The summer camp for school children got a very good response, with 374 children attending in two batches. A library was also started with initial stock of 550 books on subjects ranging from fiction and autobiographies to tailoring, nutrition, health care, etc. In future the library will be developed as a resource centre, catering to the needs of school children, youth, women and senior citizens. A few vocational training programmes like beauty parlour, basic tailoring, fashion designing, and mobile handset repairing were also conducted. About 100 youth, mostly women, benefitted from these programmes.

3. Group Trusts for Colleges

Shiksha Mandal

Founded in 1914 by Late Shri Jamnalal Bajaj, Shiksha Mandal, Wardha runs seven colleges in Wardha/Nagpur, with around 10,000 students. These include colleges for commerce, science, agriculture, engineering (polytechnic), and rural services. Shiksha Mandal's mission is to provide high quality education at an affordable cost. It was set up to develop human resources for national development and it strives to fulfil its mandate.

All the colleges are in the throes of development, both academic and infrastructural. Ramkrishna Bajaj College of Agriculture was recently rated as 'A' by its affiliating University. ASTN Engineering Polytechnic has invested ₹ 1.6 crore to double its space and upgrade its laboratories. JB College has a new Biotechnology and Microbiology Lab, and a Girls' Hostel. Ten Shiksha Mandal faculty members received project grants in the year FY2012, as against three last year. Almost 30% of the faculty in the colleges are Ph.Ds. During FY2012, they produced over 68 papers in journals and 15 books.

The topper in the XII Commerce Board Exam from Vidarbha was from its GS College, Nagpur, as was the topper in Nagpur University's MBA course.

Guidance for appearing in the Common Proficiency Test of the Institute of Chartered Accountants of India was started at GS College, Wardha and a 50% result was achieved in it, compared to 20% nationally and 2% in Wardha. Similar results were achieved at GS College, Nagpur. A vegetable vendor's daughter and an autorickshaw driver's daughters were amongst the qualifiers. Meritorious students from low income families are given full remission of fees.

In FY2012, three of its students won medals at the national level in power lifting. Over 40 students represented the University and 30 students represented Maharashtra in various sporting events.

Shiksha Mandal has a very strong National Service Scheme (NSS) culture, and camps are held in villages. Students built a house for a destitute woman during one such camp this year.

Eminent alumni of Shiksha Mandal include Shri Nitin Gadkari, Shri Harish Salve, Justice Ravi Deshpande, Shri Udayan Sen (CEO Deloitte India), Shri Ramesh Chandak (MD KEC International), and Shri Jaydeep Shah (President ICAI).

A new Bajaj Institute of Technology is being planned at Wardha. It is expected to cost ₹ 50 crore, which is being funded by Bajaj Trusts. A retired General Manager from Bajaj Auto has been given responsibility for its development. The Institute is expected to set new standards in developing industry-ready students. Bajaj Group Trusts have donated ₹ 13.5 crore to Shiksha Mandal in the last four years. Refer web link www.shikshamandal.org

Bajaj Science Centre

Functioning for the last five years, Bajaj Science Centre (BSC) nurtures a culture amongst school children of learning science through experiments. Its value is now clearly understood. For its 230 vacancies this year 1,160 students gave the entrance test compared to 835 students last year. BSC had 486 students participating in its programs during FY2012; some of them won prestigious scholarships/awards.

Dr. Anil Kakodkar, Ex-Chairman, Atomic Energy Commission and Chairman, Rajeev Gandhi Science and Technology Commission, visited BSC to understand its functioning and explore the possibility of establishing similar institutions at the district level in Maharashtra.

A new four-day training programme for science teachers, aimed at improving the teaching of science in schools, was started; 20 teachers from various schools, mostly outside Wardha, participated in it. Bajaj Trusts spent ₹ 20 lakh on BSC during FY2012.

Institute of Gandhian Studies (Gandhi Vichar Parishad)

During the year FY2012, Institute of Gandhian Studies (Gandhi Vichar Parishad), Wardha organised (a) Post Graduate Diploma Course in Gandhian Thought for students from different parts of India and abroad (b) Orientation Camp Classes on Gandhian Thought for Medical Students (c) University Students' Camps at the regional and national level (d) International Non-violence Day and Related Programmes (e) Ravindra Varma Memorial Lecture on Gandhi and Contemporary Non-Violent Action (f) Inauguration of Silver Jubilee Year (g) Inter Religious Study Course on the Concept of Love in Religions and its Practical Applications (h) Special training programme for Gandhi International, France (i) Publications, and other programmes.

4. Marathwada Medical & Research Institute (MMRI)

The Bajaj Group gives substantial financial support to this institution, which runs the Kamalnayan Bajaj Hospital, and Kamalnayan Bajaj Nursing College (KBNC) for B.Sc. Nursing degree course.

Kamalnayan Bajaj Hospital

MMRI has established Kamalnayan Bajaj Hospital at Aurangabad in the 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, with advanced facilities and equipment; a major part of the expansion has been for general category patients. Annually the hospital has been providing relief for close to 55,000 patients on OPD basis, and close to 7,000 patients admitted to the hospital for various treatments. It also has an intensive care unit and cardiac care unit, with a capacity of 22 beds, and an occupancy rate of more than 95%.

The Hospital also runs a programme to provide relief through free/subsidised treatment to Below Poverty Line (BPL) and Economically Weaker Section (EWS) persons. With the help of an NGO, the Hospital has conducted camps in 309 villages in Aurangabad district, where more than 18,700 patients have been checked and given treatment and free medicines; of these, 5,538 patients needing further treatment were treated totally free as in-patients at the hospital at a cost of ₹ 1.67 crore.

Kamalnayan Bajaj Nursing College (KBNC)

Kamalnayan Bajaj Nursing College (KBNC) was established in 2010 by MMRI Trust, which is managed by the Bajaj Group as part of its Corporate Social Responsibility initiatives.

KBNC offers a basic B.Sc Nursing four-year degree programme with an annual intake of 50 students. It is affiliated to Maharashtra University of Health Sciences, Nashik.

KBNC has invested over ₹ 10 crore in excellent infrastructure facilities of international standard, including state-of-the-art laboratories, a library with computer lab allowing free Internet access, and hostels for boys and girls.

The College has a well qualified teaching staff with high profile degrees in nursing and management. KBNC has plans to start P.B.B.Sc (N) and M.Sc (N) programmes, a research centre for allied health sciences, and short term training programmes for health care professionals.

KBNC offers several types of scholarships with support from the Government of Maharashtra, Social Welfare Office, and MUHS, Nashik.

5. Fuji Guruji Memorial Trust

Fuji Guruji Memorial Trust has established Bauddha Mandir, Vishwa Shanti Stupa at Wardha to promote the thoughts and teachings of Lord Buddha, Mahatma Gandhi, and other such preachers, in a bid 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 of poor children below the age of six years from small villages in Wardha District.

6. Kamalnayan Bajaj Charitable Trust

Kamalnayan Bajaj Charitable Trust runs Gitai Mandir, Puja Jamnalal Bajaj Exhibition and Vinoba Darshan Complex, Audio-video Hall at Wardha. It also runs a library with literature and books on Mahatma Gandhi, Vinoba Bhawe, Puja Jamnalal Bajaj, Smt. Jankidevi Bajaj, and other freedom fighters.

7. Jamnalal Bajaj Seva Trust

Soon after the demise of Jamnalalji in 1942, as per his wishes, the first charitable trust, Jamnalal Bajaj Seva Trust was established with an initial corpus of ₹ 5 lakh.

In 1960, on the suggestion of Acharya Vinoba Bhave, the Trust purchased about 400 acres of land on the outskirts of Bangalore to establish the International Sarvodaya Centre - Vishwaneedam for the promotion of agriculture, dairy development, rural development, and training in self employment for local women and youth.

The Trust has also been promoting arts and culture through Kamalnayan Bajaj Hall and Art Gallery. Exhibitions, handicrafts displays, corporate meetings, conferences and seminars are held at the Kamalnayan Bajaj Hall. The art gallery is used to display the artistic works of painters and sculptors. It also provides budding artists an opportunity to showcase their talents.

The Trust has continued to run seven balwadis, i.e., Bal Sanskar Kendras in rural areas for poor children below six years of age.

The 'Hamaara Sapna' project initiated by the Trust endeavours to uplift the slum residents of South Mumbai. The project involves imparting skill training along with overall knowledge and hands-on experience to foster a better tomorrow.

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 society and equal opportunity for all sections. It continues to ensure no discrimination of any type to socially disadvantaged sections in the work place.

In the year under review, BAL recruited 2,066 new employees, of which 284 (13.75%) belong to weaker sections, in line with the affirmative action. At the end of the previous year, this percentage was 7.63%.

Support to weaker sections for IIT JEE entrance

One economically weaker, underprivileged student belonging to the SC/ST category has been given financial assistance to undertake coaching for the Joint Entrance Examination to enable him to qualify for admission to India's premier engineering education centre - Indian Institute of Technology.

Education

Under the Public Private Partnership programme (PPP), BAL has undertaken to upgrade two Industrial Training Institutes (ITI) in Pune, one in Pantnagar, and one in Aurangabad.

BAL took action to ensure better quality of output from the institutes and also followed up with concerned agencies for approval of the Institute Development Plan. In ITI Mulshi, BAL donated used machinery for better training and job orientation, which has been installed and commissioned. Under the PPP, 56 additional students were admitted to ITI Mulshi during this year. Revenue generation has also started at ITI Mulshi during this year, helping in the repayment of loans taken from Government.

At Ramnagar, near Pantnagar, the new structure is ready and additional students are expected to be admitted in 2012.

CII had initiated a programme to enhance the employability of diploma engineers through

life skill inputs from industry in partnership with Government Polytechnic, Pune. BAL has supported this initiative by conducting three sessions on 'team work' for final year students of Government Polytechnic, Pune during the FY2012.

Health

Government of India – Ministry of Health and Family Welfare – National AIDS Control Organisation (NACO) and CII have initiated Public Private Partnership (PPP) to provide better healthcare to AIDS patients. From August 2008, the Bajaj YCM ART Centre at YCM Hospital has registered 6,653 patients with 4,863 cases for Anti Retroviral Therapy (ART). This Centre, the largest such run by industry, continues to be a benchmark for others.

In view of the increased patient flow, additional man power has been added to handle increased ART patients. In appreciation of the ART Centre's quality of service, four Link ART Centres have been attached to us; they are located at Mawal, Manchar, Khed, and Junnar.

Others

BAL's Akurdi plant employees organised a blood donation camp for Deenanath Mangeshkar Hospital in which 181 employees donated blood.

BAL's fire tenders attended to non Bajaj distress/fire calls 19 times during the year.

2. Bajaj Allianz Insurance Companies

This year, Bajaj Allianz Life Insurance Company Limited (BALIC) won the stiffly competed 'Best utilisation of IT to transform business – Large Enterprise' award at the Bloomberg UTV CXO Awards 2011. For the second consecutive year, BALIC was awarded the SKOCH Financial Inclusion Award 2012 for contribution towards financial inclusion through life insurance. The SKOCH Financial Inclusion award recognised BALIC's micro-insurance product, Sarve Shakti Suraksha (SSS), which is an affordable life insurance product with a systematic savings option catering to rural markets.

BALIC was also awarded Certificates of Merit in recognition of its micro-insurance initiatives in the following areas:

- A robust and simplified micro insurance renewal collection mechanism
- Tools of financial insurance literacy for rural customers
- Micro-insurance claims handling and settlement

The Allianz global format Junior Football Camp in India with a school contact programme was conducted for the second year across 40 cities. Over 25,000 students participated, of which four were finally selected to attend an exclusive football training camp at FC Bayern Club in Munich.

General

The Group has about 40 Public Charitable Trusts that are also engaged in many topical and socially relevant CSR activities and initiatives by donating to worthy organisations. The above narrative is only illustrative and not exhaustive; it gives a glimpse of the importance being given by the Group towards its Social Responsibilities.

Refer web links

<http://www.bajajauto.com/csr.asp>

<http://www.bajajelectricals.com/beyond-profits.aspx>

<http://www.jamnalalbajajfoundation.org/>

<http://narishakti.org/>

Contact : csr@bajajauto.co.in for any more information

MRTTP Disclosure

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

Persons constituting group within the definition of "group" as defined in the erstwhile Monopolies and Restrictive Trade Practices Act, 1969, for the purpose of Regulation 3(1)(e) of the erstwhile 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	Jamnallal 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.

Financials



Auditors' report to the members

1. We have audited the attached balance sheet of Bajaj Finance Limited (the "company") as at 31 March 2012 and the related statement of profit and loss 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.
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, statement of profit and loss and cash flow statement dealt with by this report are in agreement with the books of account;
 - d. In our opinion, the balance sheet, statement of profit and loss 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 2012 and taken on record by the board of directors, none of the directors is disqualified as on 31 March 2012 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 2012;
 - ii) in the case of the statement of profit and loss, 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 & Shah
Firm Registration Number: 102021W
Chartered Accountants

Anish Amin
Partner
Membership Number: 40451

Pune: 16 May 2012

Annexure to the auditors' report

Referred to in paragraph 3 of the auditors' report of even date to the members of Bajaj Finance Limited on the financial statements as of and for the year ended 31 March 2012

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 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, no major weakness have been noticed or reported.
4. (a) In our opinion, and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section.
- (b) In our opinion, and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of rupees five lacs 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. In our opinion, and according to the information and explanations given to us, the company has complied with the directives issued by Reserve Bank of India and the provisions of sections 58A and 58AA or any other relevant provisions of the Act and the 'Companies (Acceptance of Deposits) Rules, 1975' with regard to the deposits accepted from the public. According to the information and explanations given to us, no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal on the company in respect of the aforesaid deposits.
6. In our opinion, the company has an internal audit system commensurate with its size and the 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 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, the particulars of dues of income tax, sales tax, wealth tax, service tax, cess and Employee State Insurance as at 31 March 2012 which have not been deposited on account of a dispute are as follows:

Name of the statute	Nature of dues	Amount (₹ in Crore)	Period to which the amount relates	Forum where the dispute is pending
Sales Tax	Value Added Tax liability	2.18	Year 2005-06, 2006-07, 2007-08 2008-09	Commissioner Appeals
ESIC	Employee State Insurance Corporation	4.46	Year 1999-2000 to 2006 - 07	Employee State Insurance Court
	Employee State Insurance Corporation	0.68	Year 1991-92 to 2002-03	Deputy Director Employee State Insurance Corporation
Income Tax Act 1961	Income Tax	4.46	Year 1995-96 to 2006-07	Income Tax Appellate Tribunal
	Income Tax	6.63	Year 2007-08 to 2008-09	Commissioner of Income Tax (Appeal)

Annexure to the Auditors' Report (Contd.)

9. The company has no accumulated losses.
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. In our opinion, the company has maintained adequate documents and records in the cases where the company has granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
12. The provisions of any special statute applicable to chit fund/ nidhi/ mutual benefit fund/ societies are not applicable to the company.
13. 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. Further, such securities have been held by the company in its own name or are in the process of transfer in its name, except to the extent of the exemption granted under section 49 of the Act.
14. 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.
15. In our opinion, and according to the information and explanations given to us, the term loans have been applied, on an overall basis, for the purposes for which they were obtained.
16. 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.
17. The company has made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act during the year. In our opinion, and according to the information and explanations given to us, the price at which such shares have been issued is not prejudicial to the interest of the company.
18. The company has created security in respect of debentures issued and outstanding at the year-end. The details of security are disclosed in note no. 4 to the financial statements;
19. The company has not raised any money by public issues during the year.
20. 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 any such case by the management.
21. Considering the nature of the business conducted by the company, the other clauses, viz, (ii) and (iii) (b), (c), (d), (f) and (g) of paragraph 4 of the Companies (Auditor's Report) Order 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, are not applicable in the case of the company for the current year, and hence in our opinion there is no matter which arises to be reported in the aforesaid clauses of the order.

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

Anish Amin
Partner
Membership Number: 40451
Pune :16 May 2012

Balance Sheet as at 31 March

		(₹ in Crore)	
Particulars	Note No.	2012	2011
Equity and liabilities			
Shareholders' funds			
Share capital	2	41.32	36.63
Reserves and surplus	3	1,970.93	1,321.48
Money received against share warrants	2 e. ii	21.32	–
		2,033.57	1,358.11
Non-current liabilities			
Long term borrowings	4	6,407.86	2,854.06
Other long term liabilities	5	28.54	15.93
Long term provisions	6	32.25	18.90
		6,468.65	2,888.89
Current liabilities			
Short term borrowings	7	2,794.56	2,468.91
Trade payables	8	182.61	151.73
Other current liabilities	8	1,384.09	1,605.86
Short term provisions	6	63.20	48.41
		4,424.46	4,274.91
Total		12,926.68	8,521.91
Assets			
Non-current assets			
Fixed assets	9		
– Tangible assets		128.13	96.19
– Intangible assets		10.66	6.41
		138.79	102.60
Non-current investments	10	5.48	5.61
Deferred tax assets (net)	11	69.16	64.94
Receivables under financing activity	12	6,569.21	3,932.00
Long term loans and advances	13	72.44	54.53
		6,855.08	4,159.68
Current assets			
Current investments	10	–	–
Receivables under financing activity	12	5,713.88	3,339.78
Cash and bank balances	14	59.83	871.67
Short term loans and advances	13	221.87	120.06
Other current assets	15	76.02	30.72
		6,071.60	4,362.23
Total		12,926.68	8,521.91

Statement of significant accounting policies

The accompanying notes are an integral part of the financial statements

In terms of our report of even date

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

Anish Amin
Partner
Membership Number: 40451

Anant Damle
Company Secretary

Pune: 16 May 2012

1

Rahul Bajaj
Nanoo Pamnani

Chairman
Vice Chairman

Madhur Bajaj
Rajiv Bajaj
Sanjiv Bajaj
D S Mehta
D J Balaji Rao
Dipak Poddar
Ranjan Sanghi
Rajendra Lakhotia

Directors

Pune: 16 May 2012

Statement of Profit and Loss for the year ended 31 March

		(₹ in Crore)	
Particulars	Note No.	2012	2011
Revenue:			
Revenue from operations (Net)	16	2,163.02	1,392.33
Other income	17	8.89	13.80
Total revenue (I)		2,171.91	1,406.13
Expenses:			
Employee benefits expense	18	190.35	144.72
Finance costs	19	746.18	371.01
Depreciation		11.77	9.64
Loan losses and provisions	20	154.38	204.61
Other expenses	21	467.01	306.28
Total expenses (II)		1,569.69	1,036.26
Profit before tax (I - II)		602.22	369.87
Tax expenses			
Current tax		200.00	118.95
Deferred tax expense/(credit)		(4.22)	4.29
Prior period adjustments relating to earlier years: expense/(income)			
Taxation		—	(0.33)
Total tax expense		195.78	122.91
Profit after tax for the year		406.44	246.96
Earnings per share:	22		
(Face value per share ₹ 10/-)			
Basic (₹)		110.84	67.47
Diluted(₹)		110.29	67.47

Statement of significant accounting policies

The accompanying notes are an integral part of the financial statements

In terms of our report of even date

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

Anish Amin
Partner
Membership Number: 40451

Anant Damle
Company Secretary

Pune: 16 May 2012

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Ranjan Sanghi
Rajendra Lakhotia

Directors

Pune: 16 May 2012

Cash Flow Statement for year ended 31 March

(₹ in Crore)

	2012	2011
A. Cash flow from operating activities:		
Profit before taxation	602.22	369.87
Adjustments for:		
Depreciation	11.77	9.64
Amortisations	3.24	3.07
Finance costs	746.18	371.01
Provision for doubtful debts and advances, net	6.07	(20.95)
Provision for diminution in value of investments, net	—	(1.25)
	767.26	361.52
Less: Investment income included above		
Interest on government securities	0.59	0.76
Loss on sale of tangible assets, net	(0.43)	—
	0.16	0.76
Cash from operations	1,369.32	730.63
Changes in working capital:		
Increase/(Decrease) in trade payables	30.88	97.89
Increase/(Decrease) in short term provisions	(0.57)	2.58
Increase/(Decrease) in other current liabilities	122.84	34.14
Increase/(Decrease) in other long term liabilities	12.61	4.66
(Increase)/Decrease in long term loans and advances	(11.69)	(4.19)
(Increase)/Decrease in short term loans and advances	(99.55)	(54.57)
(Increase)/Decrease in other current assets	(45.30)	(15.04)
	9.22	65.47
	1,378.54	796.10
Taxes paid (Net of refunds)	(206.22)	(129.58)
Tax adjustments relating to earlier years	—	0.33
Finance costs paid	(734.40)	(298.09)
	(940.62)	(427.34)
	437.92	368.76
Increase/(Decrease) in receivables under financing activity, current	(2,368.77)	(1,315.17)
Increase/(Decrease) in receivables under financing activity, non-current	(2,637.21)	(1,895.56)
	(5,005.98)	(3,210.73)
Net cash generated from operations	(4,568.06)	(2,841.97)
Carried forward	(4,568.06)	(2,841.97)

Cash Flow Statement for year ended 31 March (Contd.)

	₹ in Crore)	
	2012	2011
Brought forward	(4,568.06)	(2,841.97)
B. Cash flow from investing activities:		
Capital expenditure	(51.89)	(64.08)
Sale proceeds of assets/adjustments to gross block	0.39	0.07
(Increase)/Decrease in long term investments	–	3.87
Investment income:		
Interest on Government securities	0.59	0.76
Net cash from investing activities	(50.91)	(59.38)
C. Cash flow from financing activities:		
Dividends paid	(36.65)	(21.99)
Dividend distribution tax	(5.94)	(3.65)
Increase/(Decrease) in long term borrowings	3,553.80	1,327.62
Increase/(Decrease) in short term borrowings	325.65	850.13
Increase/(Decrease) in current maturities of long term debts	(356.37)	1,304.59
Increase/(Decrease) in share capital	4.69	0.03
Increase/(Decrease) in share premium	300.63	1.15
Increase/(Decrease) in share warrants	21.32	–
Net cash from financing activities	3,807.13	3,457.88
Net increase in cash and cash equivalents	(811.84)	556.53
Cash and cash equivalents at the beginning of the year *	871.67	315.14
Cash and cash equivalents at the end of the year *	59.83	871.67

* Includes earmarked balances with banks (against fixed deposit maturities and unclaimed dividend) ₹ 0.57 crore (Previous year ₹ 0.61 crore)

The accompanying notes are an integral part of the financial statements

In terms of our report of even date

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

Anish Amin
Partner
Membership Number: 40451

Anant Damle
Company Secretary

Pune: 16 May 2012

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Sanjiv Bajaj
D S Mehta
D J Balaji Rao
Dipak Poddar
Ranjan Sanghi
Rajendra Lakhotia

Directors

Pune: 16 May 2012

Notes to financial statements for the year ended 31 March 2012

1. Statement of significant accounting policies

Basis of preparation

These financial statements have been prepared in accordance with the generally accepted accounting principles in India under the historical cost convention on accrual basis. These financial statements have been prepared to comply in all material aspects with the accounting standards notified under section 211(3C) [Companies (Accounting Standards) Rules, 2006, as amended] and the other relevant provisions of the Companies Act, 1956 and Reserve Bank of India Regulations in relation to Non Banking Finance Companies to the extent applicable to the company.

All assets and liabilities have been classified as current or non-current as per the criteria set out in the Revised Schedule VI to the Companies Act, 1956.

A) System of accounting:

- i) The company follows the mercantile system of accounting and recognizes income and expenditure on an accrual basis except in case of significant uncertainties.
- ii) Financial statements are based on historical cost. These costs are not adjusted to reflect the impact of changing value in the purchasing power of money.
- iii) The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent liabilities as on the date of financial statements. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

B) Fixed Assets, depreciation and amortization:

- I) (i) Fixed Assets are carried at cost of acquisition.
- (ii) Depreciation
 - (i) Depreciation 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 amortization thereof:

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

C) Investments:

- (i) Investments maturing within twelve months from the date of acquisition and investments made with the specific intention to dispose off within twelve months from the date of acquisition are classified as short term/current investments and are carried at their cost or market value/realizable value, whichever is lower. Investments maturing within three months from the date of acquisition are classified as cash equivalents if they are readily convertible into cash.
- (ii) Investments other than short term/current investments are carried at their cost of acquisition. Provision for diminution in value of investments, if any, is made if, in the opinion of the management, such diminution is other than temporary.
- (iii) Fixed income securities are stated at cost less amortization of premium/discount as the case may be. (Refer D (ii) below)

D) Income from:

- (i) Assets under finance:

The company has accrued finance charges and service charges in terms of contractual commitments with borrowers detailed in the finance agreements entered into with hirers except in the case of Non- Performing Assets.

Notes to financial statements for the year ended 31 March 2012 (Contd.)

1. Statement of significant accounting policies (Contd.)

(ii) Investment

- a. Dividend is accrued when the right to receive is established i. e. when declared by the investee entity.
- b. Interest on securities is accounted for on accrual basis except where the ultimate collection cannot be established with reasonable certainty.
- c. In order to reflect the contracted yield as interest income, the premium/discount on fixed income securities is amortized with reference to the "yield to maturity" prevailing on acquisition.

(iii) Other Income:

Other income is mainly accounted on accrual basis, except in case of significant uncertainties.

E) Receivables under financing activity:

- (i) Receivables under financing activity represent principal and matured finance charges outstanding at the close of the year but net of amount written off.
- (ii) The company assesses all receivables for their recoverability and accordingly, makes provisions for non performing assets as considered necessary. Further, 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 Regulations/Guidelines.
- (iii) A general provision is also made by the company @ 0.25% on the standard assets outstanding and disclosed under "Long term provisions" in note no. 6 in the financial statements as required by the Reserve Bank of India.

F) Employee Benefits:

- (i) Gratuity: Payment for present liability of future payment of gratuity is being made to the approved gratuity funds, which cover the same under cash accumulation policy of the Life Insurance Corporation of India (LIC). However, any deficits in plan assets managed by LIC as compared to actuarial liability are recognized as a liability.
- (ii) Superannuation: Defined contribution to superannuation fund is being made as per the scheme of the company.
- (iii) Provident fund contributions are made to Bajaj Auto Limited Provident Fund Trust. Deficits, if any, of the fund as compared to aggregate liability is additionally contributed by the company and recognized as an expense. Shortfall in fund assets over present obligation determined by an appointed actuary is recognized as a liability.
- (iv) Privilege leave: Privilege leave entitlements are recognized 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 recognized at the actuarially determined value by an appointed actuary.
- (v) Defined contribution to Employees' Pension Scheme, 1995 is made to Government Provident Fund Authority.

G) Taxation:

Provision for taxation is made on the basis of the taxable profits computed for the current accounting period in accordance with the Income Tax Act, 1961. Deferred tax resulting from timing differences between book profits and tax profits is accounted for at the current rate of tax to the extent the timing differences are expected to crystallize, in case of deferred tax liabilities with reasonable certainty and in case of deferred tax assets with virtual certainty that there would be adequate future taxable income against which deferred tax assets can be realized. However, deferred tax asset arising on account of unabsorbed depreciation and business losses are recognized only if there is virtual certainty supported by convincing evidence that there would be adequate future taxable income against which the same can be realized/set off.

H) Provisions and contingent liabilities:

The company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a realizable 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.

I) Employee Stock Option Scheme – See note no. 28

Notes to financial statements for the year ended 31 March 2012

2. Share Capital

	2012	2011
	(₹ in Crore)	
Authorised		
75,000,000 (50,000,000) equity shares of ₹ 10 each	75.00	50.00
Issued		
41,320,076 (36,630,076) equity shares of ₹ 10 each	41.32	36.63
Subscribed and paid up:		
41,319,076 (36,629,076) equity shares of ₹ 10 each fully called up and paid up	41.32	36.63
Add: 1,000 (1,000) forfeited equity shares (₹ 5/- per share paid up) (₹ 5,000/-; Previous year ₹ 5,000/-)		
Total	41.32	36.63

a. Reconciliation of the shares outstanding at the beginning and at the end of the year

	2012		2011	
	Nos.	₹ in Crore	Nos.	₹ in Crore
Equity shares				
At the beginning of the year	36,629,076	36.63	36,596,076	36.60
Add: Issued during the year - Employee Stock Option Plan	—	—	33,000	0.03
Add: Allotment on conversion of preferential warrants (See note no. 2(e)(ii))	4,690,000	4.69	—	—
Outstanding at the end of the year	41,319,076	41.32	36,629,076	36.63

b. Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. The dividend proposed by the board of directors and approved by the shareholders in the annual general meeting is paid in Indian rupees. In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

c. Shares held by holding company

	2012		2011	
	Nos.	₹ in Crore	Nos.	₹ in Crore
Equity shares of ₹ 10 each fully paid				
Bajaj Finserv Limited	25,195,089	25.20	20,505,089	20.51

d. Details of shareholders holding more than 5% shares in the company

	2012		2011	
	Nos.	% Holding	Nos.	% Holding
Equity shares of ₹ 10 each fully paid				
Bajaj Finserv Limited	25,195,089	60.98%	20,505,089	55.98%

e. Shares reserved for issue:

i. Under Employee Stock Option Plan:

1,829,803 equity shares (i.e. 5% of the then paid up equity share capital) have been approved under Employee Stock Option Plan Scheme, 2009 of the company drawn in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

Notes to financial statements for the year ended 31 March 2012

2. Share Capital (Contd.)

ii. For warrant conversion:

6,000,000 preferential warrants convertible into equivalent number of equity shares of ₹ 10/- each had been issued to Bajaj Finserv Limited (promoter) by the company on 28 July 2011 from whom 25% of the issue price amounting to ₹ 97.65 crore has been received in advance entitling the warrant holder to apply for an equivalent number of equity shares on payment of balance 75% of the issue price within 18 months from the date of allotment of warrants. Bajaj Finserv Limited has exercised its option to convert 4,690,000 warrants against which an equivalent number of equity shares of ₹ 10/- each at a premium of ₹ 641/- per share ranking pari passu with the existing equity shares of the company have been allotted on 29 March 2012. As of 31 March 2012, the balance 1,310,000 warrants are outstanding and an equivalent number of equity shares are reserved for issue against the same. The balance amount against these outstanding warrants amounts to ₹ 21.32 crore.

3. Reserves and Surplus

	2012	2011
	(₹ in Crore)	
Share Premium		
As per last Account	755.49	754.34
Add: Received during the year	300.63	1.15
Closing balance	1,056.12	755.49
Reserve Fund in terms of Section 45IC(1) of the Reserve Bank of India Act, 1934		
As per last Account	140.25	90.75
Add: Set aside during the year	81.50	49.50
Closing balance	221.75	140.25
General Reserve		
As per last Account	210.60	185.60
Add: Set aside during the year	41.00	25.00
Closing balance	251.60	210.60
Infrastructure Reserve in terms of Section 36 (1) (viii) of the Income Tax Act, 1961		
As per last Account	—	—
Add: Set aside during the year	0.15	—
Closing balance	0.15	—
Surplus in the statement of profit and loss		
As per last Account	215.14	85.25
Add: Profit for the year	406.44	246.96
	621.58	332.21
Less: Appropriations		
Transfer to Reserve Fund in terms of section 45IC(1) of the Reserve Bank of India Act, 1934	81.50	49.50
Transfer to General Reserve	41.00	25.00
Transfer to Infrastructure Reserve in terms of section 36 (1) (viii) of the Income Tax Act, 1961	0.15	—
Proposed dividend	49.58	36.63
Provision for dividend tax on dividend	8.04	5.94
Total appropriations	180.27	117.07
Closing balance	441.31	215.14
Total	1,970.93	1,321.48

Notes to financial statements for the year ended 31 March 2012

4. Long term borrowings

(₹ in Crore)

	Non-current		Current	
	2012	2011	2012	2011
A) Secured				
Privately placed redeemable non convertible debentures secured by pari passu charge by mortgage of company's Flat No. 103, Nayan Co-operative Hsg Society, CTS 2718, Plot No. 11, ICS Colony, Shivaji Nagar, Pune - 411016 and book debts and receivables under financing activity as stated in the respective information memorandum.	2,128.90	1,131.00	430.00	880.00
From Banks , against hypothecation of assets under finance, book debts and other receivables	3,592.00	850.00	100.00	–
	5,720.90	1,981.00	530.00	880.00
Less: Shown under other current liabilities	–	–	(530.00)	(880.00)
Total (A)	5,720.90	1,981.00	–	–
B) Unsecured				
Privately placed redeemable non convertible debentures	407.80	318.00	168.00	50.00
Privately placed subordinated (Tier II) redeemable non convertible debentures of ₹ 0.10 crore each	278.70	228.70	–	–
Term loans from banks	–	325.00	325.00	450.00
Fixed Deposits	0.46	1.36	1.01	0.38
	686.96	873.06	494.01	500.38
Less: Shown under other current liabilities	–	–	(494.01)	(500.38)
Total (B)	686.96	873.06	–	–
Total (A+B)	6,407.86	2,854.06	–	–

C) Details of privately placed secured redeemable non convertible debentures

	Of face value ₹ 1 Crore	Of face value ₹ 0.10 Crore	Non-current	
Date of maturity			₹ in Crore 2012	₹ in Crore 2011
Nov-15	250.00	–	250.00	250.00
Oct-15	25.00	–	25.00	25.00
Jul-15	50.00	–	50.00	50.00
Jun-15	–	5.70	5.70	–
Apr-15	–	9.20	9.20	–
Mar-15	–	99.00	99.00	–
Feb-15	–	13.00	13.00	–
Apr-14	–	47.00	47.00	–
Mar-14	–	4.00	4.00	–
Nov-13	–	73.00	73.00	–
Nov-13	203.00	–	203.00	–
Oct-13	–	188.00	188.00	–
Sep-13	–	41.00	41.00	–
Sep-13	130.00	–	130.00	30.00
Aug-13	–	46.80	46.80	–
Aug-13	110.00	–	110.00	–
Jul-13	496.00	–	496.00*	296.00

Notes to financial statements for the year ended 31 March 2012

4. Long term borrowings (Contd.)

Date of maturity	Of face value ₹ 1 Crore	Of face value ₹ 0.10 Crore	Non-current	
			₹ In Crore 2012	₹ In Crore 2011
Jun-13	–	60.00	60.00	–
Jun-13	25.00	–	25.00	25.00
May-13	25.00	–	25.00	25.00
May-13	–	176.20	176.20	–
Apr-13	25.00	27.00	52.00	–
Jan-13	25.00	–	–	25.00
Nov-12	210.00	–	–	210.00
Sep-12	10.00	–	–	10.00
Jul-12	10.00	–	–	10.00
May-12	35.00	–	–	35.00
Apr-12	140.00	–	–	140.00
		Total	2,128.90	1,131.00

Note:

- Of the total secured Zero Coupon Bonds issued, ₹ 598.90 crore were issued at a premium and ₹ 201.00 crore were issued at a discount
- * Related parties are current holders of ₹ 25 crore of the mentioned issue (previous year ₹ 25 crore)
- Interest rates range from 8.25% p.a. to 10.30% p.a. as at 31 March 2012

D) Terms of repayment of bank loans - secured

		(₹ in Crore)	
Date of maturity	Repayment schedule	Non-current	
		2012	2011
Mar-15	Bullet repayment	50.00	–
Jan-15	Bullet repayment	400.00	–
Dec-14	Bullet repayment	250.00	–
Nov-14	Bullet repayment	100.00	–
Oct-14	Bullet repayment	250.00	–
Sep-14	Bullet repayment	150.00	–
Aug-14	Bullet repayment	50.00	–
Jun-14	4 quarterly payments of ₹ 12.5 crore starting Jun-14	50.00	–
Mar-14	5 semi-annual payments of ₹ 10 crore starting Mar-14	50.00	–
Feb-14	5 semi-annual payments of ₹ 20 crore starting Feb-14	100.00	–
Jan-14	4 quarterly payments of ₹ 50 crore starting Jan-14	200.00	–
Dec-13	4 quarterly payments of ₹ 75 crore starting Dec-13	300.00	–
Dec-13	Bullet repayment	200.00	200.00
Nov-13	Bullet repayment	50.00	50.00
Oct-13	Bullet repayment	100.00	100.00
Sep-13	Bullet repayment	400.00	400.00
Aug-13	3 annual payments of ₹ 100 crore starting Aug-13	300.00	–
Jul-13	Bullet repayment	400.00	–
May-13	16 quarterly payments of ₹ 12 crore starting May-13	192.00	–
Mar-13	Bullet repayment	–	25.00
Dec-12	Bullet repayment	–	75.00
Total		3,592.00	850.00

Interest rates range from 8.75% p.a. to 11.00% p.a. as at 31 March 2012 with a mix of fixed and floating rates

Notes to financial statements for the year ended 31 March 2012

4. Long term borrowings (Contd.)

E) Details of privately placed unsecured redeemable non convertible debentures

Date of maturity	Of face value ₹ 1 Crore	Of face value ₹ 0.10 Crore	Non-current	
			₹ in Crore 2012	₹ in Crore 2011
Jan-15	–	37.00	37.00	–
Jun-14	6.00	–	6.00	–
Feb-14	–	11.00	11.00	–
Dec-13	–	15.00	15.00	–
Nov-13	–	10.00	10.00	–
Aug-13	–	13.00	13.00	–
Jul-13	–	21.00	21.00	–
Jun-13	90.00	–	90.00	–
Jun-13	–	9.60	9.60	–
May-13	–	7.70	7.70	–
May-13	150.00	–	150.00	150.00
Apr-13	–	37.50	37.50	–
Jul-12	125.00	–	–	125.00
Jun-12	25.00	–	–	25.00
May-12	18.00	–	–	18.00
		Total	407.80	318.00

Note:

- Of the total unsecured Zero Coupon Bonds issued, ₹ 109.80 crore were issued at a premium and ₹ 52.00 crore were issued at a discount
- Interest rates range from 8.00% p.a. to 10.45% p.a. as at 31 March 2012

F) Details of privately placed unsecured redeemable non convertible debentures - subordinated debt issued at face value of ₹ 0.10 crore

Date of maturity	(₹ in Crore)	
	Non-current	
	2012	2011
May-21	50.00	–
Oct-20	36.20	36.20
Sep-20	27.50	27.50
Jul-20	50.00	50.00
Jun-20	50.00	50.00
Apr-20	65.00	65.00
		Total
	278.70	228.70

Interest rates range from 9.45% p.a. to 9.83% p.a. as at 31 March 2012

Notes to financial statements for the year ended 31 March 2012

4. Long term borrowings (Contd.)

G) Terms of repayment of bank loans - unsecured

		(₹ in Crore)	
		Non-current	
Date of maturity	Repayment Schedule	2012	2011
Nov-12	Bullet repayment	—	50.00
Sep-12	Bullet repayment	—	175.00
Jun-12	Bullet repayment	—	100.00
Total		—	325.00

Interest rates range from 6.50% p.a. to 10.50% p.a. as at 31 March 2012 with a mix of fixed and floating rates

5. Other long term liabilities

		(₹ in Crore)	
		2012	2011
Trade payables		15.80	6.82
Others:			
– Security deposits		10.27	7.22
– Other Payables		2.47	1.89
Total		28.54	15.93

6. Provisions

		(₹ in Crore)			
		Long-Term		Short-term	
		2012	2011	2012	2011
Provision for employee benefits		—	—	4.18	3.72
		—	—	4.18	3.72
Other provisions :					
– Proposed dividend		—	—	49.58	36.63
– Tax on proposed dividend		—	—	8.04	5.94
– Provision for loss estimations		32.25	18.90	0.31	—
– Provision for tax		—	—	1.09	2.12
		32.25	18.90	59.02	44.69
Total		32.25	18.90	63.20	48.41

During the year ended 31 March 2012, the dividend proposed for distribution to equity shareholders was ₹ 12/- per share (previous year ₹ 10/-per share).

Notes to financial statements for the year ended 31 March 2012

7. Short term borrowings

	(₹ in Crore)	
	2012	2011
A) Secured		
From banks , against hypothecation of assets under finance, book debts and other receivables:		
– Cash credit and demand loans	1,374.55	975.94
– Other short term loans	–	805.00
From related parties	–	–
Total (A)	1,374.55	1,780.94
B) Unsecured		
Overdraft facility from banks	0.01	12.97
Short Term loans:		
– From banks	500.00	150.00
– From related parties	–	–
Short term borrowings by issue of commercial papers	920.00	525.00
Total (B)	1,420.01	687.97
Total (A+B)	2,794.56	2,468.91

Terms of repayment of secured short term Loans

	(₹ in Crore)	
Date of maturity	2012	2011
Dec-11	–	100.00
Nov-11	–	250.00
Sep-11	–	150.00
Aug-11	–	100.00
Apr-11	–	205.00
Total	–	805.00

Interest rates range from 8.00% p.a. to 9.50% p.a. as at 31 March 2012.

Terms of repayment of unsecured short term loans

	(₹ in Crore)	
Date of maturity	2012	2011
Apr-12	500.00	–
Dec-11	–	50.00
Oct-11	–	50.00
Jun-11	–	50.00
Total	500.00	150.00

Interest rates range from 10.00% p.a. to 10.65% p.a. as at 31 March 2012.

Notes to financial statements for the year ended 31 March 2012

7. Short-term borrowings (Contd.)

Terms of repayment of commercial papers

Date of Maturity	(₹ in Crore)	
	2012	2011
Mar-13	8.00	–
Dec-12	25.00	–
Nov-12	52.00	–
Oct-12	50.00	–
Sep-12	10.00	–
Aug-12	185.00	–
Jul-12	315.00	–
May-12	100.00	–
Apr-12	175.00	–
Oct-11	–	100.00
Sep-11	–	75.00
Aug-11	–	50.00
Jul-11	–	150.00
Jun-11	–	25.00
Apr-11	–	125.00
Total	920.00	525.00

Interest rates range from 6.30% p.a. to 10.45% p.a. as at 31 March 2012

8. Other current liabilities

	(₹ in Crore)	
	2012	2011
Trade payables	182.61	151.73
Other liabilities		
Current maturities of long term borrowings (See note no. 4) :		
– Secured loans	530.00	880.00
– Unsecured loans	494.01	500.38
	1,024.01	1,380.38
Interest accrued but not due	153.80	138.02
Interest accrued and due	1.01	5.01
Income received in advance	1.61	1.69
Unclaimed dividend	0.40	0.42
Unclaimed matured fixed deposits	0.08	0.13
Others :		
– Temporary overdraft as per books only	165.14	51.79
– Statutory dues	5.98	4.32
– Security deposits	7.66	9.03
– Other payables	24.40	15.07
Total	1,384.09	1,605.86

Notes to financial statements for the year ended 31 March 2012

9. Fixed Assets

(₹ in Crore)

Particulars	Gross Block at cost			As at 31 March 2012	Depreciation			As at 31 March 2012	Net Block	
	As at 31 March 2011	Additions	Deductions/ Adjustments		As at 31 March 2011	Deductions/ Adjustments	For the Year (b)		As at 31 March 2012	As at 31 March 2011
A. Tangible assets (b):										
Assets relating to leasing business:										
Plant and Machinery	17.64	–	–	17.64	17.64	–	–	17.64	–	–
Other assets:										
Land freehold (d)	2.26	–	–	2.26	–	–	–	–	2.26	2.26
Building (a)	79.00	33.13	–	112.13	3.86	–	4.81	8.67	103.46	75.14
Computers	23.17	3.17	0.42	25.92	17.09	0.40	3.28	19.97	5.95	6.08
Office equipments	5.10	2.44	0.24	7.30	1.76	0.12	0.70	2.34	4.96	3.34
Furniture and Fixtures	13.73	4.13	1.34	16.52	6.42	0.83	2.22	7.81	8.71	7.31
Vehicles	3.44	1.66	0.38	4.72	1.38	0.21	0.76	1.93	2.79	2.06
Total (A)	144.34	44.53	2.38	186.49	48.15	1.56	11.77	58.36	128.13	96.19
Previous year	83.60	61.35	0.61	144.34	39.06	0.54	9.63	48.15	96.19	
B. Intangible assets:										
Specialized software (c)	6.41	7.36	3.11(e)	10.66	–	–	–	–	10.66	6.41
Total (B)	6.41	7.36	3.11	10.66	–	–	–	–	10.66	6.41
Previous year	5.91	2.73	2.23(e)	6.41						

- a) Includes cost of shares in co-operative society ₹ 250/-
b) See note no. 1 (B) (i)
c) See note no. 1 (B) (ii)
d) Represents share in undivided portion of land, on purchase of office premises
e) Amount amortized as expense

Notes to financial statements for the year ended 31 March 2012

10. Investments

		(₹ in Crore)	
		2012	2011
Non current investments			
A) In Government and Trust Securities			
Other than trade			
Quoted			
11.83%	Government of India Stock, 2014 of the face value of ₹ 5.00 crore	6.37	6.37
	Less: Amortization of premium [Refer note no. 1 (C) (iii)]	(0.97)	(0.84)
	Total (A)	5.40	5.53
B) In fully paid equity shares			
Other than trade			
Quoted			
90	Shares of TCFC Finance Limited	—	—
@ 38,700	Shares of ₹ 10 each in Akai Impex Limited	0.23	0.23
75	Shares of ₹ 10 each in Bajaj Holdings and Investments Limited (₹ 19,646/-)		
@ 16,880	Shares of ₹ 10 each in Dai Ichi Karkaria Limited	0.17	0.17
40	Shares of ₹ 10 each in Dion Global Solutions Limited (₹ 1,435/-)		
25	Shares of ₹ 10 each in ICICI Bank Ltd (₹ 1,320/-)		
@ 52	Shares of ₹ 10 each in Midwest Leasing Limited (₹ 450/-)		
@ 50	Shares of ₹ 10 each in Mazda Industries and Leasing Limited (₹ 500/-)		
@ 50	Shares of ₹ 10 each in MCC Finance Limited (₹ 1,665/-)		
@ 50	Shares of ₹ 10 each in Nagarjuna Finance Limited (₹ 713/-)		
@ 100	Shares of ₹ 10 each in P L Finance and Investment Limited (₹ 1,500/-)		
150	Shares of ₹ 10 each in Bajaj Auto Limited (₹ 7685/-)		
75	Shares of ₹ 5 each in Bajaj Finserv Limited (₹ 7,441/-)		
@ 310	Shares of ₹ 10 each in Southern Fuels Limited	0.01	0.01
		0.41	0.41
	Less: Provision for diminution in value of investments	(0.33) [@]	(0.33) [@]
	Total (B)	0.08	0.08
	Total (A)+(B)	5.48	5.61

	Book Value as at		Market Value as at	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
Quoted	5.48*	5.61*	5.53*	5.74*
Unquoted	—	—	—	—

* Included in market value at cost as the quotation is not available

@ Diminution in value provided for

Notes to financial statements for the year ended 31 March 2012

11. Deferred tax assets (Net)

		(₹ in Crore)
		2012
		2011
I) Deferred tax liability		
On account of timing difference in		
Depreciation and amortisation	(3.49)	(1.01)
Other liabilities	(0.33)	–
Gross deferred tax liability	Total (I)	(1.01)
II) Deferred tax asset		
On account of timing difference in		
Disallowance u/s 43B of the Income Tax Act, 1961	1.83	1.68
Provision for doubtful debts	63.05	61.08
Other assets	8.10	3.19
Gross deferred tax asset	Total (II)	65.95
	Total (I+II)	64.94

12. Receivables under financing activity (Good unless otherwise stated)

		(₹ in Crore)			
		Non-current		Current	
		2012	2011	2012	2011
(I) Secured					
(i)	(a) Against hypothecation of automobiles, equipments, durables etc (Includes overdue installments ₹ 205.45 crore) [Previous year ₹ 209.00 crore]	1,798.14	1,229.37	3,857.54	2,209.45
	(b) Stock of repossessed vehicles under finance agreements at estimated realisable/balance value	—	—	8.87	7.26
		1,798.14	1,229.37	3,866.41	2,216.71
	(c) Overdue instalments under finance agreements considered doubtful	—	—	87.51	87.50
	Less: Provision:				
	(i) Against Non Performing Assets (NPAs)	—	—	(76.09)*	(87.50)*
	(ii) Against loss estimations of delinquent receivables not yet NPAs	—	—	(11.42)*	—*
		—	—	—	—
		1,798.14	1,229.37	3,866.41	2,216.71
(ii)	Against equitable mortgage of immovable property under finance agreements (Includes overdue installments ₹ 0.41 crore) [previous year ₹ 0.19 crore]				
	Good	3,463.09	1,948.71	142.32	47.33
	Doubtful	—	—	0.20	1.27
	Less: Provision:				
	(i) Against Non Performing Assets (NPAs)	—	—	(0.20)*	(1.27)*
	(ii) Against loss estimations of delinquent receivables not yet NPAs	—	—	—*	—*
		—	—	—	—
		3,463.09	1,948.71	142.32	47.33
(iii)	Loan against shares (secured by pledge of shares)	42.12	85.67	387.41	222.10
Total (I)		5,303.35	3,263.75	4,396.14	2,486.14

Notes to financial statements for the year ended 31 March 2012

12. Receivables under financing activity (Good unless otherwise stated) (Contd.)

(₹ in Crore)

	Non-current		Current	
	2012	2011	2012	2011
(II) Unsecured:				
(i) Loans at agreement values less installments received [Includes overdue instalments ₹ 69.51 crore Previous year ₹ 79.53 crore] Good	1,265.86	668.25	1,317.74	853.64
Doubtful	—	—	60.13	65.33
Less: Provision:				
(i) Against Non Performing Assets (NPAs)	—	—	(52.66)*	(58.62)*
(ii) Against loss estimations of delinquent receivables not yet NPAs	—	—	(7.47)*	(6.71)*
	—	—	—	—
Total (II)	1,265.86	668.25	1,317.74	853.64
Total (I+II)	6,569.21	3,932.00	5,713.88	3,339.78

The company assesses all receivables for their recoverability and accordingly makes provisions for non performing assets as considered necessary. Further, 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. During the year, the impact of accelerated provisions in excess of mandated RBI or company's erstwhile policies amounted to ₹ 19.97 crore (Previous year ₹ 38.77 crore)

A general provision, amounting to ₹ 32.25 crore is also made by the company @ 0.25% on the standard assets outstanding and disclosed under "Provisions" in note no. 6 in the financial statements as required by the Reserve Bank of India.

* See note 1E

13. Loans and advances, unsecured, good (unless otherwise stated)

(₹ in Crore)

	Non-current		Current	
	2012	2011	2012	2011
Capital advances	0.56	3.49	—	—
Security deposits	5.98	4.86	—	—
Loan and advances to related parties	0.04	0.04	7.98	2.32
Advances recoverable in cash or kind :				
– Secured considered good	—	—	—	—
– Unsecured considered good	65.86	46.14	213.89	117.74
– Doubtful	—	—	3.55	5.81
– Less: Provision	—	—	(3.55)	(5.81)
	—	—	—	—
	65.86	46.14	213.89	117.74
Total	72.44	54.53	221.87	120.06

Notes to financial statements for the year ended 31 March 2012

14. Cash and bank balances

		(₹ in Crore)	
		Current	
		2012	2011
Cash and cash equivalents			
Cash on hand (including the cash with collecting agents)		17.66	6.73
Cash equivalents:			
– Bank balance in current accounts		41.60	274.64
– Fixed deposits (maturity less than 3 months from date of acquisition)		–	150.00
– Certificates of deposits (maturity less than 3 months from date of acquisition)		–	439.69
		59.26	871.06
Balances with banks:			
Earmarked balances with bank (against fixed deposit maturities and unclaimed dividend)		0.57	0.61
		0.57	0.61
Total		59.83	871.67

15. Other current assets

		(₹ in Crore)	
		Current	
		2012	2011
Interest receivable on investments		0.23	0.50
Interest receivable on loans (Nil; Previous year ₹ 38,591/-)		–	
Other finance charges receivable		34.63	25.71
Receivables from related parties		37.82	4.51
Other receivables		3.34	–
Total		76.02	30.72

16. Revenue from operations

		(₹ in Crore)	
		2012	2011
Revenue from operations			
Finance activity			
a) Financing Charges		1,457.70	915.09
b) Interest on loans		470.54	310.16
c) Service and administration charges		68.02	58.59
		1,996.26	1,283.84
Other operating revenue			
(i) Interest			
(a) On deposits		0.04	4.77
(b) Penal and others		48.20	36.09
		48.24	40.86
(ii) Profit on sale of current investments, net *		10.22	13.62
(iii) Bad debt recoveries		26.29	25.31
(iv) Miscellaneous charges and receipts		82.01	28.70
		166.76	108.49
Total		2,163.02	1,392.33

* Consequent to deployment of temporary idle funds to defray cost of borrowings, hence classified under "Other operating revenue".

Notes to financial statements for the year ended 31 March 2012

17. Other income

	(₹ in Crore)	
	2012	2011
Interest		
On Government and Trust Securities	0.59	0.76
Amortisation of premium/discount (Refer note no. 1 (C) (iii))	(0.13)	(0.84)
Partially provided for as diminution in earlier years written back	–	0.48
	0.46	0.40
Dividend (₹ 42,964/-; Previous year ₹ 39,565/-)		
Miscellaneous Income	0.45	0.22
Surplus on sale of assets, net (Nil; Previous year ₹ 27,954/-)	–	
Provisions no longer required	5.87	5.73
Sundry credit balances appropriated	2.11	6.68
Provision for diminution in value of investments written back, net	–	0.77
Total	8.89	13.80

18. Employee benefits expense

	(₹ in Crore)	
	2012	2011
Employees' emoluments: [Includes Manager's remuneration]		
– Salaries, wages and bonus	176.16	135.53
– Contribution to provident and other funds	7.75	6.01
– Staff welfare expenses	6.44	3.18
Total	190.35	144.72

19. Finance costs

	(₹ in Crore)	
	2012	2011
Interest expenses	561.21	320.37
Discount in respect of "commercial papers"	175.96	44.83
Other financing costs	9.01	5.81
Total	746.18	371.01

20. Loan losses and provisions

	(₹ in Crore)	
	2012	2011
Bad debts written off	148.31	225.56
Provision release on account of bad debts written off	(80.83)	(62.17)
Provision for standard assets	13.35	14.69
Provision for non performing assets	73.55	26.53
Total	154.38	204.61

Notes to financial statements for the year ended 31 March 2012

21. Other expenses

	(₹ in Crore)	
	2012	2011
Insurance	0.15	0.10
Rent	5.97	5.90
Commission to non executive directors	0.87	0.50
Communication expenses	13.49	10.66
Outsourcing/back office expenses	52.37	30.20
Service tax	30.05	9.65
Travelling expenses	17.57	12.13
Information technology expenses	15.14	10.87
Marketing commission	96.46	55.99
Recovery costs	89.11	58.25
Bank charges	13.15	11.93
Amortization of software expenses	3.11	2.23
Rates and taxes	0.26	0.05
Auditors' remuneration	0.28	0.27
Deficit on redemption of securities on maturity	—	0.87
Dealer incentive	64.23	46.57
Sundry expenses	64.80	50.11
Total	467.01	306.28

	(₹ in Crore)	
	2012	2011
Payment to auditor (Net of service tax credit availed)		
As auditor :		
– Audit fee	0.20	0.20
– Tax audit fee	0.01	0.01
In other capacity :		
– Other services (Certification fees)	0.07	0.06
Reimbursement of expenses (₹ 34,254/-; Previous year ₹ Nil)	—	—
Total	0.28	0.27

22. Computation of Earnings Per Share (EPS)

	(₹ in Crore)	
	2012	2011
A) Basic		
i) Computation of Profit (Numerator):		
Net Profit attributable to shareholders	406.44	246.96
ii) Computation of weighted average number of shares (Denominator):		
Number of shares outstanding at the beginning of the year	36,629,076	36,596,076
Weighted average number of equity shares issued and outstanding during the year	38,443	8,408
Adjusted weighted average equity shares	36,667,519	36,604,484
EPS (Basic) (₹)	110.84	67.47

Notes to financial statements for the year ended 31 March 2012

22. Computation of Earnings Per Share (EPS) (Contd.)

	(₹ in Crore)	
	2012	2011
B) Diluted		
i) Computation of Profit (Numerator):		
– Net Profit attributable to shareholders	406.44	246.96
ii) Computation of weighted average number of shares (Denominator):		
– Number of shares outstanding as above/at the beginning of the year	36,629,076	36,596,076
Weighted average number of equity shares issued and outstanding during the year	38,443	8,408
Weighted average equity shares under options outstanding at the close of the year*	1,84,372	–
Adjusted weighted average equity shares	36,851,891	36,604,484
EPS (Diluted) (₹)	110.29	67.47

* Dilutive equity shares under warrants outstanding and ESOPs

23. Contingent liability not provided for

	(₹ in Crore)	
	2012	2011
Disputed claims against the company not acknowledged as debts	3.51	3.81
VAT matters under Appeal	3.49	3.49
ESI matters under appeal	5.14	5.14
Income tax matters under appeal	41.51	20.47

24. Capital and other commitments

	(₹ in Crore)	
	2012	2011
a. Capital Commitments		
Estimated amount of contracts remaining to be executed on Capital Account not provided for (Net of advances)	3.18	1.26
b. Other commitments		
The company has capital commitments amounting to ₹ 262.66 crore (Previous year ₹ 150 crore)		

25. Expenditure in foreign currency

	(₹ in Crore)	
Particulars	2012	2011
Travelling expenses	0.16	0.12
Software expenses	2.33	1.15
Other expenses	0.02	–

26. The company is engaged primarily in the business of financing and accordingly there are no separate reportable segments as per Accounting Standard-17 as prescribed by Companies (Accounting Standards) Rules, 2006, dealing with Segment Reporting.

Notes to financial statements for the year ended 31 March 2012

- 27.** 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) as prescribed by Companies (Accounting Standards) Rules, 2006, the details of which are as hereunder.

A. Gratuity

	(₹ in Crore)	
Amount to be recognized in Balance Sheet	2012	2011
Present value of funded obligations	6.39	4.47
Fair value of plan assets	(11.45)	(7.89)
Amount not recognized as an asset (limit in para 59 (b))	1.87	1.24
Net Liability	(3.19)	(2.18)
Amounts in Balance Sheet		
Liability	0.43	0.22
Assets	(3.62)	(2.40)
Net Liability/(Asset)	(3.19)	(2.18)
Expense to be recognized in the Statement of Profit & Loss		
Current service cost	1.12	0.73
Interest on defined benefit obligation	0.45	0.29
Expected return on plan assets	(0.59)	(0.39)
Net actuarial losses/(Gains) recognized in year	0.42	0.53
Effect of the limit in Para 59 (b)	0.63	0.38
Premium allocation difference and other charges transferred	—	—
Total, included in "Employee emoluments"	2.03	1.54
Actual return on plan assets	0.74	0.54
Reconciliation of benefit obligations & plan assets for the period		
Change in defined benefit obligation		
Opening defined benefit obligation	4.47	2.92
Current service cost	1.12	0.73
Interest cost	0.45	0.29
Actuarial losses/(gain)	0.57	0.67
Benefits paid	(0.22)	(0.14)
Closing defined benefit obligation	6.39	4.47
Change in fair value of assets		
Opening fair value of plan assets	7.89	5.30
Expected return on plan assets	0.59	0.39
Actuarial gain/(losses)	0.15	0.15
Contributions by employer	3.04	2.19
Benefits paid	(0.22)	(0.14)
Closing fair value of plan assets	11.45	7.89
Summary of the actuarial assumptions		
Discount rate	8.65%	8.30%
Expected rate of return on assets	7.50%	7.50%
Salary escalation Rate - Senior Staff	8.00%	8.00%
- Junior Staff	8.00%	8.00%

Notes to financial statements for the year ended 31 March 2012

	(₹ in Crore)				
Particulars	2008	2009	2010	2011	2012
Experience adjustments:					
Defined benefit obligation	1.98	2.49	2.92	4.47	6.39
Plan assets	1.12	3.48	5.30	7.89	11.45
Surplus/(Deficit)	(0.86)	0.99	2.38	3.42	5.06
Experience adjustments on plan liabilities	(0.23)	0.13	0.08	0.30	0.80
Experience adjustments on plan assets	0.21	1.40	0.07	0.15	0.16

B. Compensated absences

	(₹ in Crore)	
Particulars	2012	2011
Experience adjustments:		
Present value of unfunded obligations	3.45	3.05
Expense recognized in the Statement of profit and loss	1.02	1.51
Discount Rate (p.a.)	8.65%	8.30%
Salary escalation Rate (p.a.) - Senior Staff	8.00%	8.00%
Salary escalation Rate (p.a.) - Junior Staff	8.00%	8.00%

Casual leave and earned leave which is considered as a short term benefit, is valued as its encashment value amounting to ₹ 0.73 crore (Previous year ₹ 0.67 crore)

C) Provident fund:

In case of certain employees, the provident fund contribution is made to Bajaj Auto Limited Provident Fund Trust. In terms of the guidance note issued by the Institute of Actuaries of India, the actuary has provided a valuation of provident fund liability based on the assumptions listed below and determined that there is no shortfall as at 31 March 2012. The assumptions used in determining the present value of obligation of the interest rate guarantee under deterministic approach are:

Remaining term of maturity - 12.05 years
Expected guaranteed interest rate - 8.25%
Discount rate for the remaining term of maturity of interest portfolio - 8.55%

28. 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 1,829,803 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 select senior level executives of the Company in accordance with the Stock Option Scheme. Under the scheme, three grants have been made, details of which as on 31 March 2012, 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	63,500	63,500	1,250	3,750	127,000
21-Jul-10	542.00	326,750	78,688	224,812	4,250	19,000	303,500
28 July 11	705.15	376,200	4,000	372,200	—	—	376,200
Total		834,950	146,188	660,512	5,500	22,750	806,700

Notes to financial statements for the year ended 31 March 2012

28. Employee Stock Option Plan (Contd.)

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	28 July 2011	21 July 2010	12 Jan 2010
1) Risk free interest rate	8.27%	7.42%	6.70%
2) Expected life	3.5-6.5 years	3.5-6.5 years	1-5 years
3) Expected volatility	53.01%	55.38%	54.01%
4) Dividend yield	1.42%	1.28%	0.62%
5) Price of the underlying share in the market at the time of the option grant (₹)	705.15	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 pro-forma amounts indicated below:

Particulars	2012	2011
	(₹ in Crore)	
Net profit (as reported)	406.44	246.96
Add: Stock – based employee compensation expense included in net income	–	–
Less: Stock based compensation expense determined under fair value based method (pro forma)	7.57	2.61
Net Profit (pro forma)	398.87	244.35
Basic earnings per share (as reported)	110.84	67.47
Basic earnings per share (pro forma)	108.78	66.76
Diluted earnings per share (as reported)	110.29	67.47
Diluted earnings per share (pro forma)	108.24	66.76

29. The disclosures required in terms of paragraph 13 of the Non Banking Financial (Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 are given in the Annexure forming part of these financial statements.

30. Till the year ended 31 March 2011, the company was using pre-revised Schedule VI to the Companies Act 1956, for preparation and presentation of its financial statements. During the year ended 31 March 2012, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the company. The company has reclassified previous year figures to conform to this year's classification. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it significantly impacts presentation and disclosures made in the financial statements, particularly presentation of balance sheet.

Notes to financial statements for the year ended 31 March 2012

31. Related Parties:

Disclosure of transactions with Related Parties as required by the Accounting Standard - 18 as prescribed by Companies (Accounting Standards) Rules, 2006:

(₹ in Crore)

		2012		2011	
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:					
1. Bajaj Finserv Limited	Dividend paid	20.51	–	11.07	–
	Infrastructure payments	0.72	–	7.04	0.07
	Business support charges	4.93	–	2.49	–
	Other revenue expenses	0.02	–	0.02	–
	Preferential warrants application and allotment money	21.32	21.32	–	–
	Equity contribution received (including premium)	305.32	–	–	–
B. Fellow Subsidiaries:					
1. Bajaj Allianz Life Insurance Company Ltd.	Insurance premium paid	109.39	–	34.10	–
	Premium advance	114.31	6.94	35.98	2.15
	Infrastructure fees	7.05	1.76	7.05	–
	Advertisement fees	2.35	0.59	5.10	–
	Business co-operation fees (Since received)	27.57	27.57	–	–
	Commission income	1.27	1.20	0.72	0.47
	Other reimbursement	24.91	6.26	6.17	3.94
	Advance logo charges received	0.63	–	0.63	0.63
	Unsecured non convertible debentures	–	15.00	15.00	15.00
	Interest paid on non convertible debentures	1.25	–	–	–
2. Bajaj Allianz General Insurance Company Ltd.	Asset insurance	0.15	–	0.10	–
	Vehicle/travel Insurance	0.06	–	0.06	–
	Extended warranty premium	0.50	–	0.05	–
	Insurance premium adjusted	0.36	–	3.62	–
	Advance premium	0.74	1.07	3.63	0.17
	Others	0.10	–	0.21	0.10
	Unsecured non convertible debentures	–	10.00	10.00	10.00
	Interest paid on non convertible debentures	0.83	–	–	–
C. Where Directors have Significant influence:					
1. Bajaj Auto Ltd.	Interest subsidy	5.74	–	5.77	–
	Business support cost paid	6.77	1.24	8.07	–
	Business support cost received	0.99	0.42	0.38	–
2. Bajaj Finserv House owners Association	Infrastructure payments	0.32	0.05	–	–
D. Key Managerial Personnel:					
1. Nanoo Pamnani Vice Chairman	Commission	0.69	0.69	0.50	0.50
	Sitting fees and reimbursement of expenses	0.04	–	0.03	–
2. Rajeev Jain CEO	Remuneration	2.68	1.02	2.50	0.78
	Housing deposit	–	–	0.04	–

32. Amounts less than ₹ 50,000/- have been shown at actual against respective line items statutorily required to be disclosed.

Signatures to Notes '1' to '32'

As per our attached report of even date

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

Anish Amin
Partner
Membership Number: 40451

Pune: 16 May 2012

Anant Damle
Company Secretary

Rahul Bajaj
Nanoo Pamnani
Chairman
Vice Chairman

Madhur Bajaj
Rajiv Bajaj
Sanjiv Bajaj
D S Mehta
D J Balaji Rao
Dipak Poddar
Ranjan Sanghi
Rajendra Lakhotia
Directors

Pune: 16 May 2012

Annexure (Forming part of the financial statement)

Schedule to Balance Sheet

[As required in terms of Paragraph 13 of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007]

	(₹ in Crore)	
Particulars	Amount Outstanding	Amount Overdue
Liabilities Side:		
(1) Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid:		
(a) Debentures: Secured (including interest accrued thereon ₹ 107.81 crore)	2,666.71	Nil

Annexure (Forming part of the financial statement) (Contd.)

Schedule to Balance Sheet (Contd.)

Asset Side

(₹ in Crore)

Particulars	Amount Outstanding
(5) 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 (including trust securities)	Nil
(v) Others	Nil
2. Unquoted:	
(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	Nil
Long Term Investments	
1. Quoted:	
(i) Shares:(a) Equity	0.08
(b) Preference	Nil
(ii) Debentures and Bonds	Nil
(iii) Units of mutual funds	Nil
(iv) Government and Trust Securities	5.40
(v) Others	Nil
2. Unquoted:	
(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	Nil

(6) Borrower group-wise classifications of all leased assets, stock under financing and loans and advances

(Please see note (2) below)

Category	Amount net of provision		
	Secured	Unsecured	Total
1. Related parties **			
(a) Subsidiaries	Nil	Nil	Nil
(b) Companies in the same group	Nil	45.42	45.42
(c) Other related parties	Nil	0.42	0.42
2. Other than related parties	9,699.49	2,908.09	12,607.58
Total	9,699.49	2,953.93	12,653.42

Annexure (Forming part of the financial statement) (Contd.)

Schedule to Balance Sheet (Contd.)

(7) Investor group-wise classification of all investments (current and long term in shares and securities (Both quoted and unquoted):

Please see Note 3 below

			(₹ in Crore)
Category	Market value/break up or fair value or NAV	Book Value (net of provisions)	
1. Related Parties **			
(a) Subsidiaries	Nil	Nil	
(b) Companies in the same group	Nil	Nil	
(c) Other Related Parties	0.03	Nil	
2. Other than Related parties	5.50	5.48	
Total	5.53	5.48	

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

(₹ in Crore)

(8) Other Information

Particulars	Amount
(i) Gross Non-Performing Assets	
(a) Related parties	Nil
(b) Other than related parties	148.13
(ii) Net Non-Performing Assets	
(a) Related parties	Nil
(b) Other than related parties	15.63
(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 the Non Banking Financial 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 debts. However, market value in respect of quoted investments and 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 column (5) above.

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