

**Consumer
Durables Finance**



**Loans for Small &
Medium Enterprises**



Life Insurance



General Insurance



**Wealth
Management**



Infrastructure Financing





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Board of Directors

Rahul Bajaj
Chairman

Nanoo Pamnani
Vice Chairman

Sanjiv Bajaj
Managing Director

Madhur Bajaj

Rajiv Bajaj

D J Balaji Rao

S H Khan

Naresh Chandra

Management

Sanjiv Bajaj
Managing Director

Ranjit Gupta
President
(Insurance)

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

S Sreenivasan
President (Finance)

V Rajagopalan
President (Legal)

Rajeev Jain
CEO, Bajaj Finance Limited

V Philip
MD and CEO, Bajaj Allianz Life
Insurance Company Limited

Tapan Singhel
MD and CEO, Bajaj Allianz General
Insurance Company Limited

Arpit Agarwal
CEO, Bajaj Financial
Solutions Limited

Anand Gore
CEO, Infrastructure Finance

Company Secretary

Sonal R Tiwari

Auditors

Dalal and Shah
Chartered Accountants

Bankers

Citibank N A
HDFC Bank

**Registered under the
Companies Act, 1956**

Registered Office

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

Corporate Office

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

Management Team



1st Row
Sanjiv Bajaj, Ranjit Gupta

2nd Row
Kevin D'sa, S Sreenivasan,
V Rajagopalan

3rd Row
Rajeev Jain, V Philip,
Tapan Singhel

4th Row
Arpit Agarwal, Anand Gore



Chairman's Letter

Dear Shareholder,

This is the fifth year of your Company's operations; its fifth annual report; and my fifth letter to you.

FY2012 has been a very difficult year for the Indian economy. After clocking 8.6% GDP growth in FY2011, the nation seems to have slumped. Growth has fallen steadily in the first three quarters to 6.1% in October-December 2011. In all likelihood, we will achieve a growth rate of 6.5% to 7.0% in FY2012 – a far cry from 8.6% of the previous year, and further removed from the 9% plus growth that we witnessed over three consecutive years in FY2006, FY2007 and FY2008.

It is not only the slowdown in growth, but also the sclerotic pace at which decisions are being taken in New Delhi and in some state capitals, if these are being taken at all. After the 2G imbroglio, it would seem as if no major decision is being taken – because the political and personal risks of attracting publicised censure from the judiciary, the Comptroller and Auditor General's office, the Central Bureau of Investigation and the Central Vigilance Commission far outweigh those of inaction.

Add to this political uncertainties in the centre and in the states; high interest rates that have been only partially addressed by a 50 basis point cut in recent times; declining inflows of foreign direct and institutional investments; a burgeoning fiscal deficit, that is perhaps set to rise further; a widening current account deficit and a weakening rupee; worsening investment climate; and the fears of rising inflation. All these make for very difficult times.

Indeed, in my previous letter to you, when I wrote, "FY2012 may be a difficult year for the economy - one that could be beset with high inflation and rising interest rates", little did I realise that things could be as bad as they currently are.

In such an environment, the good news that exist relate to your Company. Bajaj Finserv has done reasonably well. Let me touch upon its three major businesses: lending, life insurance and general insurance.

Bajaj Finance Limited (BFL)

As in the previous year, BFL has performed very well. I am proud of how this company has done despite overall economic adversity. Here are some facts for FY2012:

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

I expect BFL to do even better in the years ahead.

Bajaj Allianz Life Insurance Company Limited (BALIC)

The negative effects of the regulations introduced by the Insurance Regulatory and Development Authority (IRDA) in September 2010 seem to have played out. The life insurance sector finally showed a positive growth rate of 2.7% in second half of FY2012, compared to (-)21.4% growth in the first half of the fiscal year, and (-)9.7 % in the second half of FY2011.

Even so, BALIC's gross premium written for FY2012 was 22% lower at ₹ 7,484 crore. Renewal premium reduced by 22% to ₹ 4,766 crore. And new business premium was 22% lower at ₹ 2,718 crore. The good news, if it is to be called such, is that the rate of de-growth is shrinking with each successive quarter, and that the new business premium for Q4 of FY2012 was more or less the same as a year ago.

Despite these difficulties, BALIC posted a shareholders' profit of ₹ 1,311 crore in FY2012. Of this, your Company's share stood at ₹ 970 crore. The figures for FY2011 were ₹ 1,057 crore and ₹ 782 crore, respectively. Accumulated profits as on 31 March 2012 were ₹ 2,350 crore, versus ₹ 1,039 crore as on 31 March 2011; and shareholders' net worth was ₹ 3,561 crore, compared to ₹ 2,249 crore a year earlier. Moreover, BALIC issued 1.05 million new policies in FY2012 and, on this score, ranked second among the private life insurers.

Bajaj Allianz General Insurance Company Limited (BAGIC)

BAGIC is the second largest general insurance company in India in the private sector. The industry has been adversely affected since FY2011 due to the increasing provisioning required for motor pool losses. I am happy to note that even after absorbing this enhanced provisioning, BAGIC has maintained its solvency ratio at 156% for the year ended 31 March 2012 - which is not only above the temporarily relaxed limit of 130% but also above the normal regulatory requirement of 150%.

In terms of gross direct premium written in India, the general insurance industry posted a growth of 23.3% for FY2012. BAGIC grew at 14.9% to record a premium of ₹ 3,338 crore, and accounted for a market share of 6.3%. The company's net earned premium for FY2012 (excluding the motor third party pool) grew by 13.7% to ₹ 2,196 crore. During the year, BAGIC sold 5.9 million policies, 7.8% less than the previous year.

Notwithstanding headwinds, BAGIC recorded an underwriting profit of ₹ 86 crore in FY2012, before considering the share of losses from the motor third party pool; in the previous year, the figure was ₹ 27 crore. After netting out the share of losses from the motor third party pool, the underwriting loss was ₹ 178 crore in FY2012 as compared to a loss of ₹ 219 crore in FY2011.

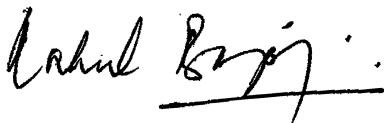
Profit before tax after motor pool losses for FY2012 was ₹ 194 crore, compared to ₹ 62 crore a year earlier. Profit after tax was ₹ 124 crore, versus ₹ 43 crore in FY2011.

As outlined earlier in this letter, I am deeply concerned about how FY2013 will play out for the nation as well as your Company. Almost everyone in the know believes that the portents are grim. The headwinds can get even stronger. Your Company will have to do better to remain where it is today – and much better to move ahead.

These are challenging times that will differentiate long-term winners from others. I am convinced that Bajaj Finserv has winners, be they in BFL, BAGIC, BALIC or elsewhere. Therefore, I urge upon every employee of Bajaj Finserv and its subsidiaries to work even harder in FY2013, and prove that we have what it takes to overcome difficulties, however arduous these may be.

We shall do well. Because we believe in our destiny. And that of our country.

With warm regards,



Rahul Bajaj
Chairman

Management Discussion and Analysis

Bajaj Finserv Limited ('Bajaj Finserv' or 'the Company') is the financial services arm of the Bajaj group. It is also the holding company under which various financial services businesses reside, which are:

- **Lending**
 - » Under Bajaj Finance Limited (BFL), earlier Bajaj Auto Finance, a company listed on the Bombay Stock Exchange and the National Stock Exchange
- **Protection**
 - » Life Insurance, under the Bajaj Allianz Life Insurance Company (BALIC)
 - » General Insurance, under the Bajaj Allianz General Insurance Company (BAGIC)
- **Financial Advisory and Wealth Management**
 - » Bajaj Financial Solutions Limited (Bajaj Finsol), which offers financial products and advises clients on financial and wealth management. The business was launched in FY2011

In addition, Bajaj Finserv has wind-farm assets, incorporating 138 windmills in Maharashtra with an installed capacity of 65.2 MW.

Before describing the performance of each of the businesses, it is useful to give a brief overview of the Indian economy. The rest of this chapter gives details on each of these businesses and their rationale.

FY2012 has been a very difficult year for the Indian economy. After 8.6% GDP growth in FY2011, growth has fallen steadily in the first three quarters of FY2012 to 6.1% in October-December 2011. It seems that the country will achieve a growth rate of 6.5% to 7.0% in FY2012 - far less than 8.6% of the previous year. Added to this are the various political uncertainties; high interest rates that have been marginally addressed by the recent reduction of 50 basis point; declining and uncertain inflows of foreign direct and portfolio investments; growing fiscal deficit; widening current account deficit and a weakening rupee; difficult investment climate; and rising inflation.

All these make for difficult times for businesses in financial services sector intermediation. Let us now move on to the key businesses of Bajaj Finserv.

Lending

Bajaj Finance Limited (BFL)

With assets under management of over ₹ 13,100 crore, BFL is one of the leading, diversified NBFCs in the country. It delivered excellent results in 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

BFL continues to focus in the three broad verticals, namely consumer finance, SME finance and commercial lending. The quality of its loan book continued to improve. It further strengthened provisioning standards, and is among the most prudent in the NBFC space, with net non-performing assets at 0.12% in FY2012. By remaining focused only on customer segments that it understands well, BFL expects to maintain its high asset quality in the coming years.

With continuing rise in the cost of borrowings during FY2012, Bajaj Finance focused on strengthening its asset-liability framework by raising longer tenor borrowings. As on 31 March 2012, the Company's total borrowings stood at ₹ 10,226 crore.

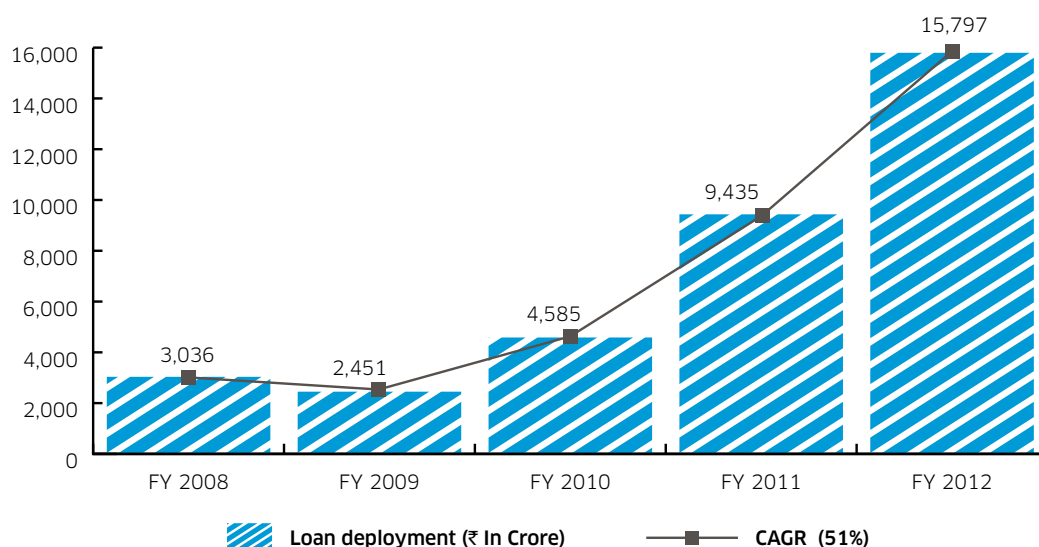
Deployment snapshot

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

Table 1: BFL's deployment mix

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

Chart A: Loan deployment



Receivables under finance

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

Table 2: BFL's Receivables under finance

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

Business update

Consumer Finance

Two and Three-Wheeler

In FY2012, BFL emerged as one of the largest two-wheeler financier in India. Despite an increase in competitive activity throughout the year, it financed over 650,000 new customers. It operates at 571 Bajaj Auto dealerships and over 1,700 of sub-dealers across the country.

Over 45% of the customers acquired during the year were under the Direct Cash Collection model. BFL has created this model with the rural and semi-urban customer 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. This model has been employed for over three years, and has become a unique proposition for many of our customers.

Consumer Durable Financing

Present in top 79 cities of the country, BFL is now the largest consumer durables financier in India. Consumer durable financing deployment grew by 58% to ₹ 3,576 crore in FY2012. It helped finance 10% of all consumer electronics sold in the year. BFL acquired more than 1.45 million new customers, and is currently present in over 2,500 points of sale across the country.

Salaried Loans

To diversify its offering 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.

A man wearing glasses and a blue shirt is leaning on a dark metal railing. He is smiling and looking towards the camera. The background shows an industrial setting with a yellow forklift and two other people in the distance.

Innovative lending solutions
for Small and Medium Enterprises

2011-12

- Total income up 54% to ₹ 2,172 crore
- Profit after tax up 64% to ₹ 406 crore

Bajaj Finance Limited

India's Largest Consumer
Durables Financier



- Assets Under Management up 73% to ₹ 13,107 crore
- Loan losses and provisions down 25% to ₹ 154 crore

Personal Loan Cross Sell

This business is present in 81 cities of India. It targets customers with good repayment history of their two-wheeler and/or consumer durables loans to cross sell a personal loan. While maintaining focus on the balance between business growth and the risk-reward equation, deployments under this category grew by 53% to ₹ 586 crore.

Co-Branded Credit Card

BFL has entered into a strategic partnership with Standard Chartered Bank and launched a co-branded 'Platinum' and 'World Card' for existing customers with a good repayment track record. Given its strength in retail customer acquisition, this business should have the potential to generate a sizeable fee income in the future.

SME Finance

Mortgage

This business is present in 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. In Q3 of FY2012, BFL launched a new product variant for its SME customers. Called the '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 31 cities across India. Deployments grew by 36% to ₹ 899 crore in FY2012. BFL's strategy of focusing on carefully chosen affluent small business customers has been extended to include unsecured loans to doctors and salaried clients.

Commercial Lending

Construction Equipment Finance

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

Vendor Finance

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. BFL deployed ₹ 2,480 crore in this business in FY2012 – comprising short-term loans of ₹ 2,161 crore and medium term deployment of ₹ 319 crore.

Infrastructure Finance

BFL 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.

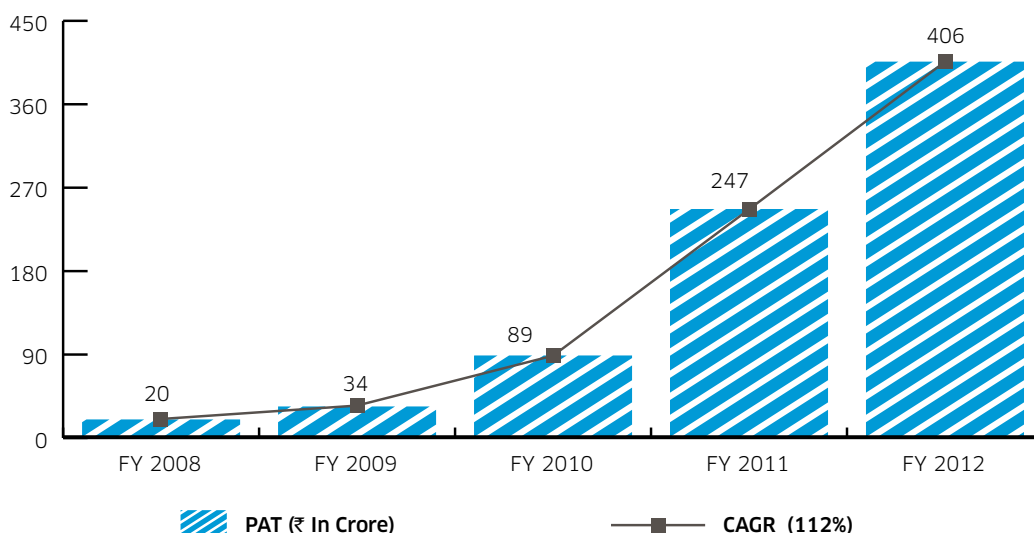
Financial performance

Table 3 gives BFL's financial performance for FY2012 vis-à-vis the previous year, and Chart B plots profit after tax over the last five years.

Table 3: BFL's Financial performance

Particulars	(₹ In Crore)		
	FY2011	FY2012	Change
Total income	1,406	2,172	54%
Interest and finance charges	371	746	101%
Net interest income	1,035	1,426	38%
Salary cost	145	190	31%
Marketing and other commissions	56	97	73%
Dealer incentives	47	64	36%
Recovery commission	58	89	53%
Loan loss and provisions	205	154	(25%)
Depreciation	10	12	20%
Other expenses	144	218	51%
Profit before tax (PBT)	370	602	63%
Profit after tax (PAT)	247	406	64%
Earnings per share (EPS) basic (₹)	67.5	110.8	64%
Earnings per share (EPS) diluted (₹)	67.5	110.3	63%
Book value per share (₹)	370.8	492.2	33%

Chart B: Growth in PAT



Risk Management and Portfolio Quality

As an NBFC, Bajaj Finance is exposed to credit risk, liquidity risk and interest rate risk. It has in place a strong risk management team and an effective credit operations structure. It has further strengthened its risk management by separating the functions of Chief Risk Officer and Chief Credit Officer 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. BFL ended the year with a net NPA of 0.12%, which is among the lowest in the industry.



Infrastructure Finance
helping build India

2011-12

- Disbursed ₹ 975 crore
- Receivable book of ₹ 733 crore

Bajaj Finance Limited



 **BAJAJ** | **INFRASTRUCTURE**
FINSERV | **FINANCE**

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

Business outlook

BFL expects to maintain its performance in FY2013 and hopes to grow at a rate faster than the growth of bank credit. The approach will 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.

Protection

Bajaj Allianz Life Insurance Company Limited (BALIC)

The Life Insurance market

September 2010 saw major regulatory changes in the life insurance industry, which were touched upon in the Company's previous year's annual report. FY2012 was the year when the impact of these changes became fully visible. It also had two distinct halves: (i) H1, or April-September 2011, when new business premiums were severely impacted, especially compared to same period of the previous fiscal year; and (ii) H2 of FY2012, when the industry marginally recovered vis-à-vis the same period last year.

During FY2012, the life insurance industry witnessed negative new business growth. The 24 life insurers mobilised first year premium of ₹ 114,233 crore in FY2012, which was 9.2% less than what it was in the previous year. The market share of LIC increased from 68.7% in FY2011 to 71.4% in FY2012. Symmetrically, that of the private sector fell from 31.3% to 28.6%.

Tables 4 and 5 show the growth across segments in the first and second half of FY2012. Table 6 shows the growth for the full fiscal year.

Table 4: Growth in new business premiums, H1 FY2012 (Apr 2011 – Sep 2011)

	Private Sector	LIC	Industry
Individual single premium	9.4%	(66.9%)	(59.1%)
Individual non-single premium	(43.9%)	(3.0%)	(25.1%)
Group single premium	39.2%	37.9%	38.1%
Group non-single premium	10.5%	(18.8%)	(14.0%)
Total	(26.1%)	(19.6%)	(21.4%)

Table 5: Growth in new business premiums, H2 FY2012 (Oct 2011 – Mar 2012)

	Private Sector	LIC	Industry
Individual single premium	(54.0%)	(27.2%)	(37.2%)
Individual non-single premium	0.4%	33.2%	19.5%
Group single premium	48.5%	9.9%	15.7%
Group non-single premium	0.9%	27.0%	13.3%
Total	(10.2%)	9.9%	2.7%

Table 6: Growth in new business premiums, FY2012

	Private Sector	LIC	Industry
Individual single premium	(39.2%)	(51.5%)	(48.7%)
Individual non-single premium	(23.3%)	18.3%	(1.5%)
Group single premium	44.9%	23.2%	26.1%
Group non-single premium	3.6%	(4.5%)	(1.8%)
Total	(16.9%)	(5.7%)	(9.2%)

It needs stating that the regulatory changes of September 2010 have led to a shift in the business mix in FY2012 in favour of traditional life products compared to unit-linked offerings. Across the industry, there has also been a much greater focus on profit drivers like persistency of policies, improving agent productivity and cost rationalisation.

Performance of BALIC

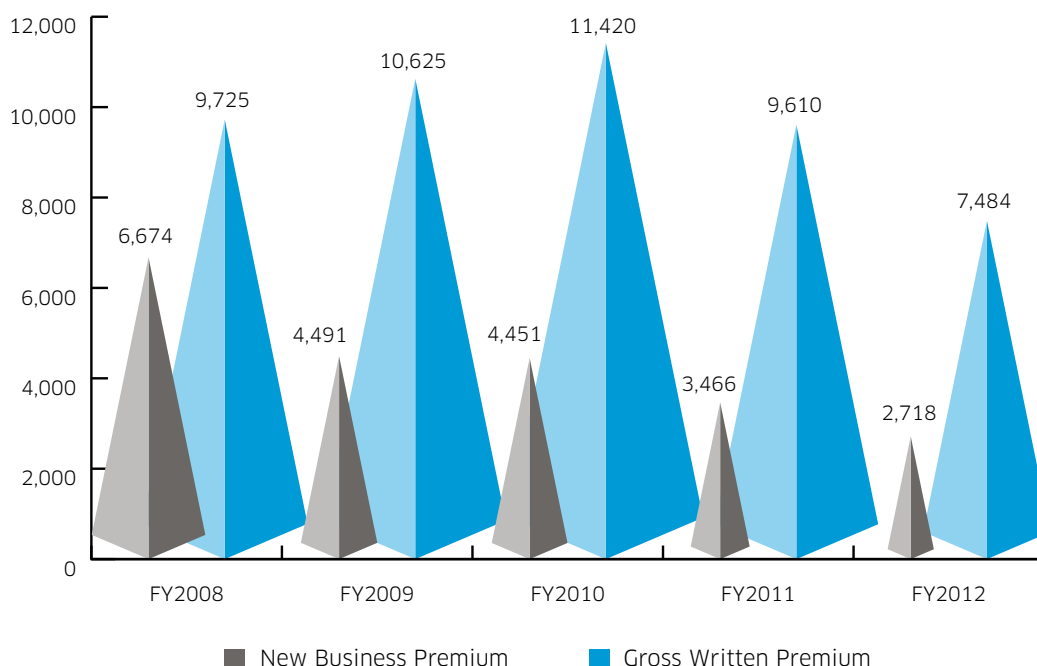
BALIC's gross written premiums (GWP) for FY2012 was ₹ 7,484 crore. This was 22% lower than ₹ 9,610 crore written during FY2011. Renewal premiums reduced by 22%, from ₹ 6,144 crore in FY2011 to ₹ 4,766 crore in FY2012. New business premiums for FY2012 were ₹ 2,718 crore - or 22% lower than the ₹ 3,466 crore clocked in the previous year.

Within the private sector, BALIC's market share of new business premiums was 8.3% for FY2012, and it ranked fourth in this category among private life insurers. It ranked second among the private life insurers based on the number of new policies issued: 1.05 million new policies issued in FY2012 versus 1.54 million in the previous year.

Unit linked premiums accounted for 31% of BALIC's new business premiums in FY2012 - compared to 58% in the previous year. Traditional individual premiums comprised 44% of overall new business premiums in FY2012, compared to 30% in FY2011.

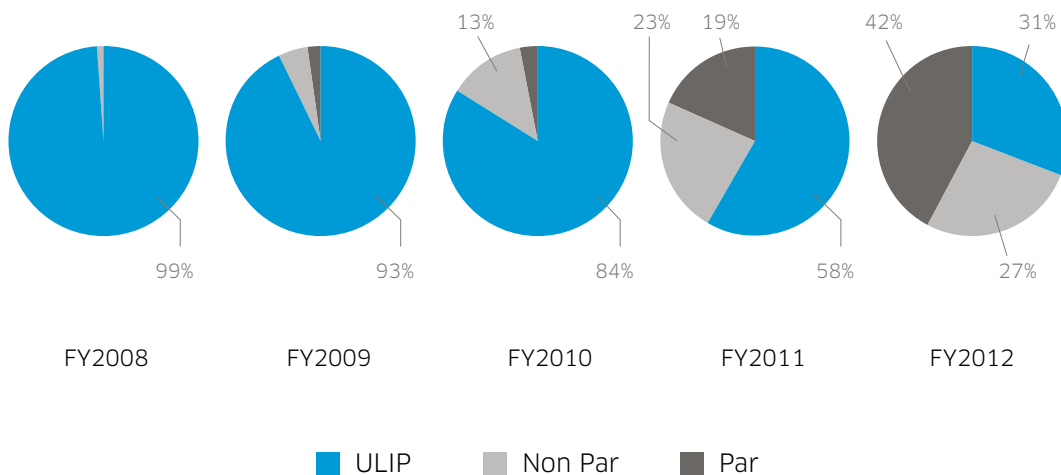
Chart C plots BALIC's new business premiums and gross written premiums (GWP) over the last five years. Chart D shows the difference in product mix over the same period, which is especially stark after IRDA's regulatory changes of September 2010.

Chart C: BALIC's premiums (₹ In Crore)



As can be seen from Chart D, ULIPs dominated BALIC's business up to FY2011 - though reducing from as high as 99% of the product mix in FY2008 to 58% in FY2011. The effects of the IRDA announcements of September 2010 have profoundly changed the mix. For FY2012, traditional life products dominated in no uncertain terms: 69% of the mix, with par accounting for 42% of the total and non-par 27%. In contrast, the share of ULIPs has fallen from 84% in FY2010 to 58% in FY2011 and then to 31% in FY2012. This has changed BALIC's business and servicing model, with agency becoming more important than ever before. It ought to be mentioned that what is true for BALIC is also true for most other major non-bank associated players in the industry.

Chart D: BALIC's changing product mix



Financial performance

BALIC's financial performance in FY2011 and FY2012 is summarised in Table 7.

Table 7: Financial performance of BALIC

	(₹ In Crore)	
	FY2011	FY2012
Gross written premium	9,610	7,484
New business premium	3,466	2,718
Renewal premium	6,144	4,766
APE*	2,427	1,938
Policyholders' surplus/(deficit) (After transfer to Shareholders')	16	26
Shareholders' Profit/(Loss)**	1,057	1,311
Profit/(Loss)	962	1,247
Net contribution to policyholders' account	32	3

* Annualised Premium Earning (APE) = 10% of single premium and 100% of first premium

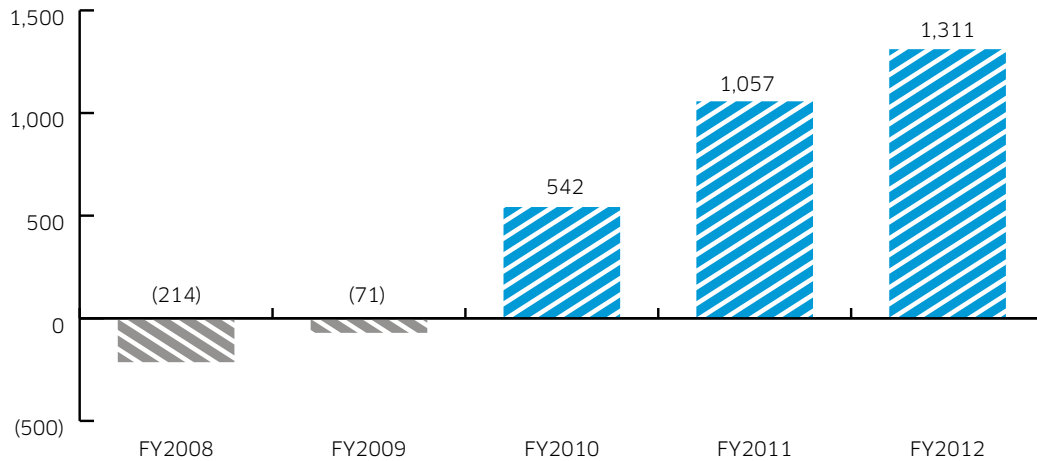
** Shareholders' profit for the year is ₹ 1,311 crore. This comprises the current year's shareholders' profit of ₹ 242 crore, distribution of surplus from policyholders' account to shareholders' of ₹ 979 crore and ₹ 90 crore on account of release from 'Reserve for Lapsed Unit Linked Policies that are Unlikely to be Revived'.

For FY2012, BALIC posted a shareholders' profit of ₹ 1,311 crore, versus ₹ 1,057 crore in FY2011. Of this, Bajaj Finserv's share stood at ₹ 970 crore in FY2012, compared to ₹ 782 crore in FY2011. Accumulated profits as on 31 March 2012 were ₹ 2,350 crore (compared to ₹ 1,039 crore as on 31 March 2011); and the shareholders' net worth was ₹ 3,561 crore (versus ₹ 2,249 crore as on 31 March 2011).

As can be seen from the Table 7, despite difficulties posed by the IRDA's orders of September 2010, the Company's strategy to pursue profitable growth with returns to all stakeholders is continuing to pay dividends. In FY2013, BALIC will focus on improving employee productivity, policy persistency, operational processes and customer service levels - and also look at ways of further increasing the share of agency channel, which contributed to around 43% of company's new business premiums in FY2012.

Chart E plots BALIC's post-tax shareholders' profit, which have continued to grow despite difficult times.

Chart E: BALIC's shareholders' profit after tax (₹ In Crore)



Investments

As on 31 March 2012, BALIC's assets under management (AUM) stood at ₹ 39,417 crore, which included unit-linked funds of ₹ 29,984 crore. Chart F gives the data for the last five years.

Unit-linked funds have decreased by 8.8% compared to 31 March 2011. However, these funds have performed well versus comparator funds, and have generated returns which are in line with the benchmark. Given in Table 8 below is performance of BALIC's major funds, which account for almost three-fourths of the Company's total unit-linked AUM, versus the benchmark for the last two financial years.

Table 8: Returns from BALIC's Unit-Linked Funds

UL Returns as at 31 March 2012 Funds	Absolute Returns		As at 31 Mar 2012 (₹ In Crore)
	FY2011	FY2012	
Equity Index Fund II	10.8%	(9.3%)	8,022
Unit Gain Plus - Equity Index	11.1%	(8.7%)	155
Unit Gain - Equity Plan	9.7%	(9.8%)	293
Equity Growth Fund	12.7%	(0.3%)	7,265
Equity Plus	10.2%	(0.6%)	858
Equity Gain	10.2%	(4.0%)	628
CNX NSE Nifty Index	11.1%	(9.2%)	-
Asset Allocation Fund	8.2%	1.6%	3,954
Crisil Balanced Fund Index	9.4%	(3.2%)	-

The traditional portfolios are carefully managed, keeping in mind the regulatory asset allocation requirements. Yield on non-unit linked instruments invested in FY2012 was 8.7%, versus 8.2% in the previous year.

Bajaj Allianz Life Insurance Co. Ltd.

Securing your future in
over 850 cities and towns



2011-12

- Ranked second among the private life insurers, based on number of new policies issued
- 1.05 million new policies issued
- Shareholders' profit of ₹ 1,311 crore
- Shareholders' net worth ₹ 3,561 crore

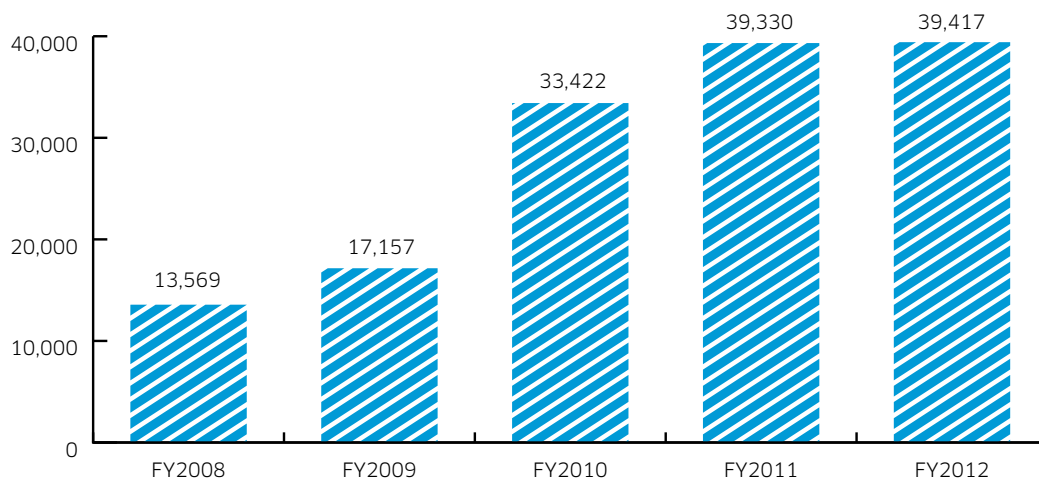
Bajaj Allianz General Insurance Co. Ltd.

Your motor car Insurer all over India



- Second largest general insurance company in India in the private sector
- 5.9 million policies issued
- Gross Written Premium up by 14.9% to ₹ 3,338 crore

Chart F: Assets Under Management (₹ In Crore)



Capital and Capital Adequacy

BALIC's equity base (including share premium) was ₹ 1,211 crore, with no fresh infusions in FY2012. The company's solvency ratio was 516% as on 31 March 2012, versus the minimum regulatory requirement of 150%.

Challenges

The major challenges for BALIC in near future are:

- Improving persistency of policies
- Developing a robust product mix of traditional, unit linked and group products
- Increasing productivity among the agency force
- Ensuring that intermediaries, especially individual agents look at insurance as a career, and not a temporary income-earning opportunity

Bajaj Allianz General Insurance Company Limited (BAGIC)

The General Insurance market

Since the entry of the private sector in general insurance from year 2000, the industry has grown from 4 public sector entities to 25 companies - 4 in the public, 15 in the private sector, 4 specialised health insurance companies, plus the Agricultural Insurance Corporation and the Export Credit and Guarantee Corporation. Besides, approvals for commencement of business are being awaited by two more general insurance companies and two more specialised health care companies.

Gross Written Premiums (GWP) of the industry, excluding the specialised insurers, have grown from ₹ 12,390 crore in FY2002 to ₹ 43,000 crore in FY2011, and have crossed ₹ 53,040 crore in FY2012 - with a CAGR of around 15.7%.

However, penetration as a percentage of GDP and the per capita spend on general insurance remain significantly lower than comparable emerging countries, let aside the developed nations. If India's real GDP grows at a CAGR of somewhere between 7% and 8% over the next decade, as is hoped by all, spends on general insurance are bound to increase. The potential is vast, but insurers need to figure out ways to tap this profitably.

The general insurance industry posted a growth of 23.3% for FY2012. All companies posted positive growth and most recorded double digit growth. The industry and BAGIC growth rates are shown in Table 9 below.

Table 9: Gross Direct Premium Written in India

(₹ In Crore)

	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012
Bajaj Allianz	1,790	2,404	2,649	2,515	2,905	3,338
Private Sector	8,650	11,200	12,570	14,100	17,850	22,510
Public Sector	16,260	16,900	18,080	20,530	25,150	30,530
Industry	24,910	28,100	30,650	34,630	43,000	53,040
Growth rates						
Bajaj Allianz	40%	35%	10%	(5%)	16%	15%
Private Sector	61%	29%	12%	12%	27%	26%
Public Sector	8%	4%	7%	14%	23%	21%
Industry	22%	13%	9%	13%	24%	23%

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

The Indian Motor Third Party Insurance Pool (IMTPIP or the Motor Pool) is an arrangement where all general insurers ceded the premium with respect to third party risks of commercial vehicles and related losses to the Motor Pool – which were then redistributed back to all the general insurers in proportion to their market share. Since FY2011, the industry was affected adversely on account of increasing provisioning required for Motor Pool losses.

Through its order dated 23 December 2011, the IRDA has dismantled the existing Motor Pool from 31 March 2012. It has been replaced with a Declined Risk Pool for Act Only Commercial Vehicle Third Party (CVTP) insurance, which takes effect from 1 April 2012. In another order dated 3 January 2012, the IRDA has increased the Ultimate Loss Ratios (ULR) from 153% for all the pool years (FY2008 to FY2011) to 159% for FY2008, 188% for FY2009, 200% for FY2010 and 213% for FY2011. Moreover, on account of the increase in the CVTP premium rates in April 2011, IRDA has determined the ULR for the year FY2012 at 145%. To absorb this enhanced provisioning, solvency requirements have been also relaxed at a reducing scale for next three financial years starting 31 March 2012.

The good news is that even after absorbing this enhanced provisioning, BAGIC has still maintained solvency ratio at 156% for the year ended 31 March 2012, which is above the normal regulatory requirement of 150%, let aside the relaxed limit of 130%.

The decision of IRDA to index future annual increases is a much needed move which may well have paved the way for reducing the mounting pool losses for the industry.

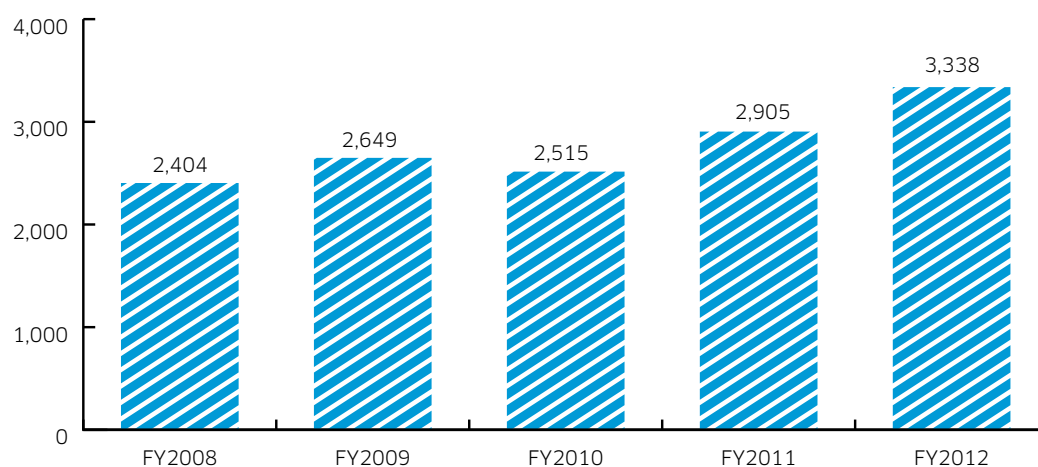
BAGIC's business performance, FY2012

Under testing conditions, BAGIC has focused on profitability by:

- Strong underwriting with careful selection of risk, and underwriting businesses which meet its profitability hurdle rates
- Emphasising uniformly high quality customer services
- Strengthening marketing efforts in retail channels such as agency, bancassurance, broker and direct
- Strong control over expenses

The GWP for FY2012 (excluding premiums from the Motor Pool) grew by 14.9% to ₹ 3,338 crore, from ₹ 2,905 crore in FY2011. The company's market share was 6.3% (excluding specialised insurers). Chart G gives the data on BAGIC's GWP over the last five years.

Chart G: BAGIC's Gross Written Premium* (₹ In Crore)



* Excludes inward premium from the Motor Pool

The net earned premium in FY2012 (excluding premiums from the Motor Pool) was ₹ 2,196 crore, versus ₹ 1,931 crore in FY2011, or a growth of 13.7%. During the year, BAGIC sold 5.9 million policies. It was 7.8% lower compared to 6.4 million in FY2011. The number of claims in FY2012 was 558,233 versus 560,213 in FY2011.

Business mix and channel performance

BAGIC's focus continues to be on retail business, where it has strengths in distribution and claims handling. The business mix is given in Table 10.

Table 10: BAGIC's Business mix

Line of Business	FY2009	FY2010	FY2011	FY2012
Motor	60%	58%	59%	58%
Health	13%	12%	12%	13%
Fire	13%	14%	13%	10%
Engineering	5%	4%	4%	4%
Marine	3%	3%	3%	3%
Others	6%	9%	9%	12%
Total	100%	100%	100%	100%

The channel-wise contribution to GWP is given in Table 11.

Table 11: Gross Written Premium from the different channels

Channel mix	FY2009	FY2010	FY2011	FY2012
Agency and motor dealers	45.2%	53.0%	57.3%	57.2%
Bancassurance	18.5%	17.3%	14.0%	13.9%
Brokers	18.3%	12.4%	9.4%	9.3%
Direct	14.2%	15.0%	14.9%	15.1%
Others	3.8%	2.3%	4.4%	4.5%
Total	100.0%	100.0%	100.0%	100.0%

Retail channels like agency and bancassurance continued to be the mainstay of BAGIC's channel mix, contributing to over 70% of the business. The company has one of the largest networks of independent partner banks including national banks, those with strong regional

presence, and cooperative and rural banks. For off-the-shelf retail products like motor and health, BAGIC has an effective online sales channel, which has shown a 155% growth this year.

Financial performance

BAGIC's financial performance in FY2011 and FY2012 is summarised in Table 12.

Table 12: Financial performance of BAGIC

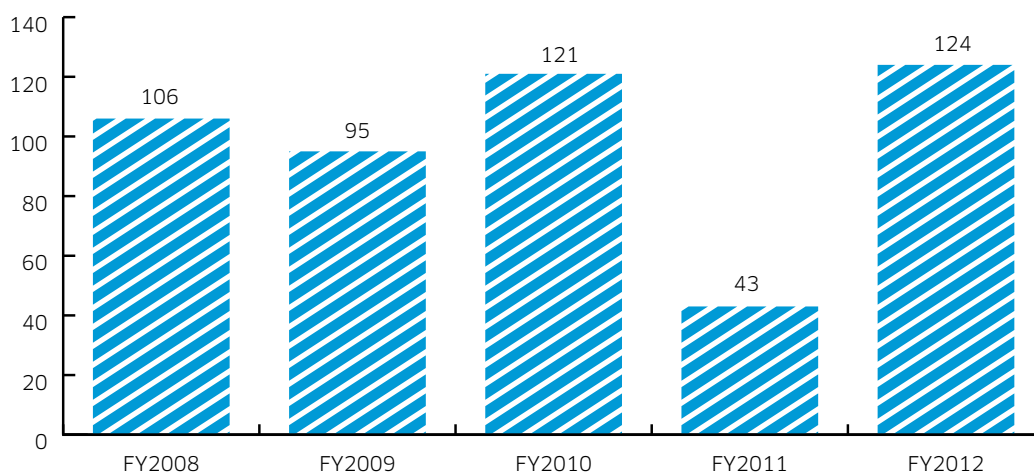
	(₹ In Crore)	
	FY2011	FY2012
Gross written premium	2,905	3,338
Net written premium	1,931	2,196
Underwriting result before Motor Pool losses	27	86
Motor Pool losses	(246)	(264)
Profit before tax	62	194
Profit after tax	43	124

BAGIC recorded an underwriting profit (before considering share of losses from the Motor Pool) of ₹ 86 crore, compared to the previous year's profit of ₹ 27 crore. After considering the share of losses from the Motor Pool, the Company's underwriting loss was ₹ 178 crore in FY2012, versus a loss of ₹ 219 crore in FY2011.

The combined ratio, excluding losses from the Motor Pool, stood at 96.1% against 98.6% recorded in FY2011. Including Motor Pool losses, the combined ratio decreased from 110.2% in FY2011 to 107.2% in FY2012. In a market where combined ratios are in excess of 110%, this is a creditable achievement and exemplifies the Company's underwriting and cost management skills.

Profit before tax after Motor Pool losses for FY2012 was ₹ 194 crore (previous year ₹ 62 crore). Profit after tax (PAT) for the year was ₹ 124 crore compared to ₹ 43 crore in FY2011. Chart H plots the data on BAGIC's PAT for the last five years.

Chart H: BAGIC's Profit After Tax (₹ In Crore)



Capital

The total capital including share premium stood at ₹ 277 crore as on 31 March 2012. No new capital was needed in FY2012 and BAGIC's solvency margin was well above the required ratio as per IRDA's regulations.

It is worth stating that BAGIC has the best utilisation of capital in the private sector, as measured by the ratio of GWP to capital infused and GWP to shareholders' equity. The shareholders' equity of BAGIC stood at ₹ 959 crore as on 31 March 2012, compared to ₹ 836 crore a year earlier.

Investments

The company's cash and investments as on 31 March 2012 stood at ₹ 4,758 crore versus ₹ 3,975 crore in the previous year.

Challenges

The general insurance industry is in the throes of a crisis of profitability created by the increasing provisioning required for Motor Pool business. Although the existing pool has been dismantled, the Declined Risk Pool for Act Only Commercial Vehicle Third Party (CVTP) has now come into play. BAGIC would now be required to write approximately ₹ 100 crore of stand-alone CVTP business in FY2013. Further, from FY2013, CVTP losses relating to comprehensive Commercial Vehicle (CV) policies would have to be borne by the Company itself. Adequate pricing of CV Comprehensive business is the need of the hour.

Financial Advisory and Wealth Management

Bajaj Financial Solutions Limited (Bajaj Finsol) and Bajaj Financial Securities Limited (Bajaj Finsec)

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

After getting the license, the business was launched in Aurangabad, Chandigarh, Ludhiana and Pune in February 2011. For FY2012, a total of 929 clients were enrolled in the four branches. These clients have paid up-front fees for availing the financial planning services of the Company. The concept of paying fees for financial planning advisory services has been well received; and management believes the model has the potential for growth. Further, registration with Stock Holding Corporation of India Ltd. (SHCIL) to distribute GOI Bonds and Corporate Bonds was obtained in February 2012, further diversifying the product mix on offer.

Bajaj Finsol and Bajaj Finsec had a staff strength of 41 and 9 as on 31 March 2012. In addition to offering fee-based personal financial planning services, Bajaj Finsol produces a monthly research publication called *Valuedition*, which has been well received by clients as well as the industry.

Wind Energy

Bajaj Finserv has 138 wind mills in Maharashtra with total installed capacity of 65.2 MW. During FY2012 the project generated net wind energy of 950 lakh units of electricity, versus 837 lakh units in FY2011. The electricity generated in FY2012 was valued at ₹ 55 crore, compared to ₹ 42 crore in FY2011. The wind energy generated was predominantly sold to Bajaj Auto Limited, to cater to power consumption requirements of its establishments at Akurdi, Chakan and Waluj. Surplus units were sold to third parties.

As part of the National Mission on Climate Change (NAPCC), out of the country's total electricity consumption, 15% should come from renewable sources by 2020. To achieve this goal the Central Electricity Regulatory Commission (CERC) alongwith the Forum of Regulators created the Renewable Purchase Obligation (RPO).

Each distribution utility, large captive generator and open access consumer will have to source at least 6% of its total power purchase in 2010, increasing by 1% every year till 2020. Those who do not have adequate power purchase agreements from renewable sources to meet their RPO requirements can buy RECs to meet their obligation. In this context, the concept of REC assumes significance.

For Bajaj Finserv, all 138 windmills have been registered with National Load Despatch Centre (NLDC) through REC Registry and are eligible for Renewable Energy Certificates (REC). During FY2012, Bajaj Finserv generated an income of ₹ 29 crore through sale of these certificates.

Financials

Standalone

The standalone results of Bajaj Finserv Limited are given in Table 13 below.

Table 13: Standalone results of Bajaj Finserv

	(₹ In Crore)	
	FY2011	FY2012
A. Income from Wind Farm Activity	42	84
Administrative Expenses	13	14
Depreciation	9	–
Profit from Wind farm activity	20	70
B. Income from Investment and Others	84	60
Other Expenses	20	22
Profit before tax and exceptional item	84	108
Add: Surplus on pre-payment of sales tax deferral	139	–
Profit before tax	223	108
Provision for tax	35	31
Profit after tax	188	77

Consolidated Financials

The consolidated results are given in Table 14. These include its subsidiaries, associates and joint ventures, in accordance with the accounting standards issued by The Institute of Chartered Accountants of India.

Table 14: Summarised Consolidated Results of Bajaj Finserv

Segment Revenue			(₹ In Crore)	
	FY2011	FY2012	Segment Results-profit/(loss) from each segment	
	FY2011	FY2012	FY2011	FY2012
Insurance	12,434	10,926	1,157	1,544
Windmill	42	84	159	70
Retail finance	1,109	2,172	310	572
Investments & other	140	122	44	40
	13,725	13,304	1,670	2,226
Less: Inter-segment	28	29	178	336
			377	552
Total	13,697	13,275	1,115	1,338

Cautionary Statement

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

**Helping every Indian
plan his future**



2011-12

- Financial planning services for small investors, first of its kind in India
- The company completed the first full year of operation post launch

Bajaj Financial Solutions Limited



 **BAJAJ** | **WEALTH**
FINSERV | **MANAGEMENT**

- 929 clients enrolled for financial planning exercise across 4 branches (pilot run)
- ₹ 277 lakh of investment transactions facilitated for clients during the year

Corporate Governance

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

Given below are the Company's corporate governance policies and practices for 2011-12. As will be seen, Bajaj Finserv's corporate governance practices and disclosures have gone well beyond complying with the statutory and regulatory requirements in accordance with the provisions of clause 49 of the listing agreement.

Board of Directors

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

Composition

As on 31 March 2012, the board of the Company consisted of eight directors, of whom one was executive (Managing Director), four were non-executive independent and 3 were non-executive & non-independent. The board has no institutional nominee directors.

The company has a non-executive chairman.

According to clause 49, if the non-executive chairman is a promoter, at least one half of the board of the Company should consist of independent directors. As Table 1 shows, this provision is met at Bajaj Finserv.

Attendance record of directors

Table 1: Composition of the Board and attendance record of directors for 2011-12

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

Non-executive directors' compensation

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

The shareholders of the Company vide a special resolution passed at the extra-ordinary meeting held on 17 March 2008 has by way of an enabling provision approved the payment of a sum not exceeding one percent of the net profits of the Company, calculated in accordance with the provisions of sections 198, 349 and 350 of the Companies Act, 1956, to the directors (other than the Managing Director and whole-time directors) as may be decided by the board of directors in respect of the profits of the Company for each year for a period of five years commencing from 20 February 2008, the effective date of the Scheme of Demerger upto 19 February 2013.

In terms of the said approvals given by the shareholders, the board of directors at its meeting held on 24 March 2010 had approved payment of commission to non-executive directors (independent and non-independent) at the rate of ₹ 25,000 per meeting of board and committee meetings attended by them with effect from 1 April 2010, subject to the aggregate being within the overall ceiling of one percent of the net profits.

The Board of Directors at its meeting held on 16 May 2012, has subject to shareholders approval at the forthcoming Annual General Meeting, approved the payment of commission, not exceeding one percent of the net profits of the Company, to non-executive directors for another term with effect from 20 February 2013 upto 31 March 2017.

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

Board procedures

During 2011-12, the Board of Directors met six times: on 17 May 2011, 13 July 2011, 16 September 2011, 19 October 2011, 18 January 2012 and 26 March 2012. The gap between any two meetings has been less than four months. The Board meeting held on 26 March 2012 was done with video conferencing facility in terms of the circular issued by Ministry of Corporate Affairs.

Information supplied to the Board

In advance of each meeting, the Board is presented with relevant information on various matters related to the working of the Company, especially those that require deliberation at the highest level. Presentations are also made to the Board by different functional heads on important matters from time to time. Directors have separate and independent access to officers of the Company. In addition to items which are required to be placed before the Board for its noting and/or approval, information is provided on various significant items. In terms of quality and importance, the information supplied by management to the Board of the Company is far ahead of the list mandated under clause 49 of the listing agreement.

Pursuant to the requirement under the NBFC regulations, the following information is also being placed before the Board at regular intervals:

- i. Progress in putting in place a progressive risk management system and risk management policy and strategy followed.
- ii. Conformity with the prescribed corporate governance standards.
- iii. Minutes of Risk Management Committee and Asset Liability Management Committee meetings.

Directorships and memberships of board committees

Table 2: Number of directorships/committee positions of directors 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	–	–
Rajiv Bajaj	4	1	–	1
Sanjiv Bajaj	6	4	1	5
Nanoo Pamnani	4	–	5	2
Madhur Bajaj	6	–	–	–
D J Balaji Rao	10	–	4	6
S H Khan	5	3	5	5
Naresh Chandra	11	1	1	9

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

None of the directors was a member in more than 10 committees, nor a chairman in more than 5 committees across all companies, in which he was a director.

Review of legal compliance reports

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

Code of conduct

The Board at its meeting on 30 January 2008 laid down a code of conduct for all directors and senior management of the Company, which has been posted on the website www.bajajfinserv.in

All directors and senior management personnel have affirmed compliance with the code for 2011-12. A declaration to this effect signed by the Managing Director is given in this annual report.

Audit committee

Constitution and composition

With a view to comply with various requirements under the Companies Act, 1956 and clause 49 of the listing agreement, the Company set up its audit committee on 30 January 2008. The company has been reviewing the working of the committee from time to time to bring about greater effectiveness in order to comply with the various requirements under the Companies Act, 1956, clause 49 of the listing agreement and NBFC regulations.

The present audit committee consists of the following directors as on 31 March 2012:

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

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

Meetings, attendance and topics discussed

During 2011-12, 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 functions of the Company and those executives who were considered necessary for providing inputs to the committee. The Company Secretary acted as the secretary to the audit committee.

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

Table 3: Composition of the audit committee and attendance record of members for 2011-12

Name of director	Category	Meetings attended
Nanoo Pamnani	Chairman, non-executive and independent	4/4
D J Balaji Rao	Non-executive, independent	4/4
S H Khan	Non-executive, independent	4/4
Naresh Chandra	Non-executive, independent	3/4

Subsidiary companies

During the year, the audit committee reviewed the financial statements (in particular, the investments made) of each unlisted subsidiary company, viz., Bajaj Allianz General Insurance Company Limited, Bajaj Allianz Life Insurance Company Limited, Bajaj Financial Solutions Limited and Bajaj Financial Securities Limited, to the extent applicable. Minutes of the board meetings of these subsidiary companies were regularly placed before the Board of the Company. So too was a statement of significant transactions and arrangements entered into by these subsidiary companies.

Disclosures

A summary statement of transactions with related parties was placed periodically before the audit committee during the year. Suitable disclosures have been made in the financial statements, together with the management's explanation in the event of any treatment being different from that prescribed in accounting standards.

The Board has laid down procedures to inform it of the Company's risk assessment and minimisation procedures. These are periodically reviewed to ensure that management identifies and controls risk through a properly defined framework.

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

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

Remuneration and Nomination Committee

At the meeting of the Board of Directors held on 30 January 2008, Remuneration Committee was constituted. Subsequently, at the meeting of the Board of Directors held on 15 January 2009, the Board extended the terms of reference of the existing Remuneration

Committee, so as to include the duties to assist the Board for having a formal and transparent procedure in making Board appointments. Accordingly, the existing Remuneration Committee was renamed as 'Remuneration and Nomination Committee'.

The Board of Directors at its meeting held on 12 January 2010 extended the terms of reference of this committee to ensure 'Fit and Proper' status of proposed/existing directors as required under the RBI Guidelines on Corporate Governance.

The committee consisted of the following members as on 31 March 2012:

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

During the year, the committee met on 19 October 2011 and 26 March 2012. The committee at its meeting held on 26 March 2012 noted that Nanoo Pamnani and Madhur Bajaj were due for retirement by rotation at the ensuing Annual General Meeting. The committee recommended for the consideration of the Board the re-appointment of these directors, who are due for re-appointment at the ensuing annual general meeting of the Company and ascertained and ensured their 'Fit and Proper' status. All the members of this committee attended these meetings. S H Khan attended the meeting held on 26 March 2012 by way of video conferencing.

The Board of Directors of the Company at its meeting held on 30 January 2008 approved the appointment of Sanjiv Bajaj as the Managing Director of the Company, subject to approval of the members, for a period of five years commencing from the effective date of demerger i.e. 20 February 2008 upto 19 February 2013. The said appointment was also approved by the shareholders at their meeting held on 17 March 2008.

To align the aforesaid term with financial year-end of 31 March, subject to approval of shareholders, the Board of Directors at its meeting held on 26 March 2012 approved to close out the current term of Sanjiv Bajaj by 31 March 2012 and re-appoint him for a fresh tenure of 5 years commencing from 1 April 2012, instead of doing so effective from 20 February 2013 as approved and recommended by the Remuneration Committee in its meeting held on 26 March 2012 alongwith the terms of his remuneration. The Committee ensured his 'Fit and Proper' status.

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.

The register of contracts maintained by the Company under Section 301 of the Companies Act, 1956, contains record of the transactions entered into with the above companies. The register is signed by all the directors present at the respective board meetings.

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

Criteria of making payments to non-executive directors

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

The criteria of making payments to non-executive directors as approved by the Board at its meeting held on 30 January 2008 and as amended on 24 March 2010 have been put on the Company's website www.bajajfinserv.in

Non-executive directors

All Non-executive directors are paid sitting fees and commission as earlier stated in this report. Table 4 gives details of the remuneration paid or payable to directors during the year 2011-12.

Managing Director

During the year under review, the Company has paid remuneration to Sanjiv Bajaj, Managing Director of the Company as given at Table 4 below.

Managing Director is entitled to superannuation benefits payable in the form of an annuity from the Life Insurance Corporation of India on his retirement, which forms part of the perquisites allowed to them. No pension is paid by the Company.

Remuneration to directors during the year

The company currently has no stock option plans for any of its directors and hence it does not form a part of the remuneration package payable to the Managing Director. During the year under review, none of the directors was paid any performance-linked incentive.

In 2011-12, the Company did not advance any loans to any of the non-executive directors and/or Managing Director. Table 4 gives details of the remuneration paid or payable to directors during 2011-12.

Table 4: Remuneration paid/payable to directors during 2011-12

(Amount In ₹)

Name of director	Relationship with other directors	Sitting fees	Salary and perquisites	Commission	Total
Rahul Bajaj	Father of Rajiv Bajaj and Sanjiv Bajaj	160,000	–	200,000	360,000
Madhur Bajaj	–	120,000	–	150,000	270,000
Rajiv Bajaj	Son of Rahul Bajaj, brother of Sanjiv Bajaj	140,000	–	175,000	315,000
Sanjiv Bajaj	Son of Rahul Bajaj, brother of Rajiv Bajaj	–	9,683,281	19,800,000	29,483,281
D J Balaji Rao	–	220,000	–	275,000	495,000
S H Khan	–	240,000	–	300,000	540,000
Nanoo Pamnani	–	260,000	–	325,000	585,000
Naresh Chandra	–	200,000	–	250,000	450,000

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

Shares held by non-executive directors

The non-executive directors who held shares in the Company as on 31 March 2012 are:

Name of director	Number of shares held as on 31 March 2012
Rahul Bajaj	1,757,452
Madhur Bajaj	848,616
Rajiv Bajaj	3,050

Management

Management discussion and analysis

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

Disclosure of material transactions

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

Compliances regarding insider trading

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

Shareholders

Appointment and/or re-appointment of directors

According to the statute, at least two-third of the Board should consist of directors liable to retire by rotation. Of these, one third are required to retire every year and, if eligible, may seek re-appointment by the shareholders. Six out of eight directors of Bajaj Finserv Limited as on 31 March 2012 were retiring directors. This year, the retiring directors are Nanoo Pamnani and Madhur Bajaj who, being eligible, have offered their candidature for re-appointment. Their candidature has been recommended by the Remuneration and Nomination Committee for approval by the Board, which in turn has recommended the same for approval by the shareholders.

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

During the year under review, as stated earlier, the Board of Directors at its meeting held on 26 March 2012, as recommended by the Remuneration and Nomination Committee has re-appointed Sanjiv Bajaj as Managing Director for a fresh tenure of 5 years commencing from 1 April 2012 to 31 March 2017 also fixed his remuneration, based on the recommendation made by the Remuneration and Nomination Committee.

Communication to shareholders

Quarterly, half yearly and annual financial results are published in numerous leading dailies, such as The Economic Times, Financial Express, Financial Chronicle, Business Standard, Hindustan Times, DNA, Mint, Kesari and The Hindu Business Line. The official press release is also issued. The Company also sends the half-yearly financial results, alongwith a detailed write-up, to each household of shareholders.

The company has its own website, www.bajajfinserv.in which contains all important public domain information, including presentations made to the media, analysts and institutional investors. The website also contains information on matters concerning the shareholders such as Frequently Asked Questions (FAQs), forms etc. and details of the corporate contact persons and share transfer agent of the Company. All financial and other vital official news releases are also communicated to the concerned stock exchanges, besides being placed on the Company's website.

Ministry of Corporate Affairs as a 'Green Initiative in the Corporate Governance' has issued a Circular no 17/2011 on 21 April 2011, permitting companies to service delivery of documents electronically on the registered members'/shareholders' email addresses under Section 53 of the Companies Act, 1956. The company is accordingly proposing to send documents, such as Notice calling the general meeting, audited financial statements, directors' report, auditors' report etc. in electronic form at the email addresses 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 the website 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 statements, half-yearly financial statements and quarterly financial statements
- Corporate governance report
- Shareholding pattern

Information on general body meetings

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

1st AGM	9 July 2008 at 3.30 p.m.
2nd AGM	15 July 2009 at 3.30 p.m.
3rd AGM	21 July 2010 at 3.30 p.m.
4th AGM	13 July 2011 at 3.30 p.m.

Details of Special Resolution(s) passed during the previous AGMs and resolution(s) passed through postal ballot

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

At the second AGM held on 15 July 2009, special resolutions were passed regarding 'Approval of Employee Stock Option Scheme'. Stock Options, however, have not been granted to any employee so far.

No special resolution was passed at the general meetings held during the years 2010 and 2011.

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

Material disclosure of related party transactions

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

Details of capital market non-compliance, if any

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

Shareholders' and investors' grievance committee

The Board of Directors of the Company constituted its shareholders' and investors' grievance committee (SIGC) in its meeting held on 30 January 2008. This committee has been constituted to specifically look into the shareholders' and investors' complaints on matters relating to transfer of shares, non-receipt of annual report, non-receipt of dividend etc. In addition, the committee also looks into matters that can facilitate better investor services and relations.

The committee consisted of the following directors (of whom the Chairman is an independent director) as on 31 March 2012:

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

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. The committee expressed its whole-hearted satisfaction on the overall status of compliance and actions taken on various matters.

SEBI vide its circular no. CIR/CFD/DIL/10/2010 dated 16 December 2010 amended Clause 5A by inserting a para prescribing a uniform procedure for dealing with physical unclaimed shares pursuant to public issue or any other issue. Accordingly, the Company has complied with all the prescribed procedure and transferred the unclaimed shares to "Unclaimed Shares Suspense Account".

More details on this subject have been furnished in the chapter on General Shareholder Information.

CEO/CFO certification

The CEO and CFO have certified to the Board with regard to the financial statements and other matters as required by clause 49 of the listing agreement. The certificate is contained in this annual report.

Report on corporate governance

This chapter, read together with the information given in the chapters on Management Discussion and Analysis and General Shareholder Information, constitute the compliance report on corporate governance during 2011-12.

Auditors' certificate on corporate governance

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

Compliance of mandatory and non-mandatory requirements under clause 49

Mandatory

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

Non-mandatory

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

1. The Board

The non-executive Chairman has an office at the Company's premises. None of the independent directors of the Company has tenures exceeding a period of 9 (nine) years on the Board.

2. Remuneration committee

The company has a Remuneration Committee known as "Remuneration and Nomination Committee". A detailed note on this committee is provided in the annual report.

3. Shareholder rights

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

4. Audit qualifications

There are no qualifications in the financial statements of the Company for the year 2011-12.

5. Whistle blower policy

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

General Shareholder information

Annual General Meeting

Date:	17 July 2012
Time:	4.15 p.m.
Venue:	Registered Office at Bajaj Auto Limited Complex, Mumbai - Pune Road, Akurdi, Pune - 411 035.

Financial calendar

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

Dividend

The Board of Directors of the Company has proposed a dividend of ₹ 1.50 per equity share (30 per cent) for the financial year 2011-12, subject to approval by the shareholders at the annual general meeting. Dividend paid in the previous year was ₹ 1.25 per equity share (25 per cent).

Dates of book closure

The register of members and share transfer books of the Company will remain closed from Saturday, 7 July 2012 to Tuesday, 17 July 2012, both days inclusive.

Date of dividend payment

Dividend on equity shares, if declared, at the Annual General Meeting, will be credited/dispatched between 23 July 2012 and 25 July 2012 as under:

- to all those beneficial owners holding shares in electronic form as per the beneficial ownership data as may be 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/share transfer agent (i.e. Karvy Computershare Pvt. Ltd.) 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 registered office of the Company.

Unclaimed dividend

The shareholders who have not encashed their dividend warrants for the years 2007-08 onwards are requested to claim the amount from Karvy Computershare Pvt. Ltd./Registered Office of the Company.

As per Section 205 of the Companies Act, 1956, any money transferred by the Company to the Unpaid Dividend Account and remaining unclaimed for a period of seven years from the date of such transfer shall be transferred to a fund called 'The Investor Education and Protection Fund' set up by the Central Government. No claims shall lie against the fund or the Company in respect of amount so transferred.

Share transfer agent

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

Share transfer system

Share transfers received by the Company and the share transfer agents are registered within 15 days from the date of receipt, provided the documents are complete in all respects. Total number of shares transferred in physical category was 64,023 shares during 2011-12 versus 168,378 shares during 2010-11.

Dematerialisation of shares

During 2011-12, 286,521 shares were dematerialised compared to 318,647 during 2010-11. 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 2011-12	
	No. of shares	% of total shareholding	No. of shares	% of total shareholding	No. of shares	% of total shareholding
Physical	10,551,250	7.29	10,837,770	7.49	(286,520)	(0.20)
Demat:						
NSDL	131,579,998	90.95	131,381,622	90.81	198,376	0.14
CDSL	2,552,262	1.76	2,464,118	1.70	88,144	0.06
Sub Total	134,132,260	92.71	133,845,740	92.51	286,520	0.20
Total	144,683,510	100.00	144,683,510	100.00	-	-

Global depository receipts (GDRs)

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

Stock code

1. BSE, Mumbai	532978
2. National Stock Exchange	BAJAJFINSV
3. ISIN for depositories (NSDL and CDSL)	INE918I01018
4. Bloomberg	BJFIN IN
5. Reuters	BJFS.BO

Listing on stock exchanges

The shares of the Company are currently listed on the following stock exchanges:

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

During 2011-12, the listing fees payable to these stock exchanges have been paid in full.

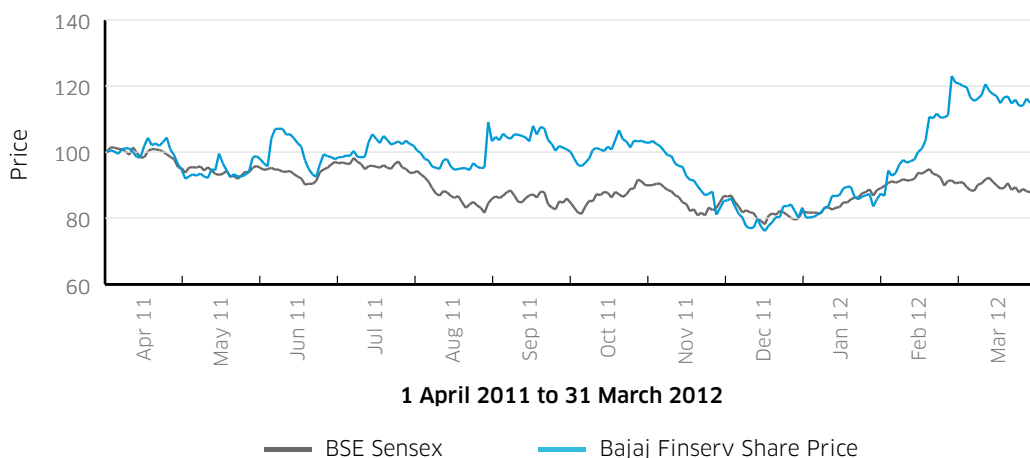
Market price data

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

Table 2: Monthly highs and lows of Bajaj Finserv Limited shares during 2011-12 (₹ vis-à-vis BSE Sensex)

Month	BSE		NSE		Closing BSE Sensex
	High	Low	High	Low	
Apr 11	555.85	511.00	555.50	500.00	19,135.96
May 11	535.70	472.80	535.05	476.10	18,503.28
Jun 11	573.70	479.00	574.40	479.00	18,845.87
Jul 11	569.60	508.45	569.70	508.00	18,197.20
Aug 11	625.00	476.10	621.90	471.25	16,676.75
Sept 11	608.70	521.00	609.80	502.65	16,453.76
Oct 11	586.00	488.00	591.00	496.30	17,705.01
Nov 11	561.00	418.30	555.05	412.15	16,123.46
Dec 11	455.00	391.55	456.00	391.00	15,454.92
Jan 12	489.50	416.00	490.00	340.00	17,193.55
Feb 12	689.90	446.55	693.80	446.40	17,752.68
Mar 12	664.40	596.00	664.90	597.00	17,404.20

Bajaj Finserv Limited vs BSE Sensex, indexed to 100 on 1 April 2011



Distribution of shareholdings

Table 3 gives details about the pattern of shareholdings 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 as on 31 March 2012

Categories	31 March 2012		31 March 2011	
	No. of Shares	% to total capital	No. of Shares	% to total capital
Promoters	85,182,790	58.87	84,510,237	58.41
Friends and Associates of Promoters	15,318,659	10.59	14,847,933	10.26
GDRs*	58,869	0.04	85,214	0.06
Foreign Institutional Investors	14,310,412	9.89	12,319,652	8.51
Public Financial Institutions	5,348,613	3.69	7,349,570	5.08
Mutual Funds	2,223,720	1.54	2,052,063	1.42
Nationalised and Other Banks	38,086	0.03	83,654	0.06
NRIs and OCBS	687,403	0.48	665,973	0.46
Others	21,514,958	14.87	22,769,214	15.74
Total	144,683,510	100.00	144,683,510	100.00

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

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

No of shares	No of shareholders		Shares held in each class	
	Number	%	Number	%
1 TO 500	47,206	91.91	2,592,822	1.79
501 TO 1000	1,426	2.77	1,052,015	0.73
1001 TO 5000	1,918	3.73	4,245,095	2.93
5001 TO 10000	374	0.73	2,561,334	1.77
10001 TO 100000	327	0.64	9,365,379	6.47
100001 AND ABOVE	111	0.22	124,866,865	86.31
Total	51,362	100.00	144,683,510	100.00

Shareholders' and investors' grievances

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

During the year, there were 5 complaints received from SEBI/RoC/shareholders on various matters, which were duly addressed and no action remained to be taken at the Company's end.

Opening of demat suspense account with HDFC Bank

In accordance with the provisions contained in the Listing Agreement with the Stock Exchanges, (as amended by SEBI) vide circular dated 16 December 2010—Clause 5A, the Company was required to send 3 reminders at the registered addresses of the shareholders whose shares were lying "Undelivered/Unclaimed" with the Company, requesting for the correct particulars to dispatch such share certificates. If no response was received, the shares were required to be transferred to an "Unclaimed share suspense account", which shall be maintained by the Company in electronic form. As and when any shareholder approaches at a later date, the Company shall deliver the shares to him/her from the said account, after proper verification/identification. Further, voting rights on such shares are to remain frozen till the rightful owner claims the shares.

Accordingly, during the year, company has sent three reminders to these shareholders, followed by opening of the said Suspense account with HDFC Bank.

After completing the necessary formalities 17,947 shares held by 100 shareholders were transferred to the said suspense account. Since such a transfer was made in April 2012, the question of giving disclosure under Clause 5A of the Listing Agreement for the year 2011-12 does not arise. The disclosure will be made regarding this account from the year 2012-13.

Nomination

Individual shareholders holding shares singly or jointly in physical form can nominate a person in whose name the shares shall be transferable in the case of death of the registered shareholder(s). The prescribed nomination form will be sent by the share transfer agent of the Company upon such request. Nomination facility for shares held in electronic form is also available with depository participant as per the bye-laws and business rules applicable to NSDL and CDSL.

Address for correspondence

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

Karvy Computershare Pvt. Ltd.

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
Mobile: +91 91774 01094
Fax No.: (040) 44655024
e-mail: mohsin@karvy.com
Website: www.karvy.com

Registered office address:

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

Directors' Report

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

Financial results

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

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

	2012	2011
	(₹ In Crore)	
Income from operations and other income	144.18	126.06
Gross profit before interest and depreciation	109.26	94.20
Depreciation	1.56	10.03
Profit before exceptional item	107.70	84.17
Exceptional item-Surplus on pre-payment of sales tax deferral incentive/loan	-	139.07
Profit before tax	107.70	223.24
Tax expense	31.13	34.90
Profit after tax	76.57	188.34
Profit available for appropriation	194.48	190.66
Transfer to Reserve Fund under Section 45-IC (1) of the Reserve Bank of India Act, 1934	15.31	37.67
Transfer to General Reserve	7.66	18.83
Proposed dividend	21.70	18.09
Provision for Corporate Dividend Tax written back	-	(1.84)
Balance carried to Balance Sheet	149.81	117.91
Earnings per share (₹)	5.3	13.0

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

	2012	2011
	(₹ In Crore)	
Gross Revenue:		
i) Gross written premium		
a) Life Insurance Bajaj Allianz Life Insurance Co Ltd	7,483.80	9,609.95
b) General Insurance Bajaj Allianz General Insurance Co Ltd	3,675.89	3,129.37
ii) Gross income-Bajaj Finance Ltd	2,171.91	1,109.39
iii) Income from windpower generation-Bajaj Finserv Ltd	84.37	41.79
iv) Investment income (excluding accretions on unit-linked investment)	1,048.33	766.19
v) Others	62.11	55.14
Total	14,526.41	14,711.83

	(₹ In Crore)	
	<u>2012</u>	<u>2011</u>
Income from operations and other income	2,835.65	1,509.06
Amount transferred from the Policyholders' Account	1,069.13	935.51
Total Income	3,904.78	2,444.57
Profit before exceptional items	2,226.22	1,509.60
Exceptional item-Surplus on pre-payment of sales tax deferral incentive/loan	-	139.07
Profit before tax	2,226.22	1,648.67
Tax expense	336.47	177.70
Profit after tax	1,889.75	1,470.97
Minority interest	551.98	377.02
Profit for the year	1,337.77	1,114.84
Earnings per share (₹)	92.5	77.1

Dividend

The directors recommend for consideration of the shareholders at the ensuing annual general meeting, payment of a dividend of ₹ 1.50 per share (30 per cent) for the year ended 31 March 2012. The amount of dividend and the tax thereon aggregates to ₹ 21.70 crore.

Dividend paid for the year ended 31 March 2011 was ₹ 1.25 per share (25 per cent). The amount of dividend and the tax thereon aggregated to ₹ 18.09 crore.

Registration as a Systemically Important Non-Deposit taking NBFC

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

Operations

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

Conservation of energy

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

Foreign exchange earning and outgo

Total foreign exchange earned by the Company was ₹ 0.19 crore during the year under review, as against ₹ Nil during the previous year.

Total foreign exchange outflow during the year under review was ₹ 0.88 crore, as against ₹ 0.02 crore during the previous year.

Subsidiaries and Joint Venture

Following are the companies, which are the subsidiary and joint venture companies of the Company as at 31 March 2012:

Name of the Company	% Shareholding of Bajaj Finserv Limited as on 31 March 2012	Status
Bajaj Allianz Life Insurance Company Limited	74%	Subsidiary
Bajaj Allianz General Insurance Company Limited	74%	Subsidiary
Bajaj Financial Solutions Limited	100%	Subsidiary
Bajaj Financial Securities Limited (100% subsidiary of Bajaj Financial Solutions Ltd.)	100%	Subsidiary
Bajaj Finance Limited	60.98%	Subsidiary
Bajaj Allianz Financial Distributors Limited	50%	Joint Venture

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

Corporate Social Responsibility

During the year 2011-12, Bajaj Group continued its Corporate Social Responsibility initiatives in various fields. Activities in this area are set out in greater detail in the annexed Corporate Social Responsibility Report.

Directors

During the year under review, to align the current term of Sanjiv Bajaj, Managing Director with financial year-end of 31 March, the Board of Directors at its meeting held on 26 March 2012 has decided to close out his current term by 31 March 2012 and re-appoint him, subject to approval of shareholders, for a fresh tenure of 5 years commencing from 1 April 2012 to 31 March 2017, instead of doing so effective from 20 February 2013 and also fixed his remuneration, based on the recommendation of Remuneration and Nomination Committee.

Nanoo Pamnani and Madhur Bajaj retire from the Board by rotation this year and being eligible, offer themselves for re-appointment.

Directors' responsibility statement

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

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

Presentation of financial results

Pursuant to Notification dated 28 February 2011 issued by the Ministry of Corporate Affairs, the format for disclosure of financial statement prescribed under Schedule VI to the Companies Act, 1956 has been substantially revised. The financial results 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.

Consolidated financial statements

The directors also present the audited consolidated financial statements incorporating the duly audited financial statements of the subsidiaries and joint ventures and as prepared in compliance with the accounting standards and listing agreement as prescribed by SEBI.

Information in aggregate for each subsidiary company is disclosed in consolidated balance sheet.

Further issue of capital by equity issue

To meet the Company's different requirements, the Company needs to raise upto ₹ 1,000 crore through equity issue in one or more tranches and in one or more modes.

The Board of Directors has subject to approval of shareholders decided on the following:

- a) Increase in Authorised Capital from ₹ 75 crore to ₹ 100 crore.
- b) Raising of capital through Equity upto ₹ 1,000 crore.

Detailed information on this is contained in the Notice to the ensuing Annual General Meeting of the Company.

Statutory disclosures

The company was not required to make an application for an exemption from the Central Government under Section 212(8) of the Companies Act, 1956 with regard to attaching of the balance sheet, statement of profit and loss and other documents of five subsidiaries of the Company for the year 2011-12 as the exemption is available under Ministry of Corporate Affairs General Circular no.2/2011 dated 8 February 2011. The summary of the key financials of the Company's subsidiaries is included in this annual report.

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

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

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

Directors' Responsibility Statement as required by Section 217(2AA) of the Companies Act, 1956 appears in a preceding paragraph.

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

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

A Cash Flow Statement for the year 2011-12 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, alongwith the reports on Management Discussion and Analysis and General Shareholder Information.

All Board members and senior management personnel have affirmed compliance with the code of conduct for the year 2011-12. A declaration to this effect signed by the Managing Director/CEO of the Company is contained in this annual report.

The Managing Director/CEO and CFO have certified to the Board with regard to the financial statements and other matters as required in clause 49 of the listing agreement and the said certificate is contained in this annual report.

Secretarial standards of ICSI

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

Group

Pursuant to an intimation from the promoters, the names of the promoters and entities comprising "Group" as defined under the erstwhile Monopolies and Restrictive Trade Practices ("MRTP") Act, 1969 are disclosed in the annual report in terms of Regulation 3(1)(e) of the erstwhile SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

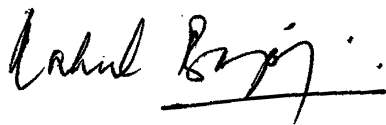
Auditors' report

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

Auditors

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

On behalf of the Board of Directors



Rahul Bajaj
Chairman
16 May 2012

Annexure 1

Auditors' certificate regarding compliance of conditions of Corporate Governance

To the Members
Bajaj Finserv Limited

We have examined the compliance of conditions of Corporate Governance by Bajaj Finserv Limited, for the year ended 31 March 2012, as stipulated in Clause 49 of the Listing Agreements of the said Company with stock exchanges 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.

In our opinion and to the best of our information and according to the explanations given to us, 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 and Shah
Firm Registration Number: 102021W
Chartered Accountants

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

Annexure 2

Declaration by Chief Executive Officer (CEO)

I, Sanjiv Bajaj, Managing Director of Bajaj Finserv Limited hereby declare that all the Board members and senior managerial personnel have affirmed for the year ended 31 March 2012 compliance with the code of conduct of the Company laid down for them.

Sanjiv Bajaj
Managing Director
Pune: 16 May 2012

Annexure 3

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

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

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

Sanjiv Bajaj
Managing Director
Pune: 16 May 2012

Kevin D'sa
CFO and President (Business Development)

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 and 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., Scheduled 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 and 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 2003-04 came to an end on 31 March 2012. During the year, various treatments like continuous contour trenches, farm bunds, cement nala bunds, Vanaraibandhara, etc. were

carried out on 2,525 Ha. of land to increase productivity. Under the Aamrai project, supported jointly by National Bank for Agriculture and 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 2011-12, as against three last year. Almost 30% of the faculty in the colleges are Ph.Ds. During 2011-12, 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 2011-12, 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 Nitin Gadkari, Harish Salve, Justice Ravi Deshpande, Udayan Sen (CEO Deloitte India), Ramesh Chandak (MD KEC International), and 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 2011-12; 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 2011-12.

Institute of Gandhian Studies (Gandhi Vichar Parishad)

During the year 2011-12, 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 and 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 healthcare 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, Pujya 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 Bhave, Pujya 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 talent.

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 2011-12.

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, Sarv 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.

Constituents of 'Group' as defined in erstwhile MRTP 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 and Investment Ltd.
6	Kumud Bajaj	44	Bajaj International Pvt. Ltd.
7	Madhur Bajaj	45	Bajaj Sevashram Pvt. Ltd.
8	Minal Bajaj	46	Baroda Industries Pvt. Ltd.
9	Nimisha Bajaj	47	Hercules Hoists Ltd.
10	Niraj Bajaj	48	Hind Musafir Agency Ltd.
11	Niravnayan Bajaj	49	Jamnalal Sons Pvt. Ltd.
12	Pooja Bajaj	50	Kamalnayan Investment and 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	Rupa Equities Pvt. Ltd.
21	Siddhant Bajaj	59	The Hindustan Housing Co. Ltd.
22	Suman Jain	60	Anant Trading Company
23	Sunaina Kejriwal	61	Bachhraj Trading Company
24	Manish Kejriwal	62	Bajaj Trading Company
25	Aryaman Kejriwal	63	Rishabh Trading Company
26	Nirvaan Kejriwal	64	Anant Trust
27	Neelima Bajaj Swamy	65	Aryaman Trust
28	Aditya Swamy	66	Deepa Trust
29	Bachhraj and Company Pvt. Ltd.	67	Geetika Trust
30	Bachhraj Factories Pvt. Ltd.	68	Kriti Trust
31	Bajaj Allianz Financial Distributors Ltd.	69	Minal Trust
32	Bajaj Allianz General Insurance Company Ltd.	70	Neelima Trust
33	Bajaj Allianz Life Insurance Company Ltd.	71	Nimisha Trust
34	Bajaj Auto Employees' Welfare Funds	72	Niravnayan Trust
35	Bajaj Auto Holdings Ltd.	73	Nirvaan Trust
36	Bajaj Auto Ltd.	74	Rishabnayan Trust
37	Bajaj Electricals Ltd. Employees Welfare Funds	75	Sanjali Trust
38	Bajaj Electricals Ltd.	76	Siddhant Trust

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



Consolidated Financial Statements

Report of the Auditors on the Consolidated Financial Statements

The Board of Directors
Bajaj Finserv Limited

1. We have audited the attached consolidated balance sheet of Bajaj Finserv Limited (the "Company") and its subsidiaries and its jointly controlled entity; hereinafter referred to as the "Group" (refer Note [1] to the attached consolidated financial statements) as at 31 March 2012, the related consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of one jointly controlled entity included in the consolidated financial statements, which constitute total assets of ₹ 9.06 crore and net assets of ₹ 3.11 crore as at 31 March 2012, total revenue of ₹ 61.29 crore, net profit of ₹ 1.08 crore and net cash flows amounting to ₹ 0.75 crore for the year then ended. These financial statements and other financial information have been audited by other auditors whose report has been furnished to us, and our opinion on the consolidated financial statements to the extent they have been derived from such financial statements is based solely on the report of such other auditors.
4. The financial statements of two subsidiaries included in the consolidated financial statements, which constitute total assets of ₹ 46,040.74 crore and net assets of ₹ 4,519.33 crore as at 31 March 2012, total revenue of ₹ 10,925.64 crore, net profit of ₹ 1,434.85 crore and net cash flows amounting to ₹ (97.68) crore for the year then ended have been audited by us jointly along with other auditors.
5. We report that the consolidated financial statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standard (AS) 21 - Consolidated Financial Statements and Accounting Standard (AS) 27 - Financial Reporting of Interests in Joint Ventures notified under sub-section 3C of Section 211 of the Companies Act, 1956.
6. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components of the Group as referred to above, and to the best of our information and according to the explanations given to us, in our opinion, the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the consolidated Balance Sheet, of the state of affairs of the Group as at 31 March 2012;
 - (b) in the case of the consolidated Statement of Profit and Loss, of the profit of the Group for the year ended on that date; and
 - (c) in the case of the consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

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

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

Consolidated Balance Sheet as at 31 March

(₹ In Crore)

Particulars	Note No.	2012	2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	5	72.34	72.34
Reserves and surplus	6	5,027.79	3,652.78
Fair value change account		(1.12)	(0.72)
		5,099.01	3,724.40
Fund for future appropriations	7	229.08	292.90
Minority interest		1,982.76	1,418.68
Non-current liabilities			
Long-term borrowings	8	6,382.86	2,844.06
Deferred tax liabilities (net)		7.95	8.68
Other long-term liabilities	9	2,272.45	4,966.53
Long-term provisions	10	5,171.16	3,443.41
		13,834.42	11,262.68
Current liabilities			
Short-term borrowings	11	2,794.56	2,468.91
Trade payables	12	3,934.62	3,330.58
Other current liabilities	12	29,331.89	29,619.74
Short-term provisions	10	2,240.92	1,907.94
		38,301.99	37,327.17
Total		59,447.26	54,025.83
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	13	604.41	469.45
Intangible assets	13	18.32	8.72
Capital work-in-progress		18.01	13.77
Intangible assets under development		–	0.21
		640.74	492.15
Goodwill on consolidation of subsidiary/associate		195.05	101.81
Non-current investments	14	15,358.22	11,968.90
Deferred tax assets (net)		106.84	106.69
Long-term loans and advances	15	207.06	154.49
Receivables under financing activity	16	6,569.21	3,932.00
Other non-current assets	18	352.70	436.37
		23,429.82	17,192.41
Current assets			
Current investments	14	28,147.35	31,158.57
Receivables under financing activity	16	5,713.88	3,339.78
Trade receivables	17	267.08	177.74
Cash and bank balances	19	1,046.60	1,569.68
Short-term loans and advances	15	297.79	245.09
Other current assets	18	544.74	342.56
		36,017.44	36,833.42
Total		59,447.26	54,025.83

The accompanying notes are an integral part of the financial statements

In terms of our report of even date

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

Rahul Bajaj
Nanoo Pamnani
Sanjiv Bajaj

Chairman
Vice Chairman
Managing Director

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

Sonal R Tiwari
Company Secretary

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

} Directors

Consolidated Statement of Profit and Loss for the year ended 31 March

(₹ In Crore)

Particulars	Note No.	2012	2011
Revenue from operations	20	2,714.62	1,507.97
Other income	21	1.73	1.25
Operating result from general insurance business	22	119.30	(0.16)
Amount transferred from the Policyholders' Account		1,069.13	935.51
Total revenue (I)		3,904.78	2,444.57
Expenses:			
Contribution to the policyholder fund		2.85	31.67
Employee benefits expense	23	264.70	178.12
Loan losses and provisions	24	154.38	144.03
Finance costs	25	744.10	301.14
Depreciation and amortisation expense		14.12	18.52
Other expenses	26	498.41	261.49
Total expenses (II)		1,678.56	934.97
Profit before exceptional items and tax (I - II)		2,226.22	1,509.60
Exceptional item	27	–	139.07
Profit before tax		2,226.22	1,648.67
Tax expense			
Current tax		336.43	182.39
Share of current tax of joint venture		0.75	0.19
MAT credit		–	(15.70)
Deferred tax		(0.79)	10.88
Share of deferred tax of joint venture		(0.09)	0.28
Prior period tax adjustment		0.17	(0.34)
Total tax expense		336.47	177.70
Profit after tax		1,889.75	1,470.97
Income from associate after tax		–	20.89
Minority interest		551.98	377.02
Profit for the year		1,337.77	1,114.84
Basic and diluted Earnings per share (In ₹) (Nominal value per share ₹ 5)	28	92.5	77.1

The accompanying notes are an integral part of the financial statements

In terms of our report of even date

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

Rahul Bajaj
Nanoo Pamnani
Sanjiv Bajaj

Chairman
Vice Chairman
Managing Director

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

Sonal R Tiwari
Company Secretary

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

} Directors

Notes to consolidated financial statements for the year ended 31 March 2012

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

Name of the company	Country of incorporation	% Shareholding of Bajaj Finserv Ltd.	Consolidated as
Bajaj Allianz General Insurance Company Limited	India	74%	Subsidiary
Bajaj Allianz Life Insurance Company Limited	India	74%	Subsidiary
Bajaj Financial Solutions Limited*	India	100%	Subsidiary
Bajaj Allianz Financial Distributors Limited	India	50%	Joint Venture
Bajaj Finance Limited	India	60.98%	Subsidiary (See note 1(d))

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

- (b) 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 the RBI guidelines/regulations to the extent applicable.
- 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.
- (c) Considering that the accounts of the two Insurance companies have been prepared in accordance with and in the manner prescribed by the regulations of the Insurance Regulatory & Development Authority and the lack of homogeneity of the business, the financial statements of the insurance companies have been consolidated, to the extent possible in the format as adopted by the parent, as required by Accounting Standard AS-21 "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.
- (d) Upon acquisition of further shares, Bajaj Finance Limited (BFL) became a subsidiary of the Company from 5 July 2010. Accordingly, BFL has been consolidated as a subsidiary from that date. Prior to that date, BFL was consolidated as an associate and hence the consolidated financial results for the year ended 31 March 2012 are not comparable with those of the prior years.
- 2 Notes to these Consolidated Financial Statements are intended to serve as a means of informative disclosure and a guide to better understanding of the consolidated position of the companies. Recognising this purpose, the Company has disclosed only such Notes from the individual financial statements, which fairly present the needed disclosures.
- 3 No adjustments have been made to the financial statements of the two insurance subsidiaries on account of diverse accounting policies as the same, being insurance companies, have been prepared under a regulated environment in contrast to those of Bajaj Finserv Ltd. and hence not practicable to do so. Also differences in accounting policies followed by the other entities consolidated have been reviewed and no adjustments have been made, since the impact of these differences is not significant.
- 4 **Significant Accounting Policies followed by Subsidiaries, Joint Ventures and Associates, to the extent, different and unique from the parent.** (The accounting policies of the parent are best viewed in its independent financial statements, Note 2).

A. Bajaj Allianz Life Insurance Company Limited

Significant Accounting Policies followed by the Company

Basis of Preparation

The accompanying financial statements have been prepared and presented under the historical cost convention, on the accrual basis of accounting, in compliance with the accounting standards ('AS') prescribed in the Companies Act 1956 and Rules thereunder, to the extent applicable, and in accordance with the provisions of the Insurance Act, 1938, the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002 ('the Regulations'), Insurance Regulatory and Development Authority Act, 1999, various circulars issued by IRDA and the practices prevailing in the insurance industry in India. The accounting policies have been consistently applied by the Company.

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

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

Use of Estimates

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

a) Revenue Recognition

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

Premium Income

Premium is recognised as income when due. For linked business, premium is recognised when the associated units are allotted.

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

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

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

Income earned on investments

Interest income is recognised on an accrual basis.

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

Premium or discount on acquisition, as the case may be, in respect of debt securities, pertaining to non-linked investments is amortised over the period of maturity/holding and offset against interest income.

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

The realised gains or losses on the debt securities for other than linked business is the difference between the net sale consideration and the amortised cost computed on weighted average basis as on the date of sale.

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

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

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

b) Reinsurance premium

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

c) Benefits Paid (Including Claims)

Death and surrender claims are accounted for on receipt of intimation. Maturity claims are accounted when due for payment. Reinsurance recoveries are accounted for in the same period as the related claims and netted off against the claim expense incurred.

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

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

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

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

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

d) Acquisition Costs

Acquisition costs such as commission, policy issue expenses etc. are costs that vary with and are primarily relatable to the acquisition of new and renewal insurance contracts. Such costs are expensed in the year in which they are incurred. Additional first year commission is accounted for on an accrual basis, after considering estimated lapsations. Claw back in future, if any, for the first year commission paid, is accounted for in the year in which it is recovered.

e) Liability for life policies

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

Actuarial policies and assumptions are given in Note 29 A 1 below.

f) Investments

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

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

i) Classification

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

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

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

All debt securities are considered as 'held to maturity' and accordingly stated at historical cost adjusted for amortisation of premium or accretion of discount over the period held to maturity/sale. Investment in security receipts and loans are valued at cost.

Listed equity shares and mutual fund units are stated at fair value, in accordance with IRDA Investment (Amendment) Regulations 2001. Fair value for listed equity shares is the lower of the last quoted closing price on the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE). Fair value for mutual fund units is the per unit net asset value on the Balance Sheet date declared by respective mutual fund. Unrealised gains/losses on changes in fair values of listed equity shares and mutual funds are taken to the Fair Value Change Account and carried forward in the Balance Sheet.

iii) Valuation - linked business

Listed equity shares are valued at fair value, being the last quoted closing price on the NSE. In case the equity shares are not listed on the NSE, then they are valued on the last quoted closing price on BSE. Unlisted shares are stated at historical cost subject to provision for diminution, if any, in the value of such investment.

Investment in security receipts, loans and venture capital funds has been valued at cost.

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

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

Treasury bills, certificate of deposits and commercial papers are valued at cost plus accretion using the Straight Line method.

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

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

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

iv) Valuation – Discontinued Fund

Listed equity shares are valued at fair value, being the last quoted closing price on the NSE. In case the equity shares are not listed on the NSE, then they are valued on the last quoted closing price on BSE. Unlisted shares are stated at historical cost subject to provision for diminution, if any, in the value of such investment.

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

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

Treasury bills, certificate of deposits and commercial papers are valued at cost plus accretion using the Straight Line method.

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

v) Transfer of investments

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

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

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

g) Loans

Loans are stated at historical cost, net of provision for impairment, if any.

h) Fixed Assets and Depreciation

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

Intangible assets comprising software are stated at cost less amortisation.

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

Depreciation/amortisation is provided at the following rates:

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

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

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

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

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

Impairment of Assets

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

i) Provisions and Contingent liabilities

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

j) Service Tax

Service Tax liability on premium and charges is setoff against available service tax credits from service tax payments made for Insurance Auxiliary and other eligible services. Unutilised credits, if any, are carried forward under "Advances and other Assets" for adjustments/setoff in subsequent periods, after creating a provision based on estimated realisation of the unutilised credit. Such provisions are subsequently reversed only on reasonable certainty that the credits will be utilized in future periods.

B. Bajaj Allianz General Insurance Company Limited

Significant Accounting Policies followed by the Company

Basis of preparation of Financial Statements

The financial statements are prepared and presented in accordance with the Generally Accepted Accounting Principles followed in India under the historical cost convention and accrual basis of accounting and in accordance with the statutory requirements of the Insurance Act, 1938, the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002 ('The Regulations') and orders and directions issued by the IRDA in this behalf, the Companies Act, 1956 ('The Act') to the extent applicable and comply with the notified accounting standards issued by Companies Accounting Standard Rules, 2006 (to the extent applicable) and current practices prevailing in the insurance industry.

Use of Estimates

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

a) Revenue recognition

i) Premium

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

ii) Interest/dividend income

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

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

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

iii) Premium/discount on purchase of investments

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

iv) Profit/loss on sale of securities

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

v) Commission on Reinsurance Ceded

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

b) Reinsurance ceded

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

c) Reinsurance Accepted

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

d) Acquisition Costs

Acquisition costs, defined as costs that vary with, and are primarily related to, the acquisition of new and renewal insurance contracts viz., commission, policy issue expenses etc., are expensed in the year in which they are incurred.

e) Premium received in advance

Premium received in advance represents premium received in respect of policies issued during the year, where the risk commences subsequent to the balance sheet date.

f) Reserve for unexpired risk

Reserve for unexpired risk represents that part of the net premium (i.e., premium, net of reinsurance ceded) which is attributable to, and set aside for subsequent risks to be borne by the Company under contractual obligations on contract period basis or risk period basis, whichever is appropriate, subject to a minimum of 100% in case of Marine Hull business and 50% in case of other businesses based on net premium written during the year as required by Section 64 V(1)(ii)(b) of the Insurance Act, 1938. (Also refer clause m).

g) Premium Deficiency

Premium deficiency is recognised if the ultimate amount of expected net claim costs, related expenses and maintenance costs exceeds the sum of related premium carried forward to the subsequent accounting period as the reserve for unexpired risk. Premium deficiency is calculated by line of business. The Company considers maintenance costs as relevant direct costs incurred for ensuring claim handling operations.

h) Claims incurred

Claims are recognised as and when reported. Claims paid (net of recoveries including salvage retained by the insured and includes interest paid towards claims) are charged to the respective revenue account when approved for payment. Where salvage is retained by the Company, the recoveries from sale of salvage are recognised at the time of sale. Provision is made for estimated value of outstanding claims at the balance sheet date net of reinsurance, salvage and other recoveries. Such provision is made on the basis of the ultimate amounts that are likely to be paid on each claim, as anticipated and estimated by the management in light of past experience and subsequently modified for changes, as appropriate. Amounts received/receivable from the re-insurers/co-insurers, under the terms of the reinsurance and coinsurance arrangements respectively, are recognised together with the recognition of the claim.

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

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

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

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

j) Income from Investments and Other Income

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

k) Fixed Assets and Depreciation/Amortisation

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

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

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

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

Impairment of assets

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

l) Investments

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

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

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

Classification:

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

Valuation:

Debt Securities

All debt securities are considered as 'held to maturity' and accordingly stated at historical cost adjusted for amortisation of premium or accretion of discount on constant yield to maturity basis in the revenue accounts and profit & loss account over the period held to maturity/holding.

The realised gain or loss on the securities is the difference between the sale consideration and the amortised cost in the books of the Company as on the date of sale determined on weighted average cost basis.

Equities (Listed & Actively Traded)

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

The realised gain or loss on the listed & actively traded equities is the difference between the sale consideration and the carrying cost as on the date of sale, determined on a weighted average cost basis and includes the accumulated changes in the fair value previously taken to the fair value change account, in respect of the particular security; such gain or loss is transferred to revenue on the trade date.

Mutual Fund Units

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

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

Fair Value Change Account

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

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

Real Estate - Investment Property

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

m) Contributions to Terrorism and Third Party Insurance Pools

i) Terrorism pool

In accordance with the requirements of IRDA, the Company, together with other insurance companies, participates in the Terrorism Pool. This pool is managed by the General Insurance Corporation of India ('GIC'). Amounts collected as terrorism premium in accordance with the requirements of the Tariff Advisory Committee ('TAC') are ceded at 100% of the terrorism premium collected to the Terrorism Pool, subject to conditions and an overall limit of ₹ 7.5 billion (Previous year ₹ 7.5 billion) per location/compound.

In accordance with the terms of the agreement, GIC retro cedes, to the Company, terrorism premium to the extent of the share agreed to be borne by the Company in the risk, which is recorded as reinsurance accepted. Such reinsurance accepted is recorded based on quarterly confirmation received from GIC. Accordingly, reinsurance accepted on account of the Terrorism Pool has been recorded only up to 31 December 2011.

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

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

The entire amount of reinsurance accepted for the current year on this account, net of claims and expenses, upto the above date, has been carried forward to the subsequent accounting period as 'Unexpired Risk Reserve' for subsequent risks, if any, to be borne by the Company.

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

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

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

- a) The General Insurance Corporation of India ('GIC') participates in the pooled business at such percentage of the motor business that is ceded to it by all insurers as statutory reinsurance cessions under Section 101A of the Insurance Act, 1938. For the financial year ended 31 March 2012, the share of GIC was fixed at 10% (Previous year 10%) by the Insurance Regulatory Development Authority ('IRDA').
- b) The business remaining after such cession to GIC is shared among all general insurers writing motor insurance business in the proportion that their gross direct general insurance premium in India from all classes of general insurance underwritten by them in that financial year bears to the aggregate gross direct general insurance premium from all classes of general insurance business written by all participant companies. Such share of business is computed by GIC and is applicable to all insurance companies, who are members of the IMTPIP.

The Company's share of premiums, claims, reinsurance commissions and expenses of the pool is recorded as inward reinsurance business, based on the returns submitted by GIC, under the respective heads of income or expense as the case may be and included within the Motor Third Party sub-segment of the Miscellaneous Revenue Account. Accordingly, such share has been recorded by the Company, only up to 28 February 2012 and for the month of March 2012 the losses from the Pool of ₹ 2.15 crore is provided based on management's estimate and recorded net under claims incurred. Unexpired risks reserve is provided for at 50% of net premiums of such inward reinsurance business, being the minimum rate specified in Section 64V(1)(ii) of the Insurance Act, 1938.

During the year, IRDA vide Orders IRDA/NL/ORD/MPL/277/12/2011 dated 23 December 2011, IRDA/NL/ORD/MPL/003/01/2012 dated 3 January 2012 had directed the dismantling of Indian Motor Third Party Insurance Pool (IMTPIP) and advised recognition of actuarially estimated liabilities relating to IMTPIP for all underwriting years commencing from 1 April 2007 and ending with 31 March 2012. Further, IRDA, vide Order No IRDA/F&A/ORD/MTPP/070/03/2012 dated 22 March 2012, amongst other things, had provided an option to insurers for deferment of the transitional liability on a straight line basis over a period of three years beginning with financial year ending 31 March 2012, subject to the conditions listed in the said Order. The Company, having exercised the option, has recognised in its Miscellaneous Revenue Account for the year ended 31 March 2012:

- a) ₹ 11.67 crore and ₹ 77.61 crore representing in full the additional liability for the underwriting years 2007-08 and 2008-09 respectively as per actuarially determined liabilities.
- b) ₹ 119.89 crore representing 1/3rd of cumulative transitional liability for the underwriting years 2009-10, 2010-11 & 2011-12, as determined by actuarial estimates.

In terms of aforesaid order, accordingly Company has carried forward the transitional liability aggregating to ₹ 239.77 crore for the underwriting years 2009-10, 2010-11 and 2011-12, which will be recognised equally over the next two financial years i.e. 2012-13 and 2013-14.

n) Contributions to Funds

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

o) Service Tax

Service tax collected is considered as a liability against which service tax paid for eligible input services, to the extent claimable, is adjusted and the net liability is remitted to the appropriate authority as stipulated. Unutilised credits, if any, are carried forward under "Advances and other Assets" for adjustments in subsequent periods. However where there is significant uncertainty around the recoverability of the Unutilised credits the same are provided for as

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

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

doubtful recovery. Service tax paid for eligible input services not recoverable by way of credits are recognised in the revenue account as expenses forming as separate line item.

p) Provisions and Contingent liabilities

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

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

C. Bajaj Allianz Financial Distributors Limited

Background

Bajaj Allianz Financial Distributors Limited is a Joint Venture between Bajaj Finserv Limited and Allianz, SE incorporated on 16 March 2007 with an objective to engage in the business of distribution of variety of financial products and services such as mutual funds, personal loans, credit cards and home loans and providing manpower and recruitment support services, Security Services under the name of Bajaj Allianz Staffing Solutions, a Division of Bajaj Allianz Financial Distributors Limited.

Significant Accounting Policies followed by the Company

Accounting assumptions

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

Use of estimate

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

a) Revenue Recognition

Income from distribution of financial products operations includes brokerage and commission on sale of mutual fund units, life and general insurance policies, personal loans, receipts from mutual funds which is recognised when due, on completion of transaction.

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

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

b) Investments

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

c) Provisions and Contingent liabilities

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made.

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

C. Bajaj Allianz Financial Distributors Limited (Contd.)

Provisions are not discounted to their present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

Contingent liabilities are disclosed by way of notes to accounts.

Contingent assets are not recognised.

D. Bajaj Finance Limited

Significant Accounting Policies followed by the Company

a) Fixed Assets, Depreciation and Amortisation

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

(ii) **Depreciation**

(a) 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.

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

II) On Intangible Assets and Amortisation thereof:

Intangible assets, representing Specialised Software 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 amortised as an expense over a period of 60 months, being the estimated useful life of the software.

b) 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.

(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 amortised 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.

c) 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 the financial statements as required by the Reserve Bank of India.

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

E. Bajaj Financial Solutions Limited

Background

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

Significant Accounting Policies followed by the Company

a) Revenue Recognition

Income from financial advisory service charges is recognised net of service tax when due.

Commission on sale of life and general insurance policies is recognised net of service tax on due basis.

Profit/loss on sale/redemption of investments is recognised on the contract date.

b) Fixed Assets, Depreciation & Amortisation

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

Estimated useful life of the assets is as under:

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

Depreciation is charged from the month in which new assets are put to use. Depreciation on assets sold, discarded or demolished during the year is being provided at their rates upto the month in which such assets are sold, discarded or demolished.

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

F. Bajaj Financial Securities Limited

Background

Bajaj Financial Securities Limited was incorporated, as a wholly owned subsidiary of Bajaj Financial Solutions Limited, on 7 April 2010 with the main object of undertaking, inter alia, stock/share broking business and to act as Depository Participant, within the provisions of Securities and Exchange Board of India Act, 1992 & relevant rules and regulations.

Significant Accounting Policies followed by the Company

a. Revenue recognition

Income from broking operations includes brokerage on purchase/sale of listed securities, which is recognised when due, on trade date of transaction. Brokerage on purchase/sale of listed tradable securities is recognised net of service tax and other taxes, levies etc. Commission from Asset Management Companies is recognised on accrual basis, net of service tax.

Profit/loss on sale/redemption of investments is recognised on the contract date.

Interest on fixed deposits is recognised when due.

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

5 Share capital

	(₹ In Crore)	
	2012	2011
Authorised:		
150,000,000 equity shares of ₹ 5 each	75.00	75.00
Issued, subscribed and fully paid-up shares:		
144,683,510 equity shares of ₹ 5 each	72.34	72.34
	72.34	72.34

a. Further, of the above:–

101,183,510 equity shares were allotted as fully paid up pursuant to the scheme of arrangement for demerger of erstwhile Bajaj Auto Limited (now Bajaj Holdings & Investment Limited) by the Company on 3 April 2008.

1,805,071 equity shares thereof are deemed to be issued by way of Euro Equity Issue represented by Global Depository Receipts (GDR) evidencing Global Depository Shares outstanding on the record date. Outstanding GDRs at the close of the year were 58,869(85,214)

b. Terms/rights attached to equity shares

The Company has only one class of equity shares having a par value of ₹ 5 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. Details of shareholders holding more than 5% shares in the company

	2012		2011	
	Nos.	% Holding	Nos.	% Holding
Equity shares of ₹ 5 each fully paid				
Bajaj Holdings & Investment Ltd.	56,649,211	39.15%	55,976,658	38.69%
Jamnalaal Sons Pvt. Ltd.	13,733,114	9.49%	13,733,114	9.49%

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

6 Reserves and surplus

	2012	2011
(₹ In Crore)		
Securities premium account		
Balance as per the last financial statements	907.67	906.52
Add: Received during the year	–	1.15
Closing Balance	907.67	907.67
Reserve Fund in terms of Section 45–IC(1) of the Reserve Bank of India Act, 1934		
Balance as per the last financial statements	102.25	15.08
Add: Transferred from surplus in the statement of profit and loss	65.01	87.17
Closing Balance	167.26	102.25
Infrastructure Reserve in terms of Section 36 (1) (viii) of the Income Tax Act, 1961		
Balance as per the last financial statements	–	–
Add: Transferred from surplus in the statement of profit and loss	0.09	–
Closing Balance	0.09	–
General Reserve		
Balance as per the last financial statements	1,306.44	1,261.83
Add: Adjustment because of change in reserves of subsidiary	58.94	0.78
Add: Transferred from surplus in the statement of profit and loss	32.66	43.83
Closing Balance	1,398.04	1,306.44
Surplus in the statement of profit and loss		
Balance as per last financial statements	1,336.42	368.83
Profit for the year	1,337.77	1,114.84
Less: Appropriations		
Transfer to Reserve Fund in terms of Section 45–IC(1) of the Reserve Bank of India Act, 1934	65.01	87.17
Transfer to Infrastructure Reserve in terms of Section 36 (1) (viii) of the Income Tax Act, 1961	0.09	–
Transfer to General Reserve	32.66	43.83
Proposed Dividend	21.70	18.09
Provision for Corporate Dividend Tax for previous year written back under Section 115(O) of Income Tax Act, 1961	–	(1.84)
Total appropriations	119.46	147.25
Balance in the statement of profit and loss	2,554.73	1,336.42
	5,027.79	3,652.78

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

7 Fund for future appropriations in Policyholders' Account

	2012	2011
		(₹ In Crore)
Premiums Earned-Net		
(a) Premium	7,483.80	9,609.95
(b) Reinsurance ceded	(50.18)	(34.77)
(c) Reinsurance accepted		
Sub-total	7,433.62	9,575.18
Income From Investment		
(a) Interest, Dividend & Rent – Gross	1,106.58	937.83
(b) Profit on sale/redemption of investments	1,446.53	3,222.67
(c) Loss on sale/redemption of investments	(697.96)	(382.65)
(d) Transfer/Gain on revaluation/change in fair value	(2,092.88)	(140.53)
(e) Other investment income	198.28	275.05
Other Income	8.79	8.69
Contribution from the Shareholders' Account	2.85	31.67
Sub-total	(27.81)	3,952.73
Total (A)	7,405.81	13,527.91
Commission	388.27	616.47
Operating Expenses related to Insurance Business	1,406.28	1,606.58
Provision for Income Tax	185.62	192.39
Total (B)	1,980.17	2,415.44
BENEFITS PAID (Net)	5,494.58	4,984.67
Interim Bonus Paid	1.25	1.96
Change in valuation of liability against life policies in force		
(a) Gross	1,809.20	815.33
(b) Fund Reserve	(2,900.34)	4,469.56
(c) Reserve for Discontinuance fund	15.64	–
(d) Amount ceded in Reinsurance	–	–
(e) Amount accepted in Reinsurance	–	–
Total (C)	4,420.33	10,271.52
Surplus/(Deficit) (D) = (A)–(B)–(C)	1,005.31	840.95
Opening balance of Funds for future appropriation	292.90	387.46
Less: Transfer to Shareholders' account	1,069.13	935.51
Closing balance of Funds for future appropriation	229.08	292.90

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

8 Long-term borrowings*

	(₹ In Crore)			
	Non-current portion		Current maturities	
	2012	2011	2012	2011
Secured				
Privately placed redeemable non convertible debentures	2,103.90	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	–
	5,695.90	1,981.00	530.00	880.00
Amount disclosed under the head “other current liabilities” [See note 12]	–	–	(530.00)	(880.00)
	5,695.90	1,981.00	–	–
Unsecured				
Privately placed redeemable non convertible debentures	407.80	308.00	168.00	50.00
Privately placed Subordinated (Tier II) Redeemable Non Convertible Debentures of ₹ 10 lakh 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	863.06	494.01	500.38
Amount disclosed under the head “other current liabilities” [See note 12]	–	–	(494.01)	(500.38)
	686.96	863.06	–	–
	6,382.86	2,844.06	–	–

* For details and terms of repayment refer note 29 C.2.

9 Other long-term liabilities

	(₹ In Crore)	
	2012	2011
Linked liabilities	2,239.88	4,950.30
Trade payables	19.80	7.09
Share of trade payables of joint venture	0.03	0.03
Security deposits	10.27	7.22
Others	2.47	1.89
	2,272.45	4,966.53

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

10 Provisions

	(₹ In Crore)			
	Long-term		Short-term	
	2012	2011	2012	2011
Provision for employee benefits				
Provision for gratuity	1.51	2.74	4.18	31.04
Share of provision for gratuity of joint venture	0.87	0.52	0.01	–
Provision for compensated absences	–	–	33.78	9.08
Share of provision for compensated absense of joint venture	1.08	0.99	0.27	0.24
Provision for long-term service awards	5.60	20.78	1.67	9.26
	9.06	25.03	39.91	49.62
Other provisions				
Policy liabilities	5,129.85	3,399.48	524.01	445.19
Fair value change account	–	–	5.58	3.75
Reserve for unexpired risk	–	–	1,500.32	1,279.33
Premium deficiency	–	–	0.63	0.31
Provision for loss estimates	32.25	18.90	0.31	–
Provision for tax (net of tax paid in advance)	–	–	147.13	111.23
Share of provision for tax (net of tax paid in advance) of joint venture	–	–	1.33	0.42
Proposed dividend	–	–	21.70	18.09
	5,162.10	3,418.38	2,201.01	1,858.32
	5,171.16	3,443.41	2,240.92	1,907.94

11 Short-term borrowings*

	(₹ In Crore)	
	2012	2011
Secured		
From Banks, against hypothecation of assets under finance, book debts and other receivables		
Cash credit and WCDL	1,374.55	975.94
Other short-term loans	–	805.00
	1,374.55	1,780.94
Unsecured		
Overdraft facility from banks	0.01	12.97
Short-term loans from banks	500.00	150.00
Short-term borrowings by issue of commercial papers	920.00	525.00
	1,420.01	687.97
	2,794.56	2,468.91

*For details and terms of repayment refer note 29 C.3.

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

12 Other current liabilities

	2012	2011
		(₹ In Crore)
Trade payables		
Dues to micro and small enterprises	–	0.14
Share of other dues of joint venture	–	0.83
Other than dues to micro and small enterprises	621.69	542.54
	621.69	543.51
Outstanding claims	2,396.44	1,968.73
Agents' balances	322.41	371.91
Balances due to other insurance companies	54.12	59.38
Claims settled but not paid	103.43	44.05
Premiums received in advance	22.07	–
Unallocated premiums	117.18	80.16
Premium and other deposits	72.89	109.72
Due to policyholders/insured	224.39	153.12
	3,934.62	3,330.58
Other liabilities		
Current maturities of long-term borrowings [See note 8]		
Secured	530.00	880.00
Unsecured	494.01	500.38
Linked liabilities	27,743.95	27,933.87
Premiums received in advance	107.96	64.58
Solatium fund	1.95	1.72
Interest accrued but not due	153.80	138.02
Interest accrued and due	1.01	5.01
Income received in advance	1.61	–
Security deposits	8.58	9.73
Unclaimed dividend	0.56	0.53
Unclaimed matured fixed deposits	0.08	0.13
Book overdraft	212.39	51.90
Share of other payables of joint venture	2.35	1.76
Other payables	73.64	32.11
	29,331.89	29,619.74
	33,266.51	32,950.32

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

13 Fixed assets (tangible and intangible assets)

(₹ In Crore)

Particulars	Gross block				Depreciation			Net block		
	As at 31 Mar 11	Additions	Deductions/ adjustments	As at 31 Mar 12	As at 31 Mar 11	Deductions/ adjustments	For the Year	As at 31 Mar 12	As at 31 Mar 12	As at 31 Mar 11
Tangible Assets:										
Land Freehold	13.02	-	-	13.02	-	-	-	-	13.02	13.02
Buildings	359.08	153.90	-	512.98	16.91	-	11.50	28.41	484.57	342.17
Lease hold Improvements	79.50	1.00	5.00	75.50	72.84	4.99	4.82	72.67	2.83	6.66
Free hold Improvements	1.06	1.40	-	2.46	1.05	-	0.19	1.24	1.22	0.01
Information Technology Equipment	237.94	16.93	2.91	251.96	201.51	2.86	26.30	224.95	27.01	36.43
Electric Installations	0.07	-	-	0.07	0.01	-	0.02	0.03	0.04	0.06
Office Equipment	49.12	4.63	1.12	52.63	32.64	0.79	5.40	37.25	15.38	16.48
Furniture & Fixtures	75.45	12.99	4.14	84.30	42.13	2.86	7.60	46.87	37.43	33.32
Electric Fittings	1.57	1.10	-	2.67	0.33	-	0.17	0.50	2.17	1.24
Vehicles	8.39	3.10	1.25	10.24	2.81	0.78	1.66	3.69	6.55	5.58
Wind Energy Generators	283.72	-	-	283.72	269.24	-	0.29	269.53	14.19	14.48
Plant & Machinery	17.64	-	-	17.64	17.64	-	-	17.64	-	-
Total	1,126.56	195.05	14.42	1,307.19	657.11	12.28	57.95	702.78	604.41	469.45
Share of fixed assets of joint ventures	0.15	-	-	0.15	0.12	-	-	0.12	0.03	0.03
Previous year total	990.89	146.30	10.63	1,126.56	584.54	10.64	83.21	657.11	469.45	-
Share of fixed assets of joint ventures – Previous year	0.16	-	0.01	0.15	0.11	-	0.01	0.12	0.03	-
Intangible assets:										
Computer softwares	27.69	15.65	3.11	40.23	18.97	-	2.94	21.91	18.32	8.72
Previous year total	25.56	4.37	2.24	27.69	16.89	-	2.08	18.97	8.72	-

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

14 Investments

	(₹ In Crore)			
	Non-current		Current	
	2012	2011	2012	2011
In Government and Trust Securities	3,039.68	2,040.66	29.78	145.48
In Equity Shares				
Others	2.21	2.73	1.25	–
In Debentures, Bonds and Secured Premium Notes	3,111.71	2,434.17	195.71	119.57
In Bonds	95.60	211.92	615.70	623.15
In Mutual Fund Units	–	–	33.90	26.70
Share of Joint Ventures	0.35	0.35	–	–
In Certificate of Deposits	–	–	–	142.71
In Fixed Deposits with banks	385.70	289.95	150.00	82.39
In Other Investments	–	12.00	12.00	16.31
Policyholders' Investments	5,241.66	3,650.06	591.28	443.65
Assets held to cover linked liabilities	3,466.00	3,327.48	26,517.82	29,556.69
Assets held to cover discontinued funds	15.64	–	–	–
	15,358.55	11,969.32	28,147.44	31,156.65
Less: Provision for diminution in value of Investments	0.33	0.42	0.09	0.08
	15,358.22	11,968.90	28,147.35	31,156.57
Add: Application Money for investment in Shares, Bonds, Mutual funds	–	–	–	2.00
	15,358.22	11,968.90	28,147.35	31,158.57

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

15 Loans and advances

(Unsecured, good, unless stated otherwise)

	(₹ In Crore)			
	Long-term		Short-term	
	2012	2011	2012	2011
Capital advances	8.23	9.32	–	–
Security deposits	39.11	36.16	1.73	4.07
Share of security deposits of joint venture	0.03	0.03	–	–
Policy loans	16.34	13.89	0.74	0.82
Advances recoverable in cash or kind				
Secured considered good	1.39	1.81	15.24	6.85
Unsecured considered good	65.90	46.27	265.10	136.52
Doubtful	–	–	4.23	6.30
	67.29	48.08	284.57	149.67
Provision for doubtful advances	–	–	4.23	6.30
	67.29	48.08	280.34	143.37
Other loans and advances				
Deposit with ceding companies	–	–	–	0.61
VAT refund receivable	0.69	0.49	–	–
CENVAT credit receivable	0.13	0.09	7.32	36.35
Share of CENVAT credit receivable of joint venture	–	–	0.08	0.05
Advance income–tax (net of provision for tax)	75.09	40.29	2.90	58.15
Share of advance income–tax (net of provision for tax) of joint venture	–	2.04	–	–
Share of other advances of joint venture	–	–	0.22	0.06
Other advances	0.15	4.10	4.46	1.61
	76.06	47.01	14.98	96.83
	207.06	154.49	297.79	245.09

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

16 Trade receivables - Receivables under financing activity

(Good, unless stated otherwise)

(₹ In Crore)

	Non-current		Current	
	2012	2011	2012	2011
(I) Secured:				
(i) (a) Against hypothecation of automobiles, equipments, durables etc. (Includes overdue instalments ₹ 206.67 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 NPAs	–	–	76.09	87.50
(ii) Against loss estimation of delinquent assets 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 instalments ₹ 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 NPAs	–	–	0.20	1.27
(ii) Against loss estimation of delinquent assets 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
(II) Unsecured:				
(i) Loans at agreement values less instalments received (Includes overdue instalments ₹ 88.68 crore) [Previous year ₹ 44.62 crore]				
Good	1,265.86	668.25	1,317.74	853.64
Doubtful	–	–	60.13	65.33
Less: Provision:				
(i) Against NPAs	–	–	52.66	58.62
(ii) Against loss estimation of delinquent assets not yet NPAs	–	–	7.47	6.71
	–	–	–	–
	1,265.86	668.25	1,317.74	853.64
(ii) Receivables under loan assignments	–	–	–	–
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 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 by 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 the financial statements as required by the Reserve Bank of India.

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

17 Trade receivables

(Unsecured, considered good, unless stated otherwise)

(₹ In Crore)

	Non-current		Current	
	2012	2011	2012	2011
Outstanding for a period exceeding six months from the date they are due for payment	–	–	187.41	65.24
Share of trade receivables, Others, Good of joint venture	–	–	0.27	0.10
Others, Good	–	–	79.96	113.21
	–	–	267.64	178.55
Provision for doubtful receivable	–	–	0.56	0.81
	–	–	267.08	177.74
Amount disclosed under the head “other non-current assets” [See note 18]	–	–	–	–
	–	–	267.08	177.74

18 Other assets

(Unsecured, good, unless stated otherwise)

(₹ In Crore)

	Non-current		Current	
	2012	2011	2012	2011
Long-term trade receivables [See note 17]	–	–	–	–
Non-current bank balances [See note 19]	350.78	435.95	–	–
	350.78	435.95	–	–
Interest receivable on investments	–	–	454.12	247.99
Interest amount receivable	–	–	–	51.02
Outstanding premiums	–	–	4.25	7.65
Credit receivable for windpower generated	–	–	2.70	2.94
REC receivable	–	–	5.54	–
Voluntary emission reduction receivable	–	–	–	0.27
Other finance charges receivable	–	–	34.63	25.71
Others	–	–	43.09	5.33
Share of other assets of joint venture	1.92	0.42	0.41	1.65
	352.70	436.37	544.74	342.56

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

19 Cash and bank balances

(₹ In Crore)

	Non-current		Current	
	2012	2011	2012	2011
Cash and cash equivalents				
Balances with banks:				
On current accounts	–	–	314.92	540.69
Share of current accounts of joint venture	–	–	2.84	2.09
On unclaimed dividend account	–	–	0.16	–
Earmarked balances with bank	–	–	0.69	0.72
Cash on hand	–	–	113.41	79.73
Cash equivalents				
Cheques/drafts on hand	–	–	272.32	214.25
Deposits with original maturity of less than three months	–	–	10.80	150.01
Certificate of Deposits with maturity of less than three months from date of acquisition	–	–	–	464.24
	–	–	715.14	1,451.73
Other bank balances				
Deposits with original maturity for more than 12 months	350.78	435.95	–	–
Deposits with original maturity for more than 3 months but less than and equal to 12 months	–	–	331.46	117.95
Margin money deposit	–	–	–	–
	350.78	435.95	331.46	117.95
Amount disclosed under non-current assets [See note 18]	(350.78)	(435.95)	–	–
	–	–	1,046.60	1,569.68

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

20 Revenue from operations

	2012	2011
(₹ In Crore)		
Windfarm activity:		
Income from power generation	54.65	41.76
Income from Renewable Energy Certificates (REC)	28.94	–
Voluntary emission reduction credits	–	0.03
Others	0.78	–
	84.37	41.79
Investment activity:		
Interest:		
Financial charges from assets under finance & secured loans	1,457.70	719.23
Interest on loans	470.54	246.27
Interest income on		
Bank deposits	0.08	4.77
Long-term investments	95.14	50.43
Others	319.35	266.23
Share of interest of joint venture	–	0.12
Less: Amortisation of premium/(discount) on acquisition of fixed income securities	2.37	0.63
	2,340.44	1,286.42
Other financial services:		
Service and administration charges	68.02	48.21
Sundry credit balances appropriated	2.11	6.67
Bad debt recoveries	26.29	20.61
Profit on sale of investments, net	36.77	28.59
Surplus on redemption of securities, net	4.52	0.30
Provision for diminution in value of investment written back, net	–	0.77
Income from advisory business	0.28	0.04
Share of manpower & recruitment services of joint venture	58.00	54.50
Share of brokerage of joint venture	3.29	0.20
Miscellaneous income	90.53	19.87
	2,630.25	1,466.18
	2,714.62	1,507.97

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

21 Other income

	(₹ In Crore)	
	<u>2012</u>	<u>2011</u>
Miscellaneous receipts	1.69	1.20
Provision no longer required	0.04	0.05
	1.73	1.25

22 Operating result from general insurance business (Revenue account for the year ended 31 March 2012)

		(₹ In Crore)	
		<u>2012</u>	<u>2011</u>
Premiums earned - (Net)	1	2,474.68	2,149.65
Profit/Loss on sale/redemption of Investments (Net)		(0.73)	1.51
Other Income – miscellaneous income		9.43	15.39
Provision no longer required written back		–	–
Amortisation of discount/(premium)		9.90	0.88
Exchange rate difference gain		–	–
Interest, Dividend & Rent–Gross		281.47	214.53
	2	300.07	232.31
	1+2	2,774.75	2,381.96
Claims incurred (Net)		1,907.95	1,701.27
Commission		74.71	40.08
Contribution to Solatium Fund		1.95	1.71
Change in Premium Deficiency		0.32	(5.35)
Operating Expenses related to Insurance Business		670.52	644.41
	3	2,655.45	2,382.12
Operating profit/(loss) from general insurance business	1+2–3	119.30	(0.16)
Balance carried to the statement of profit and loss		119.30	(0.16)

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

23 Employee benefits expense

	2012	2011
		(₹ In Crore)
Salaries, wages and bonus to employees	189.48	116.35
Share of salaries, wages and bonus to employees of joint venture	56.43	51.16
Remuneration to whole time director	2.64	2.40
Contribution to provident and other funds	8.96	5.44
Share of contribution to provident and other funds of joint venture	0.22	0.03
Staff welfare expenses	6.69	2.42
Share of staff welfare expenses of joint venture	0.28	0.32
	264.70	178.12

24 Loan losses and provisions

	2012	2011
		(₹ In Crore)
Bad debts written off	148.31	172.41
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	19.10
	154.38	144.03

25 Finance costs

	2012	2011
		(₹ In Crore)
Interest expense	559.13	258.96
Amortisation of ancillary borrowing costs	175.96	38.32
Others	9.01	3.86
	744.10	301.14

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

26 Other expenses

	(₹ In Crore)	
	<u>2012</u>	<u>2011</u>
Repairs to buildings	0.48	0.32
Repairs to machinery - windmill	7.28	6.98
Repairs to others	0.02	0.08
Energy generation expenses	4.80	5.19
Rent	6.46	4.00
Share of rent of joint venture	–	0.12
REC registration, issuance and brokerage charges	0.31	0.04
Rates and taxes	1.12	0.46
Insurance	–	0.01
Payment to auditor	0.43	0.36
Share of payment to auditor of joint venture	0.02	0.02
Directors' fees and travelling expenses	0.13	0.13
Commission to Non Executive Directors	1.04	0.62
Travelling (including foreign travel) expenses	21.03	11.83
Share of travelling (including foreign travel) expenses of joint venture	2.05	1.53
Business support service expenses	1.47	2.18
Miscellaneous expenses	201.73	88.37
Share of miscellaneous expenses of joint venture	0.24	0.23
Marketing commission	96.46	46.51
Recovery commission	89.11	46.03
Dealer incentive	64.23	46.48
	<u>498.41</u>	<u>261.49</u>

27 Exceptional item

	(₹ In Crore)	
	<u>2012</u>	<u>2011</u>
Surplus on pre-payment of sales tax deferral liability/loan	–	139.07
	–	139.07

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

28 Earnings Per Share (EPS)

Earnings per share is calculated by dividing the profit attributable to the Equity Shareholders by the weighted average number of Equity Shares outstanding during the year. The numbers used in calculating basic and diluted earnings are stated below:

	2012	2011
a. Profit for the year after tax (₹ In Crore)	1,337.77	1,114.84
Weighted average number of shares outstanding during the year	144,683,510	144,683,510
b. Earnings per share (Basic and Diluted) (₹)	92.5	77.1
Face value per share (₹)	5.0	5.0

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

A. Bajaj Allianz Life Insurance Company Limited

1. Actuarial Valuation

Liabilities for life insurance policies are determined by the Appointed Actuary in accordance with the IRDA regulations and relevant guidance notes issued by the Institute of Actuaries of India.

Non-linked business is reserved using a prospective gross premium method of valuation. The non-linked business is predominantly participating and the reserves are established having regard to the assumptions as to future experience, including the interest rate that will be earned on premiums not yet received, together with associated bonus rates. Regular premium participating business has been reserved using an interest rate of 7.50% per annum, which is revised upward by 30bps from last year assumption.

Single premium participating business has been reserved using an interest rate of 6.25% per annum, which is same as used in valuation as at 31 March 2011. The discount rate is determined after having regard to the yield likely to be obtained on relevant matching assets.

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

The non-linked non-par business written under Invest Plus and Invest Plus Premier has been reserved using an interest rate of 8.25% per annum and the Guaranteed Investment Return (GIR) consistent with the interest rate assumption.

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

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

Assumptions for morbidity and for the incidence of accidental death are based on terms available from reinsurers and the standard morbidity rate table CIBT 93 (Critical Illness Base Table for year 93).

The reserve is sufficient to allow for any adverse lapse experience. Further it has been ensured that for each policy the reserve is sufficient to pay the minimum guaranteed surrender value.

Commission has been allowed for at the Company's table rates with an allowance for service tax. Maintenance expenses have been allowed for in accordance with pricing assumptions, which has been duly validated by the actual experience of the company during the last one year. An additional reserve has been included to allow for the possible adverse deviations in experience in excess of offsetting adjustments in bonus rates and to allow for the contingency of closure to new business as is required by guidance notes (GN1) issued by the Institute of Actuaries of India.

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

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

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

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

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

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

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

2. Claims

(a) Claims settled, undisputed and remaining unpaid for a period of more than six months at year-end amount to ₹ 15.56 crore (Previous Year ₹ 7.53 crore).

(b) Disclosure of unclaimed amounts of Policyholders as required vide Circular No. IRDA/F & I/CIR/CMP/174/11/2010 dated 4 November 2010 is as follows:

	(₹ In Crore)			
	Claims settled but not paid to the policyholders/insured due to any reasons except under litigation from the insured/policyholder [^]	Sum due to the insured/policyholders on maturity or otherwise	Cheques issued but not encashed by the policyholder/insured*	Current Year Total
0 - 30 Days	50.58	12.50	12.32	75.40
01 - 06 Months	12.80	21.53	13.16	47.49
07 - 12 Months	4.29	3.87	7.87	16.03
13 - 18 Months	1.90	1.82	5.21	8.93
19 - 24 Months	1.01	0.21	3.58	4.80
25 - 30 Months	0.26	1.10	5.27	6.63
31 - 36 Months	0.62	-	1.15	1.77
Beyond 36 Months	0.48	-	6.64	7.12
Total amount	71.94	41.03	55.20	168.17

	(₹ In Crore)			
	Claims settled but not paid to the policyholders/insured due to any reasons except under litigation from the insured/policyholder [^]	Sum due to the insured/policyholders on maturity or otherwise	Cheques issued but not encashed by the policyholder/insured	Previous Year Total
0 - 30 Days	55.75	3.55	2.35	61.65
01 - 06 Months	3.06	1.87	6.05	10.98
07 - 12 Months	2.56	0.74	5.08	8.38
13 - 18 Months	0.59	2.26	6.33	9.18
19 - 24 Months	0.75	-	1.26	2.01
25 - 30 Months	0.28	-	1.76	2.04
31 - 36 Months	0.27	-	2.57	2.84
Beyond 36 Months	0.08	-	2.98	3.06
Total amount	63.34	8.42	28.38	100.14

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

[^] Includes all title open cases (Individual & Group).

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

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

- Expenses attributable to shareholders are charged to the Shareholders' Account.
- The shareholders of the Company, in their Extra Ordinary General Meeting held on 7 May 2010 have authorised the Board of Directors of the Company to decide on the transfer of amounts from the Shareholders' Account to the Policyholders' Account to make good the deficit, if any, in the Policyholders' Funds in respect of any financial year, which shall be subject to the approval of the shareholders of the Company at the ensuing Annual General Meeting of the respective years.
- Reinsurance is in place on lives where cover is in excess of the Company's retention limit and this has been reflected in the Accounts.

B. Bajaj Allianz General Insurance Company Limited

- The appointed actuary has certified to the Company that actuarial estimates for IBNR (including IBNER) have been determined using actuarial principles. In the determination, the Guidance Notes issued by the Institute of Actuaries of India with the concurrence of the Authority and any directions issued by the Authority in this behalf have been followed. Where sufficient data is available, the actuary has chosen to adopt the chain ladder method. The chain ladder method has accordingly been applied to motor, fire, marine, engineering, personal accident, workmen's compensation and health. These constitute for 99.4% (Previous year 99.6%) of the Company's total net written business for Liability line of business, the expected loss ratio method has been used to arrive at the estimate of IBNR. For Aviation Line of business, a flat IBNR of ₹ 1 crore has been adopted, as adopted last year.

2. Contribution to Environment Fund

The Company has collected an amount of ₹ 0.70 crore (Previous year – ₹ 0.60 crore) towards Environment Fund from public liability policies. The Company has paid all the funds collected towards Environment Fund up to 28 February 2012 to United India Insurance Company, the implementing agency for the fund. The balance payable has been disclosed under the head current liabilities.

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

Ageing	(₹ In Crore)						
	Upto 6 Months	7 To 12 Months	13 To 18 Months	19 To 24 Months	25 To 30 Months	31 To 36 Months	Beyond 36 Months
Claims settled but not paid to the policyholders/insured due to any reasons except under litigation from the insured/policyholders	40.71	-	-	-	-	-	-
Sum due to the insured/policyholders on maturity or otherwise	-	-	-	-	-	-	-
Any excess collection of the premium/tax or any other charges which is refundable to the policyholders either as terms of conditions of the policy or as per law or as may be directed by the authority but not refunded so far	0.10	-	-	-	-	-	-
Cheques issued but not encashed by the policyholder/insured*	1.34	3.21	4.93	2.27	0.91	0.90	1.85

* Does not include cheques issued to policyholders and appearing in bank reconciliation as on 31 March 2012.

C. Bajaj Finance Limited

1. 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).

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

C. Bajaj Finance Limited (Contd.)

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 2010	358.70	132,000	63,500	63,500	1,250	3,750	127,000
21 Jul 2010	542.00	326,750	78,688	224,812	4,250	19,000	303,500
28 Jul 2011	705.15	376,200	4,000	372,200	-	-	376,200
		834,950	146,188	660,512	5,500	22,750	806,700

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 of fair value method on net profit and earnings per share

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

	(₹ In Crore)	
	2012	2011
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

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

C. Bajaj Finance Limited (Contd.)

2. Details and terms of repayment of long-term borrowings

a) Details of privately placed secured redeemable non convertible debentures:

(₹ In Crore)

Date of Maturity	Of face value ₹ 1 Crore	Of face value ₹ 0.10 Crore	Non-current	
			2012	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
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
			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

Interest rates range from 8.25% p.a. to 10.30% p.a. as at 31 March 2012

*Related parties are current holders of ₹ 25 crore of the mentioned issue (previous year ₹ 25 crore)

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

C. Bajaj Finance Limited (Contd.)

b) 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 payment of ₹ 12.5 crore starting Jun-14	50.00	–
Mar 14	5 semi-annual payment of ₹ 10 crore starting Mar-14	50.00	–
Feb 14	5 semi-annual payment of ₹ 20 crore starting Feb-14	100.00	–
Jan 14	4 quarterly payment of ₹ 50 crore starting Jan-14	200.00	–
Dec 13	4 quarterly payment 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 payment of ₹ 100 crore starting Aug-13	300.00	–
Jul 13	Bullet repayment	400.00	–
May 13	16 quarterly payment of ₹ 12 crore starting May-13	192.00	–
Mar 13	Bullet repayment	–	25.00
Dec 12	Bullet repayment	–	75.00
		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

c) Details of privately placed unsecured redeemable non convertible debentures:

(₹ In Crore)

Date of Maturity	Of face value ₹ 1 Crore	Of face value ₹ 0.10 Crore	Non-current	
			2012	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	–

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

C. Bajaj Finance Limited (Contd.)

c) Details of privately placed unsecured redeemable non convertible debentures: (Contd.)

(₹ In Crore)

Date of Maturity	Of face value ₹ 1 Crore	Of face value ₹ 0.10 Crore	Non-current	
			2012	2011
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
			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

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

(₹ In Crore)

Date of Maturity	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
	278.70	228.70

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

e) Terms of repayment of bank loans - unsecured:

(₹ In Crore)

Date of Maturity	Repayment Schedule	Non-current	
		2012	2011
Nov 12	Bullet repayment	–	50.00
Sep 12	Bullet repayment	–	175.00
Jun 12	Bullet repayment	–	100.00
		–	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

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

C. Bajaj Finance Limited (Contd.)

3. Details and terms of repayment of short-term borrowings

a) Terms of repayment of Secured Short-Term Loans:

Date of Maturity	(₹ In Crore)	
	2012	2011
Dec 11	–	100.00
Nov 11	–	250.00
Sep 11	–	150.00
Aug 11	–	100.00
Apr 11	–	205.00
	–	805.00

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

b) Terms of repayment of Unsecured Short-Term Loans:

Date of Maturity	(₹ In Crore)	
	2012	2011
Apr 12	500.00	–
Dec 11	–	50.00
Oct 11	–	50.00
Jun 11	–	50.00
	500.00	150.00

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

c) 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
	920.00	525.00

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

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

30 Contingent liabilities

	(₹ In Crore)	
	<u>2012</u>	<u>2011</u>
a. Claims against the Company not acknowledged as debts	14.94	15.18
b. Taxes, duties and other sums due	50.99	29.95
c. Claims under policies, not acknowledged as debts	11.38	9.20

31 Capital and other commitments

	(₹ In Crore)	
	<u>2012</u>	<u>2011</u>
Capital Commitments, net of capital advances	118.72	125.86

32 Cash flow statement

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

	(₹ In Crore)	
	<u>2012</u>	<u>2011</u>
From Operating Activities	(4,053.68)	239.40
From Investment Activities	(682.15)	(3,010.92)
From Financing Activities	3,803.09	3,289.08
Net Change	(932.74)	517.56
Cash & Cash Equivalents at the beginning of the year	1,705.25	1,187.69
Cash & Cash Equivalents at the end of the year**	772.51	1,705.25
**Cash & Cash Equivalents at the end of the year		
Cash & Bank balance as per Note 19	715.14	1,451.73
Other Bank balances as per Note 19	682.24	553.90
Cash & Bank balances for Unit linked business	103.57	213.58
Less: Fixed Deposits having maturity more than 3 months	728.44	513.96
	772.51	1,705.25

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

33 Disclosure of transactions with related parties as required by the Accounting Standard-18

(₹ In Crore)

Name of related party and Nature of relationship	Nature of transaction	2012		2011	
		Transaction value	Outstanding amounts carried in the Balance Sheet	Transaction value	Outstanding amounts carried in the Balance Sheet
A. Holding company, subsidiaries and fellow subsidiary:					
Since consolidated financial statements present information about the holding and its subsidiaries as a single reporting enterprise, it is unnecessary to disclose intra - group transactions.					
B. Associates, joint ventures and investing parties:					
Bajaj Holdings & Investment Ltd. (investing party - holds 39.15% shares of Bajaj Finserv Ltd.)	Purchase of shares by BHIL (56,649,211 shares of ₹ 5 each) (Previous year 55,976,658 shares of ₹ 5 each)	0.33	(28.32)	2.21	(27.99)
	Dividend paid	7.00	-	5.24	-
	Business Support Services received	0.51	-	0.60	-
	Business Support Services rendered	1.17	-	0.96	-
	Sale of investments	-	-	10.61	-
	Purchase of investments	-	-	10.18	-
	Insurance premium received	-	-	0.08	-
Bajaj Allianz Financial Distributors Ltd. (a joint venture - 50% shares held by Bajaj Finserv Ltd.)	Contribution to Equity (1,200,000 shares of ₹ 10 each)	-	1.20	-	1.20
	Services received	0.16	(0.02)	-	-
	Billable expenses incurred on behalf	1.75	(0.05)	1.56	0.22
	Rental income	0.27	-	0.27	0.82
	Insurance premium received	0.21	-	0.24	-
	Premium received as an agent	78.18	-	0.01	-
	Insurance claim paid	0.06	-	0.17	-
	Unallocated premium	-	0.01	-	(0.01)
	Manpower supply charges	91.55	(0.05)	105.07	(0.10)
	Insurance commission paid/payable	5.81	0.19	-	-
	Other expenses paid	0.02	-	-	-
Allianz SE	Contribution to equity of BALICL including premium	-	(1,099.13)	-	(1,099.13)
	Contribution to equity of BAGICL including premium	-	(195.27)	-	(195.27)
	Licence fees/revenue expenditure for Opus	-	-	1.67	(1.29)
	Billable expenses incurred on behalf of Allianz AG	0.71	-	-	-
	Software Consultancy Fees	1.47	(1.50)	-	-
	Reimbursement of revenue expenses paid	0.06	-	-	-
	Reimbursement of revenue expenses received	-	-	0.02	-
Allianz CP General Ins Co. Ltd.	Reinsurance premium received/receivable	0.04	-	1.58	(0.49)
	Commission on reinsurance paid/payable	2.23	-	0.08	-
	Deposits with the ceding company	-	-	0.61	0.61
Allianz SE Reinsurance, branch Asia Pacific	Reinsurance premium paid/payable	96.44	1.57	91.78	(6.82)
	Commission on reinsurance received/receivable	19.40	0.46	23.23	-
	Claims recovery on reinsurance	45.53	4.34	63.18	-
	Reinsurance profit commssion receivable	0.41	-	0.49	-
	Portfolio Premium withdrawal	17.88	-	16.74	-
	Portfolio Claims withdrawal	55.02	-	30.88	-
	Portfolio Premium Entry	15.68	-	15.71	-
	Portfolio Claims Entry	48.26	-	28.98	-
	CAT XOL Premium paid/payable	22.85	-	27.60	(3.31)
Allianz Marine and Aviation Versicherungs AG	Reinsurance premium paid/payable	0.04	0.07	-	(0.04)
Allianz Insurance Management Asia Pacific Pte.	Billable expenses incurred	0.12	(0.02)	-	-
	Reimbursement received of revenue expenditure	0.15	0.18	0.17	0.16
	Paid towards revenue expenditure	0.13	-	0.02	-

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

33 Disclosure of transactions with related parties as required by the Accounting Standard-18 (Contd.)

(₹ In Crore)

Name of related party and Nature of relationship	Nature of transaction	2012		2011	
		Transaction value	Outstanding amounts carried in the Balance Sheet	Transaction value	Outstanding amounts carried in the Balance Sheet
Allianz Managed Operations & Services SE	Paid towards opus revenue expenditure	1.62	(1.30)	-	-
	Billable expenses incurred on behalf	0.15	-	-	-
Allianz Hongkong (Name changed from Allianz China)	Reinsurance premium paid/payable	0.02	0.01	0.02	-
	Commission on reinsurance received/receivable	0.01	-	0.02	-
Allianz Ins Co of Singapore - PTE	Reinsurance premium paid/payable	1.03	-	0.05	-
	Commission on reinsurance received/receivable	0.09	-	0.04	-
	Claim recovery on reinsurance	0.09	-	-	-
Allianz Elementar Versicherungs	Reinsurance premium paid/payable	-	-	0.06	-
	Commission on reinsurance received/receivable	-	-	0.02	-
Euler Hermes Cr Insurance (S) Ltd.	Reinsurance premium paid/payable	10.11	1.92	15.17	(1.65)
	Commission on reinsurance received/receivable	1.95	-	2.40	-
	Claims recovery on reinsurance	2.13	-	7.81	-
	Billable expenses incurred on behalf	1.08	(0.22)	2.38	0.20
Allianz SE India Liaison Office	Expenditure incurred on behalf	0.15	-	-	-
	Deposits for rent premises	-	-	-	(0.15)
IDS GmbH	Remuneration for IDS services	0.38	(0.06)	0.29	(0.05)
Allianz Investment Management Singapore Pte. Ltd.	Data provision charges	3.19	-	3.80	(0.86)
	Investment Management	0.47	-	0.60	(0.15)
Allianz Insurance Co. Lanka Ltd.	Billable expenses incurred on behalf	0.01	(0.01)	-	-
	Reinsurance premium received/receivable	0.33	-	-	-
	Commission paid/payable	0.07	-	-	-
Ayudhya Allianz C.P	Income from software consultancy	-	-	0.03	-
Allianz Belgium	Reinsurance premium paid/payable	18.08	0.53	17.70	0.31
	Commission on reinsurance received/receivable	0.19	-	0.18	-
	Claim recovery on reinsurance	69.60	-	22.65	-
Allianz Global Corporate & Speciality AG, US	Reinsurance premium paid/payable	0.70	(0.25)	0.25	(0.03)
	Commission on reinsurance received/receivable	0.13	-	0.07	-
	Claims recovery on reinsurance	3.35	-	0.06	-
Allianz Global Corporate & Speciality AG, Canada	Reinsurance premium paid/payable	0.01	-	0.90	-
	Commission on reinsurance received/receivable	0.01	-	0.07	-
Allianz Global Corporate & Speciality AG, Spain	Reinsurance premium paid/payable	-	-	0.04	-
	Commission on reinsurance received/receivable	-	-	0.01	-
Allianz Global Corporate & Speciality AG, UK	Reinsurance premium paid/payable	2.89	0.13	3.03	(0.23)
	Commission on reinsurance received/receivable	0.45	-	0.31	-
	Claims recovery on reinsurance	0.13	-	-	-
Allianz Global Corporate & Speciality AG, Netherlands	Reinsurance premium paid/payable	0.05	0.08	0.07	(0.07)
	Commission on reinsurance received/receivable	0.04	-	-	-
Allianz Global Corporate & Speciality AG, Italy	Reinsurance premium paid/payable	0.08	0.08	0.07	(0.07)
	Commission on reinsurance received/receivable	0.06	-	-	-
Allianz Global Corporate & Speciality AG, Australia	Reinsurance premium paid/payable	0.04	-	-	-
	Commission on reinsurance received/receivable	0.01	-	-	-

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

33 Disclosure of transactions with related parties as required by the Accounting Standard-18 (Contd.)

(₹ In Crore)

Name of related party and Nature of relationship	Nature of transaction	2012		2011	
		Transaction value	Outstanding amounts carried in the Balance Sheet	Transaction value	Outstanding amounts carried in the Balance Sheet
A. Holding company, subsidiaries and fellow subsidiary:					
Allianz Global Corporate & Speciality AG, Switzerland	Reinsurance premium paid/payable	4.71	0.19	-	-
	Commission on reinsurance received/receivable	(0.27)	-	-	-
Allianz Global Corporate & Speciality AG, Denmark - Nordic Region	Reinsurance premium paid/payable	0.44	-	-	-
	Commission on reinsurance received/receivable	0.06	-	-	-
M/s Insurance Joint Stock Company Allianz Russia	Reinsurance premium paid/payable	0.02	-	0.02	-
	Commission on reinsurance received/receivable	0.01	-	0.01	-
Allianz Global Corporate & Speciality AG, Munich	Reinsurance premium paid/payable	25.46	14.51	25.75	(13.46)
	Commission on reinsurance received/receivable	(2.77)	-	2.71	-
	Claims recovery on reinsurance	(7.11)	-	5.15	-
Allianz Elementar Versicherungs - Austria	Reinsurance premium paid/payable	0.07	-	0.06	-
	Commission on reinsurance received/receivable	0.03	-	0.01	-
Allianz Global Corporate & Speciality - France	Reinsurance premium paid/payable	6.37	1.58	3.61	(1.59)
	Commission on reinsurance received/receivable	0.67	-	0.34	-
	Claims recovery on reinsurance	1.14	-	0.02	-
PT Asuransi Allianz Life Indonesia	Billable expenses incurred on behalf	0.02	(0.02)	-	-
Allianz Risk Consultants, LLC	Risk survey fee	0.08	-	-	-
Allianz Services (UK) Limited	Billable expenses incurred on behalf	0.01	-	-	-
Allianz Global Corporate & Speciality AG, Singapore	Billable expenses incurred on behalf	0.03	-	-	-
AGA Assistance (India) Private Limited	Insurance claims paid	3.68	-	-	-
Allianz Insurance Co. Egypt (Non-life)	Reinsurance premium received/receivable	-	-	0.02	-
	Claims paid/payable	-	-	3.13	-
C. Individuals controlling voting power/exercising significant influence and their relatives:					
Rahul Bajaj (Chairman)	Sitting Fees	0.02	-	0.01	-
	Commission	0.02	(0.02)	0.02	(0.02)
Madhur Bajaj	Sitting Fees	0.01	-	0.01	-
	Commission	0.02	(0.02)	0.01	(0.01)
Rajiv Bajaj	Sitting Fees	0.02	-	0.01	-
	Commission	0.02	(0.02)	0.02	(0.02)
Niraj Bajaj	Nil	-	-	-	-
Shekhar Bajaj	Nil	-	-	-	-
Sanjiv Bajaj (Managing Director)	Remuneration	0.97	-	0.98	-
(Also Key management personnel)	Commission	1.98	(1.98)	1.80	(1.80)
D. Key Management Personnel & their relatives:					
Kamesh Goyal (CEO - BALICL)	Remuneration	-	-	3.77	-
V Philip (CEO - BALICL)	Remuneration	2.18	-	0.19	-
Hemant Kaul (CEO - BAGICL)	Remuneration	2.76	-	1.23	-
Rajeev Jain (CEO - BFL)	Remuneration	2.68	(1.02)	2.22	(0.78)
Nanoo Pamnani (Vice Chairman - BFL)	Commssion	0.69	(0.69)	0.50	(0.50)
	Sitting fees & expenses	0.04	-	0.03	-
Arpit Agarwal (CEO - Bajaj Financial Solutions Ltd.)	Remuneration	2.21	-	1.56	-

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

33 Disclosure of transactions with related parties as required by the Accounting Standard-18 (Contd.)

(₹ In Crore)

Name of related party and Nature of relationship	Nature of transaction	2012		2011	
		Transaction value	Outstanding amounts carried in the Balance Sheet	Transaction value	Outstanding amounts carried in the Balance Sheet
Bajaj Auto Limited	Sale of Windpower	24.38	-	18.22	-
	Business Support Services received	1.72	0.42	1.51	-
	Business Support Services rendered	6.15	1.24	0.19	-
	Aviation Charges paid	3.01	-	1.92	-
	Interest subsidy	5.74	-	-	-
	Sale of 8.01% debentures of Samruddhi Cement Ltd.	-	-	9.96	-
	Sale of 8.80% bonds of Power Grid Corporation Ltd.	-	-	21.91	-
	Sale of 9.50% bonds of NABARD	-	-	27.74	-
	Sale of 7.99% NCDS of LIC Housing Finance Ltd.	-	-	25.76	-
	Sale of 8.90% bonds of Power Finance Corporation Ltd.	-	-	15.86	-
	Sale of 8.95% bonds of Power Finance Corporation Ltd.	-	-	10.56	-
	Sale of 11.25% bonds of Power Finance Corporation Ltd.	-	-	12.29	-
	Sale of 8.45% bonds of Rural Electrification Corporation Ltd.	-	-	26.11	-
	Sale of 8.50% bonds of Power Finance Corporation Ltd.	-	-	5.31	-
	Purchase of Certificate of Deposit of State Bank of Bikaner & Jaipur	-	-	23.66	-
	Investment purchased	73.71	-	14.80	-
	Investment sold	26.06	-	120.98	-
Insurance Premium received by BAGICL/BALICL	30.22	-	8.08	-	
Insurance Claims paid by BAGICL/BALICL	4.77	-	4.41	-	
Other Expenses	0.36	-	0.30	-	
Unallocated Premium	-	-	-	(0.19)	
Bajaj Electricals Ltd.	Purchases	0.01	0.01	0.21	(0.05)
	Services received	-	-	0.01	-
	Insurance Claims paid	1.70	-	0.27	-
	Insurance Premia received	13.02	-	2.16	-
	Unallocated Premium	-	0.01	-	(0.15)
Bajaj International Ltd.	Other Debits	0.01	-	0.03	-
Hind Musafir Agency Ltd.	Services received	3.66	0.29	3.32	(0.29)
	Commission on travel expenses	0.06	-	0.07	-
	Insurance Premium received	0.01	-	0.03	-
	Unallocated Premium	-	-	-	(0.01)
	Other expenses paid/payable	0.07	0.02	0.05	-
Mukand Limited	Sale of windpower	11.88	1.12	3.71	0.29
	Insurance Premium received	3.27	-	2.49	-
	Insurance Claims paid	2.41	-	0.95	-
	Unallocated Premium	-	0.02	-	(0.02)
Mukand Engineers Ltd.	Insurance Premium received	0.27	-	0.31	-
	Insurance Claims paid	0.28	-	0.15	-
	Unallocated Premium	-	0.01	-	-
Mukund Bekaert wire Industries Pvt. Ltd.	Insurance Premium received	0.14	-	0.12	-
	Insurance Claims paid	0.02	-	0.03	-
	Unallocated Premium	-	0.01	-	(0.02)

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

Related parties as defined under clause 3 of the Accounting Standard - 18 "Related Party Disclosures" have been identified based on representations made by key managerial personnel and information available with the company.

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

34 Additional financial information

Statement of additional financial information, directed to be disclosed as a conditions put forth by the Ministry of Corporate Affairs for grant of exemption from the applicability of section 212(1) of the Companies Act, 1956, is given below:

Financial information of subsidiaries for the year ended 31 March 2012

	(₹ In Crore)			
	Bajaj Allianz General Insurance Co. Ltd.	Bajaj Allianz Life Insurance Co. Ltd.	Bajaj Finance Ltd.	Bajaj Financial Solutions Ltd. (Consolidated)
a Paid up share capital	110.23	150.71	41.32	39.00
b Share premium	166.62	1,059.95	1,056.12	–
Other reserves	681.88	2,349.95	972.43	(17.64)
c Total assets	958.73	39,448.60	12,926.68	23.01
d Total liabilities	958.73	39,448.60	12,926.68	23.01
e Investments*	3,865.69	3,600.56	5.48	18.40
f Turnover/Operating result	195.36	290.91	2,171.91	0.82
Transfer from Policyholders' Account	–	1,069.13	–	–
g Profit before tax	193.99	1,349.58	602.22	(8.68)
h Provision for tax	70.34	38.38	195.78	–
i Profit after tax	123.65	1,311.20	406.44	(8.68)
j Proposed Dividend	–	–	–	–

* For details of investments refer note 14

35 Previous year figures

The financial statements for the year ended 31 March 2011 had been prepared as per the then applicable, pre-revised Schedule VI to the Companies Act, 1956. Consequent to the notification of Revised Schedule VI under the Companies Act, 1956, the financial statements for the year ended 31 March 2012 are prepared as per Revised Schedule VI. Accordingly, the previous year figures have also been reclassified to conform to this year's classification. The adoption of Revised Schedule VI for previous year figures does not impact recognition and measurement principles followed for preparation of financial statements.

36 Miscellaneous

₹ 1 crore is equal to ₹ 10 million.

In terms of our report of even date

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

Rahul Bajaj
Nanoo Pamnani
Sanjiv Bajaj

Chairman
Vice Chairman
Managing Director

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

Sonal R Tiwari
Company Secretary

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

} Directors



Standalone Financial Statements

Report of the Auditors to the Members

1. We have audited the attached Balance Sheet of Bajaj Finserv Limited (the "Company") as at 31 March 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 and Shah
Firm Registration Number: 102021W
Chartered Accountants

Anish P 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 Finserv Limited on the financial statements 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. Accordingly, clauses 3(b) to 3(d) of para 4 of the order are not applicable to the Company for the year.
- (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. Accordingly, clauses 3(f) and 3(g) of para 4 of the order are not applicable to the Company for the year.
3. In our opinion, and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
4. (a) In our opinion, and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.
- (b) In our opinion, and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of ₹ 5 lakh in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
5. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
6. In our opinion, the Company has an internal audit system commensurate with its size and 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, customs duty 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
Income Tax	Additional demand on the basis of Assessment Order received.	0.60	AY 2009-10	CIT(A)

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. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
12. 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.
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. The Company has not obtained any term loans.
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 not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
18. The Company has not issued any debentures during the year; and does not have any debentures outstanding as at the year end.
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 clause (ii) of paragraph 4 of the Companies (Auditor's Report) Order 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, is not applicable in the case of the Company for the year, as it is not related to the business carried on by the Company.

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

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

Balance Sheet as at 31 March

Particulars	Note No.	(₹ In Crore)	
		2012	2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	72.34	72.34
Reserves and surplus	4	1,372.69	1,317.82
		1,445.03	1,390.16
Non-current liabilities			
Deferred tax liabilities (net)	5	7.95	8.67
Other long-term liabilities	6	0.43	1.98
Long-term provisions	7	1.34	1.07
		9.72	11.72
Current liabilities			
Trade payables	8	4.76	4.10
Other current liabilities	8	2.47	0.79
Short-term provisions	7	29.72	46.09
		36.95	50.98
Total		1,491.70	1,452.86
ASSETS			
Non-current assets			
Fixed assets	9	71.35	71.73
Non-current investments	10	1,348.88	1,147.29
Long-term loans and advances	11	3.12	1.85
		1,423.35	1,220.87
Current assets			
Current investments	10	52.14	185.56
Trade receivables	12	1.94	1.30
Cash and bank balances	14	2.54	25.25
Short-term loans and advances	11	3.49	16.67
Other current assets	13	8.24	3.21
		68.35	231.99
Total		1,491.70	1,452.86

Summary of significant accounting policies followed by the Company

2

The accompanying notes are an integral part of the financial statements

In terms of our report of even date

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

Rahul Bajaj
Nanoo Pamnani
Sanjiv Bajaj

Chairman
Vice Chairman
Managing Director

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

Sonal R Tiwari
Company Secretary

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

Directors

Statement of Profit and Loss for the year ended 31 March

Particulars	Note No.	(₹ In Crore)	
		2012	2011
Revenue from operations	15	135.77	119.81
Other income	16	8.41	6.25
Total revenue (I)		144.18	126.06
Expenses:			
Employee benefits expense	17	10.79	9.88
Depreciation		1.56	10.03
Other expenses	18	24.13	21.98
Total expenses (II)		36.48	41.89
Profit before exceptional items and tax (I - II)		107.70	84.17
Exceptional item	19	–	139.07
Profit before tax		107.70	223.24
Tax expense			
Current tax		31.85	43.27
MAT credit		–	(15.70)
Deferred tax		(0.72)	7.33
Total tax expense		31.13	34.90
Profit after tax for the year		76.57	188.34
Basic and diluted Earnings per share (₹)	20	5.3	13.0
(Nominal value per share ₹ 5)			

Summary of significant accounting policies followed by the Company

2

The accompanying notes are an integral part of the financial statements

In terms of our report of even date

For Dalal and Shah

Firm Registration Number: 102021W

Chartered Accountants

Rahul Bajaj
Nanoo Pamnani
Sanjiv Bajaj

Chairman
Vice Chairman
Managing Director

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

Sonal R Tiwari
Company Secretary

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

Directors

Cash Flow Statement

(₹ In Crore)

Particulars	2012	2011
I. Operating activities		
Profit before tax	107.70	223.24
Adjustments:		
Add:		
i) Depreciation	1.56	10.03
ii) Loss on sale of assets	0.04	–
iii) Amortisation of premium/(discount) on acquisition of fixed income securities	4.78	0.53
	6.38	10.56
Less:		
i) Surplus on sale of assets	–	0.78
ii) Surplus on pre-payment of sales tax deferral incentive/loan liability	–	139.07
	–	139.85
	114.08	93.95
Change in assets and liabilities		
i) Trade receivable	(0.64)	(0.47)
ii) Loans and advances and other assets	(5.05)	5.67
iii) Liabilities and provisions	0.75	1.72
	(4.94)	6.92
(Increase)/decrease in investment in subsidiaries	(340.64)	(244.86)
(Increase)/decrease in other investments, net	267.69	328.69
	(72.95)	83.83
Net cash from operating activities before income tax	36.19	184.70
Income tax paid	(39.64)	(23.55)
Net cash from operating activities	(3.45)	161.15
Carried forward	(3.45)	161.15

Cash Flow Statement (Contd.)

Particulars	(₹ In Crore)	
	2012	2011
Brought forward	(3.45)	161.15
II. Investment activities		
Capital expenditure	(1.30)	(1.09)
Sales proceeds of assets	0.08	0.45
Net cash from investment activities	(1.22)	(0.64)
III. Financing activities		
i) Pre-payment of sales tax deferral incentive/loan liability	–	(171.69)
ii) Dividend paid	(18.04)	(14.44)
iii) Corporate dividend tax paid (net)	–	(0.56)
Net cash from financing activities	(18.04)	(186.69)
Net change in cash and cash equivalents	(22.71)	(26.18)
Cash and cash equivalents as at 1 April 2011 [Opening balance]	25.25	51.43
Cash and cash equivalents as at 31 March 2012 [Closing balance]	2.54	25.25
	–	–

In terms of our report of even date

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

Rahul Bajaj
Nanoo Pamnani
Sanjiv Bajaj

Chairman
Vice Chairman
Managing Director

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

Sonal R Tiwari
Company Secretary

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

} Directors

Notes to financial statements for the year ended 31 March 2012

1 The company is primarily engaged in the business of promoting financial services such as finance, insurance, wealth management etc. through its investments in subsidiaries and joint ventures. The company is also engaged in the business of generating power through wind turbines. Since investments dominate the composition of assets and revenue, the Company was registered on 30 October 2009 by RBI as a Non-Banking Financial Institution (non-deposit taking). However, the Company has obtained an exemption from RBI vide its letter dated 8 March 2010 on the compliance with the norms in respect of 'concentration of investments' prescribed in para 18(1) of the Non Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007. The said exemption has been renewed vide its letter dated 18 July 2011 for one more year.

2 Summary of significant accounting policies followed by the Company

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 the RBI guidelines/regulations to the extent applicable.

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.

1) System of accounting

- i) The Company follows the mercantile system of accounting and recognises income and expenditure on an accrual basis except in case of significant uncertainties.
- ii) Financial Statements are prepared under the Historical cost convention. These costs are not adjusted to reflect the impact of changing value in the purchasing power of money.
- iii) Estimates and Assumptions used in the preparation of the financial statements and disclosures are based upon management's evaluation of the relevant facts and circumstances as of the date of the Financial Statements, which may differ from the actual results at a subsequent date.

2) Revenue recognition

a) Income

The Company recognises income on accrual basis. However where the ultimate collection of the same lacks reasonable certainty, revenue recognition is postponed to the extent of uncertainty.

- (1) a) Interest income is accrued over the period of the loan. However, where a loan is classified as a non-performing asset, as per the prudential norms prescribed by RBI to the extent applicable to the Company as a NBFC and guidelines framed by the management, interest thereon is recognised only when it is actually received.
 - b) Income from debentures and bonds is accrued over the maturity of the security, net of amortisation of premium/discount, where intended to be held for a long-term, thereby recognising the implicit yield to maturity, with reference to the coupon dates. However, income is accrued only where interest is serviced regularly and is not in arrears, as per the applicable prudential norms prescribed for NBFCs by the Reserve Bank of India to the extent applicable to the Company and the guidelines framed by the management.
- (2) Dividend is accrued in the year in which it is declared whereby a right to receive is established.
 - (3) Profit/loss on sale of investments is recognised on the contract date.

b) Windfarm income

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

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

3) Fixed Assets and depreciation

A) Fixed Assets

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

B) Depreciation and amortisation

(a) Leasehold land

Premium on leasehold land is amortised over the period of lease.

(b) On other Fixed Assets

Depreciation on all assets is provided on 'Straight Line basis' in accordance with the provisions of Section 205 (2) (b) of the Companies Act 1956, in the manner and at the rates specified in Schedule XIV to the said Act.

- i) Depreciation on additions is being provided on prorata basis from the month of such additions.
- ii) Depreciation on assets sold, discarded or demolished during the year is being provided at their rates upto the month in which such assets are sold, discarded or demolished.

4) Investments

- a) Fixed income securities remaining with the Company on vesting of the strategic investment undertakings of erstwhile Bajaj Auto Limited, are carried at their fair market values as at 1 April 2007 where the carrying costs of such investments were higher on that date, less amortisation of premium/discount thereafter, as the case may be.
- b) Current investments representing fixed income securities with a maturity less than 1 year and those intended to be held for a period less than 1 year from the date on which the investment is made are stated at cost adjusted for amortisation and diminution with reference to realisable value, as necessary.
- c) Other Fixed income securities, other than current, are carried at cost, less amortisation of premium/discount, as the case may be, and provision for diminution, if any, as considered necessary.
- d) Investments other than fixed income securities (Eg. equity, mutual funds etc.) are valued at cost of acquisition, less provision for diminution as necessary where they are intended to be held for a long-term, else current investments are valued at lower of cost or realisable value.
- e) Investments other than current investments, made by the Company are intended to be held for long-term, hence diminutions in value of quoted investments are generally not considered to be of a permanent nature.
- f) The management has laid out guidelines for the purpose of assessing likely impairments in investments and for making provisions based on given criteria. Appropriate provisions are accordingly made, which in the opinion of the management are considered adequate and also considering the prudential norms specified by the Reserve Bank of India, applicable to the Company in this behalf.

5) Employee benefits

a) Privilege Leave Entitlements

Privilege leave entitlements are recognised as a liability, in the calendar year of rendering of service, as per the rules of the Company. As accumulated leave can be availed and/or encashed at any time during the tenure of employment the liability is recognised at the actuarially determined value by an Appointed Actuary.

b) Gratuity

Payment for present liability of future payment of gratuity is being made to approved Gratuity Fund, which fully covers the same under Cash Accumulation Policy of the Life Insurance Corporation of India (LIC) and

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

Bajaj Allianz Life Insurance Company Limited (BALIC). However, any deficit in Plan Assets managed by LIC and BALIC as compared to the actuarial liability is recognised as a liability immediately.

c) Superannuation

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

d) Defined Provident Fund contribution is made to Government Provident Fund Authority.

e) Defined contribution to Employees Pension Scheme 1995 is made to Government Provident Fund Authority.

6) Taxation

a) Provision for tax is made for the current accounting period (reporting period) on the basis of the taxable profits computed in accordance with the Income Tax Act, 1961.

b) Deferred tax resulting from timing difference between book profits and taxable profits are accounted for to the extent deferred tax liabilities are expected to crystallise with reasonable certainty. However, in case of deferred tax assets (representing unabsorbed depreciation or carried forward losses) are recognised, if and only if there is virtual certainty that there would be adequate future taxable income against which such deferred tax assets can be realised. Deferred tax is recognised on adjustments to revenue reserves to the extent the adjustments are allowable as deductions in determination of taxable income and they would reverse out in future periods.

7) Provisions and Contingent Liabilities

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

3 Share capital

	2012	2011
	(₹ In Crore)	
Authorised:		
150,000,000 equity shares of ₹ 5 each	75.00	75.00
Issued, subscribed and fully paid-up shares:		
144,683,510 equity shares of ₹ 5 each	72.34	72.34
	72.34	72.34

a. Further, of the above:-

101,183,510 equity shares were allotted as fully paid up pursuant to the scheme of arrangement for demerger of erstwhile Bajaj Auto Limited (now Bajaj Holdings & Investment Limited) by the Company on 3 April 2008.

1,805,071 equity shares thereof are deemed to be issued by way of Euro Equity Issue represented by Global Depository Receipts (GDR) evidencing Global Depository Shares outstanding on the record date. Outstanding GDRs at the close of the year were 58,869 (85,214).

b. Terms/rights attached to equity shares

The Company has only one class of equity shares having a par value of ₹ 5 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.

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

3 Share capital (Contd.)

C. Details of shareholders holding more than 5% shares in the Company

	2012		2011	
	Nos.	% Holding	Nos.	% Holding
Equity shares of ₹ 5 each fully paid				
Bajaj Holdings & Investment Ltd.	56,649,211	39.15%	55,976,658	38.69%
Jamnalal Sons Pvt. Ltd.	13,733,114	9.49%	13,733,114	9.49%

4 Reserves and surplus

	(₹ In Crore)	
	2012	2011
Reserve Fund in terms of Section 45-IC(1) of the Reserve Bank of India Act, 1934		
Balance as per the last financial statements	52.75	15.08
Add: Transferred from surplus in the statement of profit and loss	15.31	37.67
Closing Balance	68.06	52.75
General Reserve		
Balance as per the last financial statements	1,147.16	1,128.33
Add: Transferred from surplus in the statement of profit and loss	7.66	18.83
Closing Balance	1,154.82	1,147.16
Surplus in the statement of profit and loss		
Balance as per last financial statements	117.91	2.32
Profit for the year	76.57	188.34
Less: Appropriations		
Transfer to Reserve Fund in terms of Section 45-IC(1) of the Reserve Bank of India Act, 1934	15.31	37.67
Transfer to general reserve	7.66	18.83
Proposed dividend	21.70	18.09
Provision for Corporate Dividend Tax for previous year written back under Section 115(O) of Income Tax Act, 1961	-	(1.84)
Total appropriations	44.67	72.75
Balance in the statement of profit and loss	149.81	117.91
	1,372.69	1,317.82

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

5 Deferred tax liabilities (Net)

	(₹ In Crore)	
	2012	2011
Deferred tax liability		
On account of timing difference in		
Depreciation and amortisation	9.24	8.65
Gross deferred tax liability	9.24	8.65
Deferred tax asset		
On account of timing difference in		
Provision for privilege leave etc.	0.08	0.15
Amortisation of premium/discount on acquisition of fixed income securities	0.76	(0.55)
Adjustments on account of gratuity provisions	0.44	0.36
Provision for diminution in value of investments in terms of scheme of arrangement	0.01	0.02
Gross deferred tax asset	1.29	(0.02)
	7.95	8.67

6 Other long-term liabilities

	(₹ In Crore)	
	2012	2011
Trade payables	0.43	0.27
Security deposits	–	1.71
	0.43	1.98

7 Provisions

	(₹ In Crore)			
	Long-term		Short-term	
	2012	2011	2012	2011
Provision for employee benefits [See note 26]				
Provision for gratuity	1.34	1.07	–	0.06
Provision for compensated absences	–	–	0.24	0.44
	1.34	1.07	0.24	0.50
Other provisions				
Provision for tax (net of tax paid in advance)	–	–	7.78	27.50
Proposed dividend*	–	–	21.70	18.09
	–	–	29.48	45.59
	1.34	1.07	29.72	46.09

* During the year ended 31 March 2012, the amount of per share dividend proposed and recognised as distributions to equity shareholders is ₹ 1.50 (previous year ₹ 1.25).

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

8 Other current liabilities

	(₹ In Crore)	
	2012	2011
Trade payables		
Dues to micro and small enterprises*	–	–
Other than dues to micro and small enterprises®	4.76	4.10
Other liabilities		
Security deposits	1.71	–
Unclaimed dividend	0.16	0.11
Other Payables	0.60	0.68
	2.47	0.79
	7.23	4.89

* In absence of any information on earlier requests to the vendors with regards to their registration (filing of Memorandum) under "The Micro, Small and Medium Enterprises Development Act, 2006. (27 of 2006)" and in view of the terms of payments not exceeding 45 days, which has been promptly paid, no liability exists at the close of the year and hence no disclosures have been made in this regard.

®Trade payables includes emoluments payable to employees for services rendered.

9 Fixed assets

Particulars	Gross block				Depreciation			Net block		
	As at 31 Mar 11	Additions	Deductions/ adjustments	As at 31 Mar 12	As at 31 Mar 11	Deductions/ adjustments	For the Year (a)	As at 31 Mar 12	As at 31 Mar 12	As at 31 Mar 11
	Land Freehold (b) (d)	10.76	–	–	10.76	–	–	–	–	10.76
Buildings (c)	45.25	0.24	–	45.49	3.69	–	0.75	4.44	41.05	41.56
Computers	0.88	0.08	–	0.96	0.29	–	0.15	0.44	0.52	0.59
Electric Fittings	0.47	–	–	0.47	0.02	–	0.03	0.05	0.42	0.45
Furniture	1.56	–	–	1.56	0.19	–	0.09	0.28	1.28	1.37
Office Equipment	1.46	0.07	–	1.53	0.13	–	0.08	0.21	1.32	1.33
Vehicles	1.46	0.91	0.23	2.14	0.27	0.11	0.17	0.33	1.81	1.19
Wind Energy Generators	283.72	–	–	283.72	269.24	–	0.29	269.53	14.19	14.48
Total	345.56	1.30	0.23	346.63	273.83	0.11	1.56	275.28	71.35	71.73
Previous year total	350.29	1.09	5.82	345.56	263.95	0.15	10.03	273.83	71.73	

(a) Refer note 2 clause 3(A) & (B) of summary of significant accounting policies.

(b) Titles pending transfer in the name of the Company post vesting of the windmill division with the Company consequent to demerger of erstwhile Bajaj Auto Limited. (now, Bajaj Holdings & Investment Limited).

(c) Includes office premises given on lease ₹ 8.25 crore. Accumulated depreciation ₹ 1.57 crore. Depreciation for the year ₹ 0.13 crore

(d) Includes proportionate ownership in land consequent to acquisition of office premises under a Deed of Apartment, at an attributed cost of ₹ 2.94 crore

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

10 Investments

		(₹ In Crore)			
		Non-current portion		Current maturities	
		2012	2011	2012	2011
(A) Long-term investments:					
In Fully Paid Equity Shares:					
Trade:					
In Subsidiary Company:					
Quoted:					
25,195,089	(20,505,089) Shares of ₹ 10 each in Bajaj Finance Limited	938.67	633.36	–	–
		938.67	633.36	–	–
Unquoted:					
111,524,660	Shares of ₹ 10 each in Bajaj Allianz Life Insurance Co Limited	111.52	111.52	–	–
81,568,165	Shares of ₹ 10 each in Bajaj Allianz General Insurance Co Limited	81.57	81.57	–	–
39,000,000	(21,000,000) Shares of ₹ 10 each in Bajaj Financial Solutions Limited	39.00	21.00	–	–
		232.09	214.09	–	–
In Joint Venture:					
Unquoted:					
1,200,000	Shares of ₹ 10 each in Bajaj Allianz Financial Distributors Limited	1.20	1.20	–	–
		1.20	1.20	–	–
In Warrants:					
Trade:					
In Subsidiary Company:					
Unquoted:					
Partly Paid:					
1,310,000	(-) Warrants of ₹ 651 each of Bajaj Finance Limited, ₹ 162.75 paid up	21.32	–	–	–
		21.32	–	–	–
In Debentures:					
Fully paid:					
Others					
Quoted:					
–	(100) 7.64% Secured Redeemable Non Convertible Debentures of ₹ 1,000,000 each of LIC Housing Finance Limited -Series T60	–	–	–	10.42
50	7.76% Secured Redeemable Non Convertible Debentures of ₹ 1,000,000 each of LIC Housing Finance Limited Series T-56	–	5.26	5.26	–
150	7.99% Secured Redeemable Non Convertible Debentures of ₹ 1,000,000 each of LIC Housing Finance Limited	–	15.35	15.35	–
	Carried over	–	20.61	20.61	10.42
	Carried over	1,193.28	848.65	–	–

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

10 Investments (Contd.)

		(₹ In Crore)			
		Non-current portion		Current maturities	
		2012	2011	2012	2011
	Brought over	1,193.28	848.65	–	–
In Debentures: (Contd.)					
Fully Paid: (Contd.)					
Others: (Contd.)					
Quoted: (Contd.)					
	Brought over	–	20.61	20.61	10.42
300	11.45% Secured Redeemable Non Convertible Debentures of ₹ 1,000,000 each of Reliance Industries Limited	35.20	35.20	–	–
250	10.90% Secured Redeemable Non Convertible Debentures of ₹ 1,000,000 each of Reliance Gas Transportation Infrastructure Limited-Series PPD1	28.57	28.57	–	–
		63.77	84.38	20.61	10.42
	Less: Amortisation of Premium/Discount on acquisition	3.76	1.58	0.34	0.10
		60.01	82.80	20.27	10.32
In Bonds:					
Fully paid:					
Others:					
Quoted:					
–	(100) 8.45% Secured Redeemable Non Convertible Bonds of ₹ 1,000,000 each of ACC Limited	–	10.37	–	–
50	11.30% Secured Redeemable Non Convertible Bonds of ₹ 1,000,000 each of ACC Limited	5.87	5.87	–	–
100	7.40% Secured Redeemable Non Convertible Bonds of ₹ 1,000,000 each of Air Port Authority of India Limited -Series S-1	–	10.35	10.35	–
100	8.75% Secured Redeemable Non Convertible Bonds of ₹ 1,000,000 each of Axis Bank Limited -Series S-11, Opt-II	10.51	10.51	–	–
50	10.10% Secured Redeemable Non Convertible Bonds of ₹ 1,000,000 each of Axis Bank Limited -Series S-15	5.59	5.59	–	–
250	10.75% Secured Redeemable Non Convertible Bonds of ₹ 1,000,000 each of Bharat Forge Limited	26.19	26.19	–	–
50	9.25% Unsecured Redeemable Taxable Non Convertible Bonds of ₹ 1,000,000 each of EXIM Bank Limited	–	5.65	5.65	–
–	(10) 6.98% Taxable Secured Redeemable Non Convertible Bonds of ₹ 1,000,000 each of Indian Railway Finance Corporation Limited -Series 44II	–	–	–	1.00
10	6.98% Taxable Secured Redeemable Non Convertible Bonds of ₹ 1,000,000 each of Indian Railway Finance Corporation Limited -Series 44JJ	–	1.00	1.00	–
	Carried over	48.16	75.53	17.00	1.00
	Carried over	1,253.29	931.45	20.27	10.32

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

10 Investments (Contd.)

		(₹ In Crore)			
		Non-current portion		Current maturities	
		2012	2011	2012	2011
	Brought over	1,253.29	931.45	20.27	10.32
In Bonds: (Contd.)					
Fully Paid: (Contd.)					
Others: (Contd.)					
Quoted: (Contd.)					
	Brought over	48.16	75.53	17.00	1.00
	– (250) 9.20% Unsecured Redeemable Taxable Non Convertible Bonds of ₹ 1,000,000 each of L & T Limited	–	–	–	26.97
	– (250) 8.40% Non Convertible Redeemable Bonds in the nature of Debentures (Series I) of ₹ 1,000,000 each of ONGC Videsh Limited	–	25.41	–	–
	– (80) 9.20% Secured Non Convertible Non Cumulative Redeemable Taxable Bonds in the nature of Debentures Series C of ₹ 1,250,000 each of Power Grid Corporation of India Limited	–	10.83	–	–
150	8.50% Unsecured Redeemable Non Convertible Non Cumulative Taxable Bonds in the nature of Debentures Series 61 of ₹ 1,000,000 each of Power Finance Corporation Limited	16.01	16.01	–	–
	– (80) 8.90% Secured Non Convertible Non Cumulative Redeemable Taxable Bonds in the nature of Debentures of ₹ 1,250,000 each of Power Grid Corporation of India Limited-Series XXXI STRPP-G	–	10.50	–	–
50	8.78% Unsecured Redeemable Non Convertible Non Cumulative Taxable Bonds in the nature of Debentures Series 6.I of ₹ 1,000,000 each of Power Finance Corporation Limited-(S-XXXI-A)	5.39	5.39	–	–
100	8.95% Unsecured Redeemable Non Convertible Non Cumulative Taxable Bonds in the nature of Debentures Series 64 of ₹ 1,000,000 each of Power Finance Corporation Limited	10.63	10.63	–	–
	– (50) 7.60% Secured Non Convertible Redeemable Bonds of ₹ 1,000,000 each of Rural Electrification Corporation Limited-Series 92-O-I	–	5.23	–	–
	– (50) 8.65% Secured Non Convertible Redeemable Bonds of ₹ 1,000,000 each of Rural Electrification Corporation Limited-Series S-88	–	5.30	–	–
150	11.50% Secured Non Convertible Redeemable Bonds of ₹ 1,000,000 each of Rural Electrification Corporation Limited. Series 87 C O III	17.73	17.73	–	–
	– (250) 6.10% Secured Non Convertible Redeemable Bonds of ₹ 1,000,000 each of SIDBI Limited. S-II	–	26.03	–	–
	– (50) 6.60% Secured Non Convertible Redeemable Bonds of ₹ 1,000,000 each of SIDBI Limited-S-III	–	5.24	–	–
		97.92	213.83	17.00	27.97
	Less: Amortisation of Premium/Discount on acquisition	2.33	1.90	0.54	0.36
		95.59	211.93	16.46	27.61
Total (A)		1,348.88	1,143.38	36.73	37.93

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

10 Investments (Contd.)

(₹ In Crore)

	Non-current portion		Current maturities	
	2012	2011	2012	2011
(B) Current investments:				
In Certificate of Deposit:				
Unquoted:				
– (2,500) Certificate of Deposit of ₹ 100,000 each of State Bank of Hyderabad 11-07-2011	–	–	–	23.89
– (2,500) Certificate of Deposit of ₹ 100,000 each of State Bank of Bikaner & Jaipur-11-07-2011	–	–	–	23.90
– (2,500) Certificate of Deposit of ₹ 100,000 each of State Bank of Bikaner & Jaipur-25-08-2011	–	–	–	23.19
– (2,500) Certificate of Deposit of ₹ 100,000 each of State Bank of Hyderabad 21-09-2011	–	–	–	23.22
– (5,000) Certificate of Deposit of ₹ 100,000 each of Bank of India 15-03-2012	–	–	–	45.49
	–	–	–	139.69
Add: Amortisation of Premium/Discount on acquisition	–	–	–	3.02
	–	–	–	142.71
In Mutual Fund Units:				
Unquoted:				
– (3,186,479.132) Birla Sun Life Cash Plus-Institutional Premium -Growth	–	–	–	5.00
9,77,788.404 (-) ICICI Prudential Institutional Liquid Plan-Super Institutional Growth	–	–	15.50	–
	–	–	15.50	5.00
Total (B)	–	–	15.50	147.71
Total (A+B)	1,348.88	1,143.38	52.23	185.64
Less: Provision for Diminution in Value of Investments	–	0.09	0.09	0.08
	1,348.88	1,143.29	52.14	185.56
Application Money for Investment in Shares, Bonds & Mutual Fund Units	–	4.00	–	–
	1,348.88	1,147.29	52.14	185.56

	Book Value as at		Market Value as at	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
Quoted*	1,130.91	965.85	2,237.13	1,925.09
Unquoted	270.11	363.00	–	–
	1,401.02	1,328.85	–	–

Notes to Investments

- *Quoted Investments for which quotations are not available have been included in market value at the face value/paid up value, whichever is lower, except in case of Debentures, Bonds and Government securities, where the Net Present Value at current yield to Maturity have been considered.
- Investments made by the Company other than those with a maturity of less than one year, are intended to be held for long-term, hence diminution in the value of quoted investments are not considered to be of a permanent nature. On an assessment of the non-performing investments (quoted and unquoted) and keeping in mind the relevant provisioning norms applicable to the Company as a NBFC and the guidelines adopted by the management, no provision has been determined during the year ended 31 March 2012.
- Refer note 2 clause 4 for accounting policy and valuation principles for investments.

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

11 Loans and advances

(Unsecured, good, unless stated otherwise)

	(₹ In Crore)			
	Long-term		Short-term	
	2012	2011	2012	2011
Security deposits	0.38	0.19	–	–
Loan and advances to related parties - Long-term [See note 28]	–	–	0.29	0.49
Other loans and advances				
VAT refund receivable	0.69	0.49	–	–
CENVAT credit receivable	–	–	–	0.27
Advance income-tax (net of provision for tax)	2.03	1.15	2.90	15.71
Others	0.02	0.02	0.30	0.20
	2.74	1.66	3.20	16.18
	3.12	1.85	3.49	16.67

12 Trade receivables

(Unsecured, considered good, unless stated otherwise)

	(₹ In Crore)			
	Non-current		Current	
	2012	2011	2012	2011
Outstanding for a period exceeding six months from the date they are due for payment	–	–	–	–
Others, Good	–	–	1.94	1.30
	–	–	1.94	1.30

13 Other assets

(Unsecured, good, unless stated otherwise)

	(₹ In Crore)			
	Non-current		Current	
	2012	2011	2012	2011
Credit receivable for windpower generated	–	–	2.70	2.94
REC receivable	–	–	5.54	–
Voluntary emission reduction receivable	–	–	–	0.27
	–	–	8.24	3.21

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

14 Cash and bank balances

	(₹ In Crore)			
	Non-current		Current	
	2012	2011	2012	2011
Cash and cash equivalents				
Balances with banks				
On current accounts	–	–	2.38	0.59
On unclaimed dividend account	–	–	0.16	0.11
Cash equivalents				
Certificate of Deposits with maturity of less than three months from date of acquisition	–	–	–	24.55
	–	–	2.54	25.25

15 Revenue from operations

	(₹ In Crore)	
	2012	2011
Windfarm activity:		
Income from power generation	54.65	41.76
Income from Renewable Energy Certificates (REC)	28.94	–
Voluntary emission reduction credits	–	0.03
Others	0.78	–
	84.37	41.79
Investment activity:		
Interest:		
Interest income on		
Long-term investments	22.34	49.89
Current investments		
Others	–	0.01
Less: Amortisation of premium/(discount) on acquisition of fixed income securities	4.78	0.53
	17.56	49.37
Other financial services:		
Dividend income on Investment in subsidiaries	20.51	11.07
Profit on sale of investments, net *	8.81	17.28
Surplus on redemption of securities, net *	4.52	0.30
	51.40	78.02
	135.77	119.81

* Including on current investments ₹ 15.91 crore (previous year ₹ 7.54 crore)

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

16 Other income

	(₹ In Crore)	
	2012	2011
Rent	1.71	1.71
Miscellaneous receipts	6.66	3.71
Surplus on sale of assets	–	0.78
Provision no longer required	0.04	0.05
	8.41	6.25

17 Employee benefits expense

	(₹ In Crore)	
	2012	2011
Salaries, wages and bonus to employees	6.91	6.29
Remuneration to whole time director	2.64	2.40
Contribution to provident and other funds	1.01	1.04
Staff welfare expenses	0.23	0.15
	10.79	9.88

18 Other expenses

	(₹ In Crore)	
	2012	2011
Repairs to buildings	0.48	0.23
Repairs to machinery - windmill	7.28	6.98
Repairs to others	0.02	0.04
Energy generation expenses	4.80	5.19
REC registration, issuance and brokerage charges	0.31	0.04
Rates and taxes	0.86	0.41
Insurance	0.18	0.20
Payment to auditor	0.13	0.13
Directors' fees and travelling expenses	0.13	0.13
Commission to Non Executive Directors	0.17	0.30
Travelling (including foreign travel) expenses	3.46	2.30
Business support service expenses	1.37	2.12
Miscellaneous expenses	4.94	3.91
	24.13	21.98

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

18 Other expenses (Contd.)

	2012	2011
		(₹ In Crore)
Payment to auditor		
As auditor:		
Audit fee	0.06	0.06
Tax audit fee	0.02	0.02
Limited review	0.04	0.03
In other capacity:		
Other services (certification fees)	0.01	0.02
Reimbursement of expenses (₹ 37,587- previous year ₹ 25,136)	0.13	0.13

19 Exceptional item

	2012	2011
		(₹ In Crore)
Surplus on pre-payment of sales tax deferral incentive/loan liability*	-	139.07
	-	139.07

* Sales tax deferral benefit available to the Company as a wind power generator was availed by the erstwhile Bajaj Auto Ltd. The amount of liability deferred by the latter had been passed on under a scheme of demerger to the Company, and recognised as a liability, as the obligation to pay vested with the Company. The said liability has been prepaid in the previous year under Rule 84 of the Maharashtra Value Added Tax Rules, 2005. Considering the quantum of gain, the said sum has been reflected as an exceptional item in the statement of profit and loss and considered as a capital receipt.

20 Earnings Per Share (EPS)

	2012	2011
Earnings per share is calculated by dividing the profit attributable to the Equity Shareholders by the weighted average number of Equity Shares outstanding during the year. The numbers used in calculating basic and diluted earnings are stated below :		
a. Profit for the year after tax (₹ In Crore)	76.57	188.34
Weighted average number of shares outstanding during the year	144,683,510	144,683,510
b. Earnings per share (Basic and Diluted) ₹	5.3	13.0
Face value per share ₹	5.0	5.0

21 Contingent liabilities

	2012	2011
		(₹ In Crore)
a. Claims against the Company not acknowledged as debts	7.71	7.65
b. Income Tax matters under dispute		
Appeal by company	0.14	0.14

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

22 Capital and other commitments

	(₹ In Crore)	
	<u>2012</u>	<u>2011</u>
Capital commitments, net of capital advances	–	0.01

23 Expenditure in foreign currency (accrual basis)

	(₹ In Crore)	
	<u>2012</u>	<u>2011</u>
Professional and consultation fees	0.17	–
Travelling expenses	0.04	0.02
Other matters	0.67	–
	<u>0.88</u>	<u>0.02</u>

24 Earnings in foreign currency (accrual basis)

	(₹ In Crore)	
	<u>2012</u>	<u>2011</u>
Reimbursement	0.19	–

25 Details of windpower generation and turnover

	<u>2012</u>	<u>2011</u>
Credit for units Brought forward from previous year		
In units (In Lakh)	59	69
In value (₹ In Crore)	2.94	4.58
Generated, during the year		
In units (In Lakh)	950	837
Sold, during the year		
In units (In Lakh)	962	847
In value (₹ In Crore)	54.89	43.40
Credits receivable		
In units (In Lakh)	47	59
In value (₹ In Crore)	2.70	2.94

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

26 Employee benefits

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

Funded scheme

	(₹ In Crore)	
	2012 Gratuity	2011 Gratuity
Amount To Be Recognised in Balance Sheet		
Present Value of Funded Obligations	2.34	1.87
Fair Value of Plan Assets	(1.00)	(0.74)
Net Liability	1.34	1.13
Amounts in Balance Sheet		
Liability	1.34	1.13
Assets	–	–
Net Liability	1.34	1.13
Expense To Be Recognised in the Statement of Profit and Loss		
Current Service Cost	0.11	0.08
Interest on Defined Benefit Obligation	0.13	0.08
Expected Return on Plan Assets	(0.03)	(0.03)
Net Actuarial Losses/(Gains) Recognised in Year	0.22	0.45
Total, Included in "Employee benefits expense"	0.43	0.58
Actual Return on Plan Assets	0.06	0.05
Reconciliation of Benefit Obligations & Plan Assets For the Period		
Change in Defined Benefit Obligation		
Opening Defined Benefit Obligation	1.87	1.23
Current Service Cost	0.11	0.08
Interest Cost	0.13	0.08
Actuarial Losses/(Gains)	0.25	0.48
Benefits Paid	(0.02)	–
Closing Defined Benefit Obligation	2.34	1.87
Change in Fair Value of Assets		
Opening Fair Value of Plan Assets	0.74	0.53
Expected Return on Plan Assets	0.03	0.03
Actuarial Gains/(Losses)	0.03	0.03
Contributions by Employer	0.22	0.15
Benefits Paid	(0.02)	–
Closing Fair Value of Plan Assets	1.00	0.74
	2012	2012
	2011	2011
Asset Information		
Insurer Managed Funds	1.00	100.00%
		100.00%

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

26 Employee benefits (Contd.)

	2008	2009	2010	2011	(₹ In Crore) 2012
Experience Adjustments					
Defined Benefit Obligation	0.55	1.09	1.23	1.87	2.34
Plan Assets	0.30	0.39	0.53	0.74	1.00
Surplus/(Deficit)	(0.25)	(0.70)	(0.70)	(1.13)	(1.34)
Exp. Adj. on Plan Liabilities	0.06	0.44	0.04	0.49	0.32
Exp. Adj. on Plan Assets	(0.03)	0.01	0.02	0.03	0.03

Principal Actuarial Assumptions (Expressed as Weighted Averages)

	2012	2011
Discount Rate (p.a.)	8.65%	8.30%
Expected Rate of Return on Assets (p.a.)	7.50%	7.50%
Salary Escalation Rate (p.a.) - Senior Staff	8.00%	8.00%
Salary Escalation Rate (p.a.) - Junior Staff	9.00%	9.00%

Unfunded scheme

	(₹ In Crore)	
	Compensated Absences	Compensated Absences
	2012	2011
Present Value of Unfunded Obligations	0.24	0.44
Expense recognised in the Statement of Profit and Loss	(0.03)	0.30
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	9.00%	9.00%

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

27 Segment information

Segment information is based on the consolidated financial statements.

Segment wise Revenue, Results and Capital employed for the year ended 31 March 2012

(₹ In Crore)

(a) Primary Segment: Business Segment

	Insurance *	Windmill	Retail Financing	Investments & Others	Consolidated
Revenue					
External Sales and Other Income	10,925.64	84.37	2,133.67	131.34	13,275.02
Inter segment Sales and Other Income	–	–	38.24	(9.42)	28.82
Total Revenue	10,925.64	84.37	2,171.91	121.92	13,303.84
Segment Result	1,543.57	70.42	572.06	40.17	2,226.22
Interest Expense	–	–	–	–	–
Income Taxes					336.47
Net Profit	1,543.57	70.42	572.06	40.17	1,889.75
Segment Assets	46,003.14	33.92	13,007.18	291.25	59,335.49
Unallocated Corporate Assets					4.93
Total Assets	46,003.14	33.92	13,007.18	291.25	59,340.42
Segment Liabilities	41,502.45	0.31	609.05	14.82	42,126.63
Unallocated Corporate Liabilities					29.48
Total Liabilities	41,502.45	0.31	609.05	14.82	42,156.11
Capital Employed	4,500.69	33.61	12,398.13	276.43	17,184.31
Capital Expenditure	156.90	–	51.89	1.91	210.70
Depreciation	–	0.34	11.77	2.01	14.12
Non Cash Expenses other than Depreciation	–	–	–	–	–

* Segment revenues for insurance business represents the premiums earned and other income. However, for the purpose of consolidated financial statements the net result of the insurance business revenue accounts together with shareholders income in accordance with the reporting framework of IRDA amounting to a net revenue of ₹ 486.27 crore for the year ended 31 March 2012 has been included in a manner consistent with the parent's reporting format. External Sales and Other Income excludes accretions to unit linked investments.

Business segments of the consolidated group have been identified as distinguishable components that are engaged in a group of related product or services and that are subject to risks and returns different from other business segments. Accordingly Insurance, Windmill, Retail Financing and Investments & others have been identified as the business segments.

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

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

27 Segment information (Contd.)

Segment wise Revenue, Results and Capital employed for the year ended 31 March 2011

(₹ In Crore)

(a) Primary Segment: Business Segment

	Insurance *	Windmill	Retail Financing	Investments & Others	Consolidated
Revenue					
External Sales and Other Income	12,434.41	41.79	1,096.52	124.62	13,697.34
Inter segment Sales and Other Income	–	–	12.87	14.79	27.66
Total Revenue	12,434.41	41.79	1,109.39	139.41	13,725.00
Segment Result	1,156.45	159.01	310.00	44.10	1,669.56
Interest Expense	–	–	–	–	–
Income Taxes					177.70
Net Profit	1,156.45	159.01	310.00	44.10	1,491.86
Segment Assets	44,743.29	28.58	8,558.78	571.62	53,902.27
Unallocated Corporate Assets					16.86
Total Assets	44,743.29	28.58	8,558.78	571.62	53,919.13
Segment Liabilities	41,711.31	0.40	410.31	13.10	42,135.12
Unallocated Corporate Liabilities					45.59
Total Liabilities	41,711.31	0.40	410.31	13.10	42,180.71
Capital Employed	3,031.98	28.18	8,148.47	558.52	11,738.42
Capital Expenditure	87.75	–	64.07	3.44	155.26
Depreciation	–	8.78	8.03	1.71	18.52
Non Cash Expenses other than Depreciation	–	–	–	0.15	0.15

* Segment revenues for insurance business represents the premiums earned and other income. However, for the purpose of consolidated financial statements the net result of the insurance business revenue accounts together with shareholders income in accordance with the reporting framework of IRDA amounting to a net revenue of ₹ 246.13 crore for the year ended 31 March 2011 has been included in a manner consistent with the parent's reporting format. External Sales and Other Income excludes accretions to unit linked investments.

Business segments of the consolidated group have been identified as distinguishable components that are engaged in a group of related product or services and that are subject to risks and returns different from other business segments. Accordingly Insurance, Windmill, Retail Financing and Investments & others have been identified as the business segments.

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

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

28 Disclosure of transactions with related parties as required by the Accounting Standard - 18

(₹ In Crore)

Name of related party and Nature of relationship	Nature of transaction	2012		2011	
		Transaction value	Outstanding amounts carried in the Balance Sheet	Transaction value	Outstanding amounts carried in the Balance Sheet
A. Holding company, subsidiaries and fellow subsidiary:					
Bajaj Allianz General Insurance Company Ltd. (74 % shares held by Bajaj Finserv Ltd.)	Contribution to Equity (81,568,165 shares of ₹ 10 each)	-	81.57	-	81.57
	Rent received	1.71	-	1.71	-
	Deposit received	-	(1.71)	-	(1.71)
	Insurance premium paid	0.18	-	0.20	-
	Revenue expenses incurred on behalf	1.02	0.28	0.96	0.29
Bajaj Allianz Life Insurance Company Ltd. (74 % shares held by Bajaj Finserv Ltd.)	Contribution to Equity (111,524,660 shares of ₹ 10 each)	-	111.52	-	111.52
	Revenue expenses incurred on behalf	1.15	-	1.12	0.13
Bajaj Finance Ltd. (60.98% shares held by Bajaj Finserv Ltd.)	Contribution to Equity (25,195,089 shares of ₹ 10 each) (Previous year 20,505,089 shares of ₹ 10 each)	305.32	938.67	240.86	633.36
	Contribution to Warrants (1,310,000 warrants of ₹ 651 each, ₹ 162.75 paid up)	21.32	21.32	-	-
	Dividend received	20.51	-	11.07	-
	Expenses incurred on behalf	0.72	0.01	0.62	0.07
	Sale of office premises	-	-	6.45	-
	Business Support Services rendered	4.93	-	2.49	-
	Other debits	-	-	0.02	-
	Other credits	-	-	-	-
Bajaj Financial Solutions Ltd. (Fully owned subsidiary)	Contribution to Equity (39,000,000 shares of ₹ 10 each) (Previous year 21,000,000 shares of ₹ 10 each)	18.00	39.00	-	21.00
	Share Application Money for 4,000,000 equity shares of ₹ 10 each	(4.00)	-	4.00	4.00
	Business Support Services rendered	0.03	-	0.01	-
	Capital expenses incurred on behalf	-	-	0.46	-
Bajaj Financial Securities Ltd. (Fully owned subsidiary of Bajaj Financial Solutions Ltd.)	Business Support Services rendered	0.01	-	0.01	-
B. Associates, joint ventures and investing parties:					
Bajaj Holdings and Investment Ltd. (investing party)	Purchase of shares by BHIL (56,649,211 shares of ₹ 5 each) (Previous year 55,976,658 shares of ₹ 5 each)	0.33	(28.32)	2.21	(27.99)
	Dividend paid	7.00	-	5.24	-
	Business Support Services received	0.51	-	0.60	-
	Business Support Services rendered	1.17	-	0.96	-
Bajaj Allianz Financial Distributors Ltd. (a joint venture – 50% shares held by Bajaj Finserv Ltd.)	Contribution to Equity (1,200,000 shares of ₹ 10 each)	-	1.20	-	1.20
	Services received	0.16	(0.02)	-	-

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

28 Disclosure of transactions with related parties as required by the Accounting Standard - 18 (Contd.)

(₹ In Crore)

Name of related party and Nature of relationship	Nature of transaction	2012		2011	
		Transaction value	Outstanding amounts carried in the Balance Sheet	Transaction value	Outstanding amounts carried in the Balance Sheet
C. Individuals controlling voting power/exercising significant influence and their relatives:					
Rahul Bajaj (Chairman)	Sitting Fees	0.02	–	0.01	–
	Commission	0.02	(0.02)	0.02	(0.02)
Madhur Bajaj	Sitting Fees	0.01	–	0.01	–
	Commission	0.02	(0.02)	0.01	(0.01)
Rajiv Bajaj	Sitting Fees	0.01	–	0.01	–
	Commission	0.02	(0.02)	0.02	(0.02)
Sanjiv Bajaj (Managing Director)	Remuneration	0.97	–	0.98	–
(Also Key management personnel)	Commission	1.98	(1.98)	1.80	(1.80)
Shekhar Bajaj	Nil	–	–	–	–
Niraj Bajaj	Nil	–	–	–	–
D. Key Management Personnel & their relatives: Included in 'C' above					
E. Enterprises over which anyone in (c) & (d) exercises significant influence:					
Bajaj Auto Ltd.	Sale of Windpower	24.38	–	18.22	–
	Business Support Services received	0.73	–	1.51	–
	Business Support Services rendered	0.28	–	0.19	–
	Aviation Charges paid	3.01	–	1.92	–
	Sale of 8.01% debentures of Samruddhi Cement Ltd.	–	–	9.96	–
	Sale of 8.80% bonds of Power Grid Corporation Ltd.	–	–	21.91	–
	Sale of 9.50% bonds of NABARD	–	–	27.74	–
	Sale of 7.99% NCDS of LIC Housing Finance Ltd.	–	–	25.76	–
	Sale of 8.90% bonds of Power Finance Corporation Ltd.	–	–	15.86	–
	Sale of 8.95% bonds of Power Finance Corporation Ltd.	–	–	10.56	–
	Sale of 11.25% bonds of Power Finance Corporation Ltd.	–	–	12.29	–
	Sale of 8.45% bonds of Rural Electrification Corporation Ltd.	–	–	26.11	–
	Sale of 8.50% bonds of Power Finance Corporation Ltd.	–	–	5.31	–
	Purchase of Certificate of Deposit of State Bank of Bikaner & Jaipur	–	–	23.66	–
Bajaj Electricals Ltd.	Purchases	–	–	0.04	(0.04)
	Services received	–	–	0.01	–
Bajaj International Ltd.	Other Credits	0.01	–	0.03	–
Hind Musafir Agency Ltd.	Services received	0.15	–	0.16	–
Hindustan Housing Ltd.	Services received	–	–	–	–
Mukand Limited	Sale of windpower	11.88	1.12	3.71	0.29

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

Related parties as defined under clause 3 of the Accounting Standard – 18 "Related Party Disclosures" have been identified based on representations made by key managerial personnel and information available with the Company.

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

29 Lease

Future minimum lease rental in respect of assets given on operating lease in the form of office premises after 1 April 2001
Minimum future lease payments as on 31 March 2012:

	(₹ In Crore)	
	<u>2012</u>	<u>2011</u>
Receivable		
Within one year	0.71	1.71
After one year but not more than five years	-	0.71
More than five years	-	-
	<u>0.71</u>	<u>2.42</u>

The company has not taken any asset under an operating lease arrangement.

30 Schedule to Balance Sheet as on 31 March 2012

Balance sheet of a non deposit taking non-banking financial company

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

(₹ In Lakh)

Liabilities Side:

	<u>Amount Outstanding</u>	<u>Amount Overdue</u>
(1) Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid:		
(a) Debentures : Secured	-	-
: Unsecured	-	-
(Other than falling within the meaning of public deposit*)	-	-
(b) Deferred Credits	-	-
(c) Term Loans	-	-
(d) Inter-corporate Loans and Borrowings	-	-
(e) Commercial Paper	-	-
(f) Other Loans (specify nature)	-	-

* Please see Note 1 below

Asset Side

	<u>Amount Outstanding</u>
(2) Break-up of Loans and Advances including bills receivables (other than those included in (4) below)	
(a) Secured	-
(b) Unsecured	661
(Comprises advance income tax paid, capital advances & miscellaneous dues)	
(3) Break up of Leased Assets and Assets and stock on hire and other assets counting towards AFC activities	
(i) Lease assets including lease rentals under sundry debtors	
(a) Financial Lease	-
(b) Operating Lease	-
(ii) Stock on hire including hire charges under sundry debtors	
(a) Assets on hire	-
(b) Repossessed Assets	-

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

30 Schedule to Balance Sheet as on 31 March 2012 (Contd.)

Asset Side (Contd.)	(₹ In Lakh)
	Amount Outstanding
(iii) Other loans counting towards AFC activities	
(a) Loans where assets have been repossessed	–
(b) Loans other than (a) above	–
(4) Break up of Investments:	
Current Investments	
1. Quoted:	
(i) Shares: (a) Equity	–
(b) Preference	–
(ii) Debentures and Bonds	–
(iii) Units of mutual funds	–
(iv) Government Securities	–
(v) Others: (a) Certificate of Deposit	–
(b) Commercial Paper	–
2. Unquoted:	
(i) Shares: (a) Equity	–
(b) Preference	–
(ii) Debentures and Bonds	–
(iii) Units of mutual funds	1,550
(iv) Government Securities	–
(v) Others: (a) Certificate of Deposit	–
(b) Commercial Paper	–
	1,550
Long Term Investments	
1. Quoted	
(i) Shares: (a) Equity	93,867
(b) Preference	–
(ii) Debentures and Bonds	19,224
(iii) Units of mutual funds	–
(iv) Government Securities	–
(v) Others (Please specify)	–
2. Unquoted:	
(i) Shares: (a) Equity	23,329
(b) Preference	–
(ii) Debentures and Bonds	–
(iii) Units of mutual funds	–
(iv) Government Securities	–
(v) Others (Please specify)	
Share warrants	2,132
Total	140,102

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

30 Schedule to Balance Sheet as on 31 March 2012 (Contd.)

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

(₹ In Lakh)

Category	Amount net of provisions		
	Secured	Unsecured	Total
1. Related parties **			
(a) Subsidiaries	–	29	29
(b) Companies in the same group	–	–	–
(c) Other related parties	–	–	–
2. Other than related parties	–	632	632
Total	–	661	661

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

(₹ In Lakh)

Category	Market value/break up or fair value or NAV	Book Value (net of provisions)
	1 Related Parties **	
(a) Subsidiaries		
– Quoted (disclosed at market value)	205,176	93,867
– Unquoted (disclosed at break up value)	335,438	25,341
(b) Companies in the same group	–	–
(c) Other related parties	303	120
2. Other than related parties		
Unquoted @	1,550	1,550
Quoted (disclosed at market value)	18,537	19,224
Total	561,004	140,102

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

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

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

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

(7) Other Information

(₹ In Lakh)

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

Notes:

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

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

30 Schedule to Balance Sheet as on 31 March 2012 (Contd.)

(8) CRAR

Items	2012	2011
(i) CRAR %	90%	121%
(ii) CRAR - Tier I capital (%)	90%	121%
(iii) CRAR - Tier II capital (%)	0%	0%

(9) Exposures: Exposures to Real Estate Sector

Category	2012	2011
(a) Direct Exposure	–	–
(i) Residential Mortgages		
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented: (Individual housing loans upto ₹ 15 lakh may be shown separately)	–	–
(ii) Commercial Real Estate		
Lending secured by mortgages on commercial real estate (office building, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc) Exposure would also include non-fund based (NFB) limits	–	–
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised Exposures -		
(a) Residential	–	–
(b) Commercial Real Estate	–	–
(b) Indirect Exposure	2,061	3,086
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	2,061	3,086

(10) Asset Liability Management

Maturity pattern of certain items of assets and liabilities

	1 day to 30/31 days (1 month)	Over 1 month to 2 months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Liabilities	–	–	–	–	–	–	–	–	–
Borrowings from Banks	–	–	–	–	–	–	–	–	–
Market Borrowings	–	–	–	–	–	–	–	–	–
Assets	1,550	–	–	–	3,664	13,437	2,123	119,328	140,102
Advances	–	–	–	–	–	–	–	–	–
Investments	1,550	–	–	–	3,664	13,437	2,123	119,328	140,102

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

31 The consolidated financial statements of the Company and its group are attached to these independent financial statements. The details of the group regarding the nature of relationship and the basis of consolidation can be referred to in note 1 to the said consolidated financial statements.

32 Previous year figures

The financial statements for the year ended 31 March 2011 had been prepared as per the then applicable, pre-revised Schedule VI to the Companies Act, 1956. Consequent to the notification of Revised Schedule VI under the Companies Act, 1956, the financial statements for the year ended 31 March 2012 are prepared as per Revised Schedule VI. Accordingly, the previous year figures have also been reclassified to conform to this year's classification. The adoption of Revised Schedule VI for previous year figures does not impact recognition and measurement principles followed for preparation of financial statements.

33 Miscellaneous

₹ 1 crore is equal to ₹ 10 million.

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

In terms of our report of even date

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

Rahul Bajaj Chairman
Nanoo Pamnani Vice Chairman
Sanjiv Bajaj Managing Director

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

Sonal R Tiwari
Company Secretary

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

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

1. Name of the Subsidiary	Bajaj Allianz General Insurance Co. Ltd.	Bajaj Allianz Life Insurance Co. Ltd.	Bajaj Finance Ltd.*	Bajaj Financial Solutions Ltd. (Consolidated)
2. Financial year of the Subsidiary ended on	31 March 2012	31 March 2012	31 March 2012	31 March 2012
3. Holding Company's interest: Equity Share Capital	74%	74%	60.98%	100%
4. Profit or Loss for the current financial year so far as concern the Members of the Holding Company, not dealt with or provided for in the Accounts of the holding company	Profit ₹ 91.50 crore	Profit ₹ 970.29 crore	Profit ₹ 227.53 crore	Loss ₹ 8.68 crore
5. Net aggregate Profits or Losses for the previous financial years since becoming subsidiary so far as concern the Members of the Holding Company, not dealt with or provided for in the Accounts of the Holding Company	Profit ₹ 414.20 crore	Profit ₹ 768.67 crore	Profit ₹ 130.13 crore	Loss ₹ 8.96 crore
6. Net aggregate amounts received as dividends for previous financial years since becoming subsidiary dealt with in the accounts of the Holding Company in relevant years	Nil	Nil	₹ 31.58 crore	Nil

* Became a subsidiary from 5 July 2010.

Sonal R Tiwari
Company Secretary

Pune: 16 May 2012

Rahul Bajaj
Nanoo Pamnani
Sanjiv Bajaj

Chairman
Vice Chairman
Managing Director

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

Directors



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



Bajaj Finserv Limited

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

NOTICE

Notice is hereby given that the fifth annual general meeting of the shareholders of Bajaj Finserv Limited will be held on Tuesday, 17 July 2012 at 4.15 p.m. at the registered office of the company at Bajaj Auto Limited Complex, Mumbai-Pune Road, Akurdi, Pune 411 035 to transact the following business:

ORDINARY BUSINESS:

1. To consider and adopt the audited balance sheet as at 31 March 2012 and the statement of profit and loss for the year ended 31 March 2012 and the directors' and auditors' reports thereon.
2. To declare a dividend.
3. To appoint a director in place of Nanoo Pamnani, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a director in place of Madhur Bajaj, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint auditors of the company for the period commencing from the conclusion of this annual general meeting till the conclusion of the next annual general meeting and to fix their remuneration.

SPECIAL BUSINESS:

6. To consider and if thought fit, to pass with or without modifications, the following resolution as a special resolution:-

"RESOLVED that pursuant to the provisions of Sections 198, 269, 309, 310, 311 and other applicable provisions, if any, of the Companies Act, 1956 (including any amendment thereto or re-enactment thereof for the time being in force) and schedule XIII thereto (including any amendment or statutory modification thereto for the time being in force) and subject to such sanctions as may be necessary, approval is hereby accorded to the re-appointment of Sanjiv Bajaj as the Managing Director of the Company for a five year term commencing from 1 April 2012 on the terms and conditions including remuneration and minimum remuneration in the event of absence or inadequacy of profits as set out in the explanatory statement relating to this resolution and in the agreement entered into between the Company and Sanjiv Bajaj, with liberty to the Board of Directors, to alter or vary the terms and conditions and remuneration including minimum remuneration in such manner as the Board may deem fit and is acceptable to Sanjiv Bajaj.

"FURTHER RESOLVED that in the event of any statutory amendment, modification or relaxation by the Central Government to schedule XIII to the Companies Act, 1956, the Board of Directors be and is hereby authorised to vary or increase the remuneration including salary, commission, perquisites, allowances etc. within such prescribed limit or ceiling and the said agreement between the Company and Sanjiv Bajaj be suitably amended to give effect to such modification, relaxation or variation without any further reference to the members of the Company in general meeting.

"AND FURTHER RESOLVED that the Board of Directors of the Company be and is hereby authorised to take such steps as may be necessary to give effect to this resolution."

7. To consider and if thought fit, to pass with or without modifications, the following resolution as a special resolution:-

"RESOLVED that pursuant to the provisions of Section 309 and other applicable provisions, if any, of the Companies Act, 1956, a sum not exceeding one percent of the net profits of the Company, calculated in accordance with the provisions of Sections 198, 349 and 350 of the Companies Act, 1956, be paid to and distributed amongst the Directors of the Company or some or any of them (other than the Managing Director and whole-time directors)

in such amounts, subject to such ceiling/s and in such manner and in such respects as may be decided by the Board of Directors and such payments shall be made in respect of the profits of the Company for each year for a period commencing from 20 February 2013 upto 31 March 2017”.

8. To consider and if thought fit, to pass with or without modifications, the following resolution as a special resolution:

“RESOLVED that in accordance with the provisions of Section 372A of the Companies Act, 1956, (the ‘Act’) and also subject to the requisite permission(s)/consent(s) of appropriate authorities, where required, consent of the Company be and is hereby accorded to the Board of Directors for making loans to a body corporate(s), giving guarantee(s) or providing security in connection with a loan and to acquire by way of subscription, purchase or otherwise, the securities of bodies corporate, not exceeding ₹ 3,000 crore (Rupees Three Thousand Crore Only) outstanding at any single point of time, regardless of the fact that the aggregate of the loans, guarantees, securities and investments in any body/bodies corporate may exceed the percentages prescribed under Section 372A of the Act.”

9. To consider and if thought fit, to pass with or without modifications, the following resolution as an ordinary resolution:-

“RESOLVED that pursuant to the provisions of sections 16, 94 and other applicable provisions, if any, of the Companies Act, 1956, consent of the company be and is hereby given for increasing the authorised share capital of the company from ₹ 750,000,000 (₹ Seventy Five Crore) divided into 150,000,000 Equity Shares of ₹ 5 each to ₹ 1,000,000,000 (₹ Hundred Crore) divided into 200,000,000 Equity Shares of ₹ 5 each.

“FURTHER RESOLVED that the increased equity share capital shall rank pari passu with the existing equity share capital in all respects.

“AND FURTHER RESOLVED that the clause V of the Memorandum of Association of the company be substituted with the following:

“V. The authorised share capital of the company is ₹ 100,00,00,000 (₹ Hundred Crore) divided into 200,000,000 (Twenty Crore) equity shares of ₹ 5 (₹ Five only) each.

The Minimum paid-up share capital shall be ₹ 500,000.”

10. To consider and if thought fit, to pass with or without modifications, the following resolution as a special resolution:-

(a) “RESOLVED that pursuant to Section 81 (1) and (1A) and other applicable provisions of the Companies Act, 1956, (including any modifications or re-enactments thereof, for the time being in force), and subject to (i) all applicable statutory and regulatory requirements, (including inter alia the relevant date on the basis of which price of the Securities (as defined below) or the resultant shares are determined being in compliance with applicable statutory and/or regulatory parameters), (ii) the relevant provisions of the Memorandum and Articles of Association of the Company, (iii) the listing agreements entered into by the Company with the stock exchanges where the Company’s shares are listed, and, (iv) the necessary approval and/or consent of any statutory and/or regulatory authorities, and the conditions as may be prescribed by any of them while granting any such approval and/or consent, as may be agreed to by the Board of Directors of the Company, (hereinafter referred to as “**Board**”, which term shall be deemed to include any committee constituted by the Board or any person(s) authorised by the Board in this regard), the Company be and is hereby authorised to issue, offer and allot (including with provisions for reservation on firm and/or competitive basis, of such part of issue and for such categories of persons as may be permitted), in the course of one or more domestic or international offering(s) with or without green shoe options, as applicable, to eligible investors (whether or not such investors are members of the Company), as permitted by applicable statutes and regulations from time to time, whether by way of a public offering or by way of a private placement or otherwise and whether by way of circulation of an offering circular or registration statement or prospectus or placement document or otherwise, securities including inter alia equity shares and/or instruments or securities convertible into equity shares of the Company such as global depository receipts and/or American depository receipts and/or convertible preference shares and/or securities with or without detachable/non-detachable warrants and/or warrants with a right exercisable by the warrant holder to subscribe for equity shares, or by any one or more or a combination of the above or otherwise, up to an amount of ₹ 1,000 crore, (hereinafter referred to as “**Securities**”), to be denominated in Indian rupees or foreign currency, as the case may be, which, at the option of the Company or the holders of the Securities may be surrendered for the purpose of cancellation against receipt of corresponding number of underlying equity shares of the Company, as the case may be, and such issue and allotment to be made in one or more tranche or tranches, on such terms and conditions as may be decided and deemed appropriate by the Board at the time of issue or allotment.”

- (b) "RESOLVED FURTHER that, without prejudice to the generality of the above, the Board be and is hereby authorised to do such acts, deeds and things as the Board in its absolute discretion deems necessary or desirable in connection with offering, issuing and allotting the Securities, and to give effect to these resolutions, including, without limitation, the following:
- (i) offer, issue and allot the Securities or any/all of them, subject to such terms and conditions, as the Board may deem fit and proper in its absolute discretion, including inter alia, (a) terms for issue of Securities and for disposal of Securities which are not subscribed to by issuing them to banks/ financial institutions/mutual funds or otherwise, (b) terms as are provided in domestic and/or international offerings of this nature, and, (c) terms and conditions in connection with payment of dividend, voting rights, premium and redemption or early redemption, conversion into equity shares, pricing, variation of the price or period of conversion, and/or finalising the objects of the issue/s and the monitoring of the same;
 - (ii) approve, finalise and execute any offer document, (including inter alia any draft offer document, offering circular, registration statement, prospectus or placement document), and to approve and finalise any term sheets in this regard;
 - (iii) approve, finalise and execute any number of powers of attorney;
 - (iv) approve, finalise and execute agreements and documents, including lock-up letters, agreements in connection with the creation of any security, and agreements in connection with the appointment of any intermediaries and/or advisors, (including for underwriting, marketing, listing, trading, appointment of lead manager(s)/merchant banker(s), guarantor(s), depository(s), custodian(s), stabilising agent(s), banker(s), advisor(s), registrar(s), paying and conversion agent(s), trustee(s), and other intermediaries as required), and to pay any fees, commission, costs, charges and other outgoings in connection therewith;
 - (v) to provide such declarations, affidavits, certificates, consents and/or authorities as required from time to time, to amend or modify any of the above agreements powers or documents, as required;
 - (vi) seek any consents and approvals, including, inter alia, the consent from the Company's lenders, parties with whom the Company has entered into agreements with, and from concerned statutory and regulatory authorities;
 - (vii) file requisite documents with the SEBI, stock exchanges, the Government of India, the Reserve Bank of India, and any other statutory and/or regulatory authorities, and any amendments, supplements or additional documents in relation thereto, as may be required;
 - (viii) seeking the listing of the Securities on any stock exchange/s, submitting the listing application to such stock exchange/s and taking all actions that may be necessary in connection with obtaining such listing approvals, (both in principle and final approvals);
 - (ix) open one or more bank accounts in the name of the Company in Indian currency or foreign currency(ies) as required, subject to requisite approvals from Reserve Bank of India, if any, and the director/s and/or officer/s of the Company as authorised by the Board who shall be authorised to sign and execute the application form and other documents required for opening the said account/s, to operate the said account/s, and to give such instructions including closure thereof as may be required and deemed appropriate by the said signatories, and that the said bank/s be and is/ are hereby authorised to honor all cheques and other negotiable instruments drawn, accepted or endorsed and instructions given by the aforesaid signatories on behalf of the Company;
 - (x) affix the common seal of the Company, as required, on any agreement, undertaking, deed or other document, in the presence of anyone or more of the directors of the Company or anyone or more of the officers of the Company as may be authorised by the Board in accordance with the Articles of the Association of the Company;
 - (xi) do all such incidental and ancillary acts and things as may be deemed necessary, and to give such directions that may be necessary or arise in regard to or in connection with any such offer, issue or allotment of Securities and utilisation of the issue proceeds;
 - (xii) settle any issues, questions, difficulties or doubts that may arise;

- (xiii) finalise the basis of allotment of the Securities on the basis of the bids/applications and over-subscription thereof as received;
 - (xiv) acceptance and appropriation of the proceeds of the issue of the Securities; and
 - (xv) further authorise any committee and/or director/s and/or officer/s of the Company to seek the aforementioned consents and approvals, and/or to execute and/or file the above documents and/or to carry out any/all of the aforesaid actions.
- (c) "RESOLVED FURTHER that, the allotment of Securities under any Qualified Institutional Placement shall only be to qualified institutional buyers within the meaning of Regulation 2(1)(zd) of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, such Securities shall be fully paid-up and the allotment of such Securities shall be completed within 12 months from the date of this resolution or such other time as may be allowed by SEBI from time to time.
- (d) "RESOLVED FURTHER that any equity shares issued pursuant to the aforesaid resolutions shall rank pari passu with the existing equity shares of the Company in all respects including rights in respect of dividend."

By order of the board of directors
for Bajaj Finserv Limited



Sonal R Tiwari
Company Secretary
Date: 16 May 2012

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
2. Explanatory statement setting out all the material facts concerning the aforesaid special business contained in item no. 6 to 10 as required under section 173(2) of the Companies Act, 1956 is annexed hereto.
3. Brief details of the retiring directors, who are being re-appointed, are annexed hereto as per the requirements of Clause 49 of the Listing Agreement.
4. The register of members and share transfer books of the company will remain closed from Saturday, 7 July 2012 to Tuesday, 17 July 2012, both days inclusive.
5. Dividend on equity shares, if declared, at the Annual General Meeting, will be credited/dispatched between 23 July 2012 and 25 July 2012 as under:
 - a) to all those beneficial owners holding shares in electronic form as per the beneficial ownership data as may be made available to the company by National Securities Depository Ltd. (NSDL) and the Central Depository Services (India) Ltd. (CDSL) as of the end-of-the-day on Friday, 6 July 2012, and
 - b) to all those shareholders holding shares in physical form after giving effect to all the valid share transfers lodged with the company/Share Transfer Agent (i.e. Karvy Computershare Private Limited) before the closing hours on Friday, 6 July 2012.
6. Members holding shares in physical form are advised to furnish, on or before 6 July 2012, particulars of their bank account, if changed, to the share transfer agent (i.e. Karvy Computershare Private Limited) of the company to incorporate the same in the dividend warrants/payment instruments.

In cases where the payments to the shareholders holding shares in dematerialised form are made by dividend warrants/payment instruments, particulars of bank account registered with their depository participants will be considered by the company for printing the same on the dividend warrants/payment instruments.
7. Shareholders, holding shares in physical form, are requested to notify change of address, if any, to Karvy Computershare Private Limited, preferably along with their bank/National Electronic Clearing Service (NECS) details on or before 6 July 2012.

Beneficial owners holding shares in electronic form are requested to notify any change in address, bank particulars, NECS particulars etc. to their respective depository participants and make sure that such changes are recorded by them correctly on or before 6 July 2012.

Dividend will be preferably paid through NECS, wherever the facility is available. Where dividend payments are made through NECS, intimations regarding such remittances would be sent separately to the shareholders. In cases where the dividends cannot be paid through NECS, the same will be paid by account payee/not negotiable instruments.
8. The company has been maintaining, inter alia, the following statutory registers at its registered office at Akurdi, Pune, which are open for inspection of members and others as prescribed in the respective sections of the Companies Act, 1956 as specified below:
 - i) Register of contracts with companies and firms in which directors are interested under Section 301 of the Companies Act, 1956 on all working days during business hours.
 - ii) Register of directors' shareholdings under Section 307 of the Companies Act, 1956 on all working days during business hours during the period beginning fourteen days before the date of annual general meeting and ending three days after the date of its conclusion.
9. Corporate members are requested to send in advance duly certified copy of the Board Resolution/Power of Attorney authorising their representative to attend and vote at the Annual General Meeting.
10. Members/Proxies are requested to bring their attendance slips alongwith the copies of Annual Reports to the Meeting.
11. For security reasons, no article/baggage will be allowed at the venue of the meeting.
12. To receive faster communication of all shareholder communications, including Annual Reports, the shareholders are requested to kindly register/update their email address with their respective depository participant where shares are held in electronic form. If, however, shares are held in physical form, holders are advised to register their email address with M/s Karvy Computershare Private Limited, Hyderabad.

ANNEXURE TO THE NOTICE

BRIEF RESUME OF DIRECTORS SEEKING RE-APPOINTMENT AT THIS ANNUAL GENERAL MEETING PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT AND EXPLANATORY STATEMENT UNDER SECTION 173 (2) OF THE COMPANIES ACT, 1956 & ANNEXURE TO NOTICE

Item No. 3 of the Notice

Nanoo Pamnani

Nanoo Pamnani, (b. February 26, 1945) is B A (Hons) from Bombay University (stood first in the University in Economic Major) & B Sc (Economics) from London School of Economics (Majored in Economics and Econometrics).

In his 40-year long career, he held many key positions and handled a range of senior assignments both in India and abroad, which include the following;

- Director for Citibank N.A., Asia Pacific Group, based in Singapore.
- Non-Executive Chairman of Citibank, N.A., India
- Chief Executive Officer, Citibank, N.A., India
- Vice President, Citibank, N.A., Emerging Markets, (Asia, Latin America, Central and Eastern Europe, Middle East and Africa) based in London.
- Vice President, Citibank, N.A., Asia Pacific Private Banking Group, based in Singapore.
- Chief Executive Officer, Citibank, N.A., Philippines, based in Manila.

His directorships/committee positions are as under:-

Directorships

Bajaj Auto Limited
Bajaj Finance Limited (Vice Chairman)
Bajaj Holdings & Investment Limited
Bajaj Finserv Limited (Vice Chairman)
AIG Global Asset Management Company (India) Private Limited
Alchemy Investment Managers Private Limited
Alchemy Wealth Management Private Limited
P N Writer and Company Private Limited
Writer LifeStyle Private Limited

Committee Chairmanships

Bajaj Auto Limited
Bajaj Finance Limited
Bajaj Holdings & Investment Limited

Committee positions

Bajaj Finance Limited
Bajaj Holdings & Investment Limited
P N Writer and Company Private Limited
Writer LifeStyle Private Limited

Advisory positions

BMR Advisors, Mumbai, India
Citi India Advisory Board

Shareholding in the company: Nil

The Board commends the resolution for approval.

None of the directors, except Nanoo Pamnani is concerned or interested in the said resolution.

Item No. 4 of the Notice

Madhur Bajaj

Madhur Bajaj is an alumni of Doon School, Dehra Dun. After obtaining his B.Com Degree from Sydenham College, Bombay, in 1973, he did his MBA at International Institute of Management Development (IMD), Lausanne, Switzerland, in 1979.

He is the Past President of SIAM, the apex association of Indian automobile manufacturers as also the Past President of Maharashtra Chamber of Commerce, Industries and Agriculture (MCCIA), the apex Industries Association of Pune.

He was CII's Western Region Chairman & is the current National Council Member of Confederation of Indian Industry (CII).

His directorships/committee positions are as under:-

Major Directorships

Bajaj Auto Ltd. (Vice-Chairman)
Bajaj Finance Ltd.
Bajaj Finserv Ltd.
Bajaj Holdings & Investment Ltd.
Bajaj Electricals Ltd.
Maharashtra Scooters Ltd. (Chairman)

Committee positions :

Nil

Shareholding in the company

He holds 848,616 Equity Shares of ₹ 5 each in the company as on 31 March 2012.

The Board commends the resolution for approval.

None of the directors, except Madhur Bajaj is concerned or interested in the said resolution.

Item No. 6 of the Notice

The Board of Directors of the Company at its meeting held on 30 January 2008 had approved the appointment of Sanjiv Bajaj as the Managing Director of the company, subject to approval of members, for a period of five years commencing from the effective date of demerger of erstwhile Bajaj Auto Limited i.e. 20 February 2008. The said appointment was also approved by the shareholders at their meeting held on 17 March 2008. The term of appointment as Managing Director, therefore comes to an end on 19 February 2013.

To align the aforesaid term with financial year-end of 31 March, the board of directors at its meeting held on 26 March 2012 has decided to close out his current term by 31 March 2012 & re-appoint him, subject to approval of shareholders, for a fresh tenure of 5 years commencing from 1 April 2012, instead of doing so effective from 20 February 2013.

Pursuant to the provisions of Sections 198, 269, 309, 310 and 311 and other applicable provisions, if any, of the Companies Act, 1956 ("Act") read with Schedule XIII to the said Act, and the Articles of Association of the Company and subject to the approval of the Shareholders at the General Meeting of the Company, the board of directors at the said meeting held on 26 March 2012 also approved the terms of remuneration as recommended by the Remuneration & Nomination Committee in its meeting held on 26 March 2012 for the period commencing from 1 April 2012 up to 31 March 2017 as set out hereunder.

Sanjiv Bajaj shall carry out such duties as may be entrusted to him, subject to the supervision and control of the Chairman and the Board of Directors.

An abstract of the terms of appointment and remuneration of Sanjiv Bajaj is set out herein-below:

1. Salary

₹ 550,000 (₹ Five Lakh Fifty Thousand only) per month with such annual increments/increases as may be decided by the board of directors from time to time.

2. Commission

Payable for each financial year, subject to such ceilings as may be set out in the Companies Act, 1956 and subject to such ceiling as may be fixed by the board of directors from time to time. The amount of commission shall be payable after the annual accounts are approved by the board of directors and adopted by the shareholders.

3. Perquisites

- i. Company's contribution to provident fund and superannuation fund to the extent these either singly or put together are not taxable under the Income-tax Act.
- ii. Gratuity at the rate of one month's salary, for each year of service.
- iii. Leave with full pay as per the rules of the company, with encashment of unavailed leave being allowed.
- iv. Free furnished residential accommodation with gas, electricity, water and furnishings.
- v. Reimbursement of medical expenses incurred for self and family in India or abroad including hospitalisation, nursing home and surgical charges and in case of medical treatment abroad the air-fare, boarding/lodging for patient and attendant.
- vi. Reimbursement of actual travelling expenses for proceeding on leave from Pune to any place in India and return therefrom once a year in respect of himself and family.
- vii. Reimbursement of membership fees for clubs in India or abroad, including any admission/life membership fees.
- viii. Personal accident insurance policy in accordance with the scheme applicable to senior employees.
- ix. Cost of insurance cover against the risk of any financial liability or loss because of any error of judgment, as may be approved by the board of directors from time to time.
- x. Reimbursement of entertainment expenses incurred in the course of business of the company.
- xi. Free use of company's car for company's work as well as for personal purposes along with driver.
- xii. Telephone, tele-fax and other communication facilities at company's cost.
- xiii. Subject to any statutory ceiling/s, the whole-time director may be given any other allowances, perquisites, benefits and facilities as the board of directors from time to time may decide.

4. Valuation of perquisites

Perquisites/allowances shall be valued as per Income-tax Rules, wherever applicable, and in the absence of any such rules, shall be valued at actual cost.

5. Minimum remuneration

In the event of loss or inadequacy of profits in any financial year during the tenure of the appointment, the managing director shall, subject to the approval of the central government, if required, be paid remuneration by way of salary and perquisites as set out above, as minimum remuneration, subject to restrictions, if any, set out in schedule XIII to the Companies Act, 1956, from time to time.

6. Computation of ceiling

The following shall not be included in the computation of perquisites for the purposes of the ceiling:

- a) Contribution to provident and superannuation funds referred to in para 3 (i) above.
- b) Gratuity payable as per para 3 (ii), to the extent of half a month's salary for each completed year of service.
- c) Encashment of leave at the end of the tenure as per para 3 (iii) above.

7. Other terms

The terms and conditions of the said appointment and/or agreement may be altered and varied from time to time by the Board/Remuneration & Nomination Committee as it may, in its discretion, deem fit within the maximum amount payable to the Managing Director in accordance with the provisions of the said Act or any amendments made therein or with the approval of the Central Government, if required.

Information about the appointee

Sanjiv Bajaj, 42, is B.E. (Mech), first class with distinction from the University of Pune, M. Sc (Manufacturing Systems Engg) with distinction from the University of Warwick, UK and MBA from Harvard Business School, USA. Since 2008, he is the Managing Director of Bajaj Finserv Limited. Bajaj Finserv operates in the insurance business through Bajaj Allianz Life Insurance Company Limited and Bajaj Allianz General Insurance Company Limited, as well as in the lending business through Bajaj Finance Limited and in the wealth management business through Bajaj Financial Solutions Ltd. His role includes guiding the current businesses and building new ones in the financial services space.

In his various roles in Bajaj Auto Ltd. (BAL), including as Executive Director, he has handled with distinction areas of International Business, Finance, Legal and Taxation. He was selected as India Inc's one of the hundred most powerful CEOs in India by Economic Times' Corporate Dossier magazine in its 2009 survey conducted by IMRB International. He was awarded Business Today magazine's Best CFO Awards 2005 as one of the top CFOs of India for 2005.

From the position of Non-Executive Director, he has now become the Managing Director of Bajaj Holdings & Investment Ltd. with effect from 1 April 2012.

Besides being on the Board of the Company, he holds directorships/committee positions in the following companies:-

Major Directorships

Bajaj Allianz General Insurance Co. Ltd.
Bajaj Allianz Life Insurance Co. Ltd.
Bajaj Holdings & Investment Ltd.
Bajaj Finance Ltd.
Bajaj Auto Holdings Ltd.
Bajaj Auto Ltd.
Jeevan Ltd.
Hindustan Housing Co. Ltd.

Committee Chairmanships

Bajaj Finance Limited

Committee positions

Bajaj Allianz General Insurance Co. Ltd.
Bajaj Allianz Life Insurance Co. Ltd.
Bajaj Finance Ltd.
Maharashtra Scooters Ltd.

He holds 422,724 Equity Shares of ₹ 5 each in the company as on 31 March 2012.

This resolution is being proposed as a special resolution in view of the relevant provisions of schedule XIII to the Companies Act requiring a special resolution for payment of minimum remuneration in the event of loss or inadequacy of profits.

Copies of the abstract as prepared under section 302 of the Companies Act, 1956 have been already sent to all the shareholders in April 2012. The Company has entered into an agreement with Sanjiv Bajaj laying down, inter alia, the terms of remuneration referred to above and the powers and authorities delegated to him. Copy of the said agreement along with abstract as prepared under section 302 of the Companies Act, 1956 are available for inspection by the members during business hours on any working day between 10.00 a.m. and 1:00 p.m. at the registered office of the company upto the date of this Annual General Meeting.

The Board commends the aforesaid special resolution for approval.

None of the Directors, except Rahul Bajaj, Rajiv Bajaj and Sanjiv Bajaj are concerned or interested in the said resolution.

Item No. 7 of the Notice

Section 309 of the Companies Act, 1956 permits the payment of remuneration to a Director who is neither a whole-time Director nor a Managing Director of a Company, by way of commission, not exceeding one percent of the net profits of the Company, if the Company authorises such payment by a special resolution. Shareholders' approval was also obtained by way of Special Resolution passed at the meeting held on 17 March 2008 for payment of commission to non-executive directors upto 1% per annum of net profits of the company for a period of five years with effect from 20 February 2008, which expires on 19 February 2013.

Since the approval expires on 19 February 2013, it is proposed to recommend to the shareholders for payment of commission, not exceeding one percent of the net profits of the company, to non-executive directors for another term with effect from 20 February 2013 upto 31 March 2017. The aforesaid proposal has been approved by the Board at its meeting held on 16 May 2012.

The Board commends the special resolution for approval.

The non-executive Directors of the Company may be deemed to be concerned or interested in the resolution to the extent of the remuneration that may be received by them.

Item No. 8 of the Notice

Pursuant to the provisions of section 372A of the Companies Act, 1956, (the 'Act') the board is authorised to make inter-corporate loans and investments not exceeding the higher of the two:-

- i. 60% of paid-up capital and free reserves; and
- ii. 100% of the free reserves

except with prior approval of shareholders by way of special resolution passed at the general meeting of the company.

Accordingly, at an Extraordinary General meeting of the company held on 17 March 2008, the consent of the shareholders of the company was granted to the Board of Directors for making loans to a body corporate(s), giving guarantee(s) or providing security in connection with a loan and to acquire by way of subscription, purchase or otherwise, the securities of bodies corporate, not exceeding ₹ 2,000 crore outstanding at any single point of time, regardless of the fact that the aggregate of the loans, guarantees, securities and investments in any body/bodies corporate may exceed the percentages prescribed under Section 372A of the Act.

Considering the future business plans, the board is requested to consider proposal for securing the approval of the shareholders for an increased limit of ₹ 3,000 crore as against the existing limit of ₹ 2,000 crore.

The Board commends the special resolution for approval.

None of the Directors of the Company is interested in the said resolution.

Item No. 9 of the Notice

The Company is pursuing growth opportunities in the business of financial services for which long term funds are required to be generated. Also, considering the cash flow projection and proposed investments for the year 2012-13, the company proposes to raise additional funds. Accordingly, the company is required to increase its Authorised Capital from existing ₹ 75 crore to ₹ 100 crore.

The company proposes to obtain shareholders' approval as required under section 94 of the Companies Act, 1956, for increasing the Authorised Share Capital of the company from ₹ 750,000,000 divided into 150,000,000 Equity Shares of ₹ 5 each to ₹ 1,000,000,000 divided into 200,000,000 Equity Shares of ₹ 5 each. Consequently, the Share Capital Clause V of the Memorandum of Association would also be altered.

The Board commends the ordinary resolution for your approval.

None of the Directors of the Company is interested in the said resolution.

Item No. 10 of the Notice

Given the Company's future growth plans, the Board of Directors of the Company, ("**Board**" which term shall be deemed to include any committee constituted by the Board or any person(s) authorised by the Board in this regard), considers it necessary to augment the long term resources of the Company by way of issuing securities to eligible investors, subject to an aggregate maximum limit of up to an amount of ₹ 1,000 crore, and further subject to the prevailing market conditions and other relevant considerations.

The Board intends to deploy the net proceeds from the issue of the above mentioned securities in order to carry out the future growth plans of the company and its subsidiaries, to pursue the existing endeavors of the Company, to fund strategic acquisitions, for consolidation of the ownership of subsidiaries, as may be permitted by applicable statutory and regulatory parameters from time to time.

The proposed resolutions will authorise the Board to offer, issue, and allot Securities, (including equity shares), and/or instruments or securities convertible into equity shares of the Company such as global depository receipts and/or American depository receipts and/or convertible preference shares and/or securities with or without detachable/non-detachable warrants and/or warrants with a right exercisable by the warrant holder to subscribe for equity shares, in any combination as the Board deems fit.

Under the provisions of Section 81(1A) of the Companies Act 1956, whenever at any time after the expiry of two years from the formation of a company or at any time after the expiry of one year from the allotment of shares in that company made for the first time after its formation, whichever is earlier, if it is proposed to increase the subscribed capital of the Company by allotment of further shares, such further shares may be offered to any persons, whether or not those persons are at the date of the offer holders of the equity shares of the Company, if a special resolution to that effect is passed by the Company in its general meeting.

The Board commends the special resolution for your approval.

None of the Directors of the Company is in any way concerned or interested in this resolution, except to the extent of their shareholding in the Company and the shares that will be offered/allotted/renounced to them or their associates.

By order of the board of directors
for Bajaj Finserv Limited



Sonal R Tiwari
Company Secretary
Date: 16 May 2012



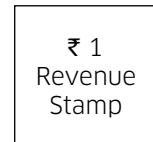
Bajaj Finserv Limited
 Regd. Office:
 Bajaj Auto Limited Complex,
 Mumbai-Pune Road,
 Akurdi, Pune 411 035

PROXY

I/We of
 in the district ofbeing member/s of
 BAJAJ FINSERV LIMITED hereby appoint
 of in the district ofor failing him
 of.....in the district of.....
 as my/our proxy to vote for me/us on my/our behalf at the fifth annual general meeting of the company to be held
 on Tuesday, 17 July 2012 at 4.15 p.m. and any adjournment thereof.

Signed this day of.....2012.

Folio No.
DP ID No.
Client ID No.



Signature.....

Email Id:.....

NOTE:

The proxy duly completed must be deposited at the registered office of the Company not less than 48 hours before the time of holding the meeting.
 Members who have multiple folios/demat accounts with different joint-holders may use copies of this proxy form.



Bajaj Finserv Limited
 Regd. Office:
 Bajaj Auto Limited Complex,
 Mumbai-Pune Road,
 Akurdi, Pune 411 035

ATTENDANCE SLIP

(To be filled in and handed over at the entrance of the meeting hall)

I hereby record my presence at the FIFTH ANNUAL GENERAL MEETING of the Company on Tuesday, 17 July 2012 at 4.15 p.m. at the registered office of the Company at Bajaj Auto Limited Complex, Mumbai-Pune Road, Akurdi, Pune- 411035.

Folio No or Client ID & DP ID No.....

Full Name of the * Shareholder/proxy
 (in block letters)
 *Strike out whichever is not applicable

Signature of *Shareholder/proxy
 E-mail ID:.....

NOTE:

Members who have multiple folios/demat accounts with different joint-holders may use copies of this attendance slip.