



BAJAJ

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Bajaj Auto Limited
Second Annual Report
2008-09

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Management Team



Sanjiv Bajaj

Kevin D'sa

Rahul Bajaj



Abraham Joseph

S Sridhar

Eric Vas

R C Maheshwari

Rakesh Sharma

K Srinivas

C P Tripathi

S Ravikumar



Board of Directors

Rahul Bajaj
Chairman

Madhur Bajaj
Vice Chairman

Rajiv Bajaj
Managing Director

Sanjiv Bajaj
Executive Director

D S Mehta

Kantikumar R Podar

Shekhar Bajaj

D J Balaji Rao

J N Godrej

S H Khan

Ms Suman Kirloskar

Naresh Chandra

Nanoo Pamnani

Manish Kejriwal

P Murari

Niraj Bajaj

Auditors

Dalal & Shah
Chartered Accountants

Cost Auditor

A P Raman
Cost Accountant

Bankers

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

Registered under the Indian Companies Act, 1956

Management

Rahul Bajaj
Chairman

Madhur Bajaj
Vice Chairman

Rajiv Bajaj
Managing Director

Sanjiv Bajaj
Executive Director

Pradeep Shrivastava
President (Engineering)

Rakesh Sharma
CEO (International Business)

R C Maheshwari
CEO (Commercial Vehicles)

S Sridhar
CEO (Two Wheelers)

Abraham Joseph
President
(Research & Development)

Eric Vas
President (New Projects)

C P Tripathi
Vice President (Corporate)

Kevin D'sa
Vice President (Finance)

K Srinivas
Vice President
(Human Resources)

N H Hingorani
Vice President (Commercial)

S Ravikumar
Vice President
(Business Development)

Company Secretary

J Sridhar

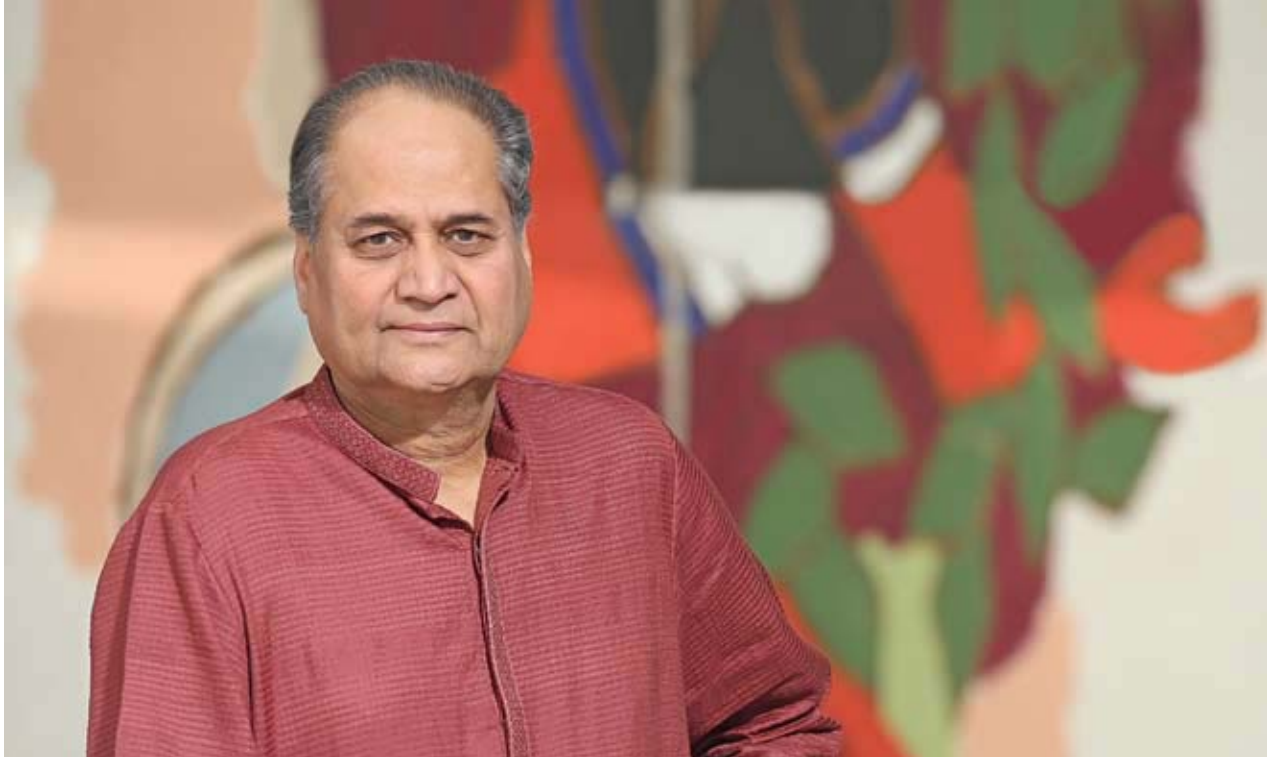
Registered Office

Mumbai-Pune Road Akurdi, Pune 411 035

Works

- Mumbai-Pune Road
Akurdi, Pune 411 035
- Bajaj Nagar, Waluj
Aurangabad 431 136

- Chakan Industrial Area
Chakan, Pune 410 501
- Plot No.2, Sector 10
IIE Panthnagar
Udhamsinghnagar
Uttarakhand 263 531



Chairman's Letter

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Dear Shareholder,

In April 2008, hardly anyone could have predicted what the global economy would turn out to be by 31 March 2009. If you recall, we began the year with one of the world's worst inflationary spirals since World War II. Today, it seems strange that in the first week of July 2008, the spot price of crude was quoting at above \$144 per barrel, and pundits were talking of the imminent arrival

of \$200 oil. Nobody believed that the scourge of global inflation would suddenly disappear to make way for the worst economic downturn since the Great Depression.

Yet, it happened with a vengeance since the second half of September 2008, after the fall of Lehman Brothers. As I write this letter to you, the US, countries belonging to the European Union, the UK, Japan, Russia, China, India and

others have already pumped in over \$2.5 trillion worth of funds and government guarantees to support their economies and financial systems; and the G20 has promised another \$1.1 trillion of support, including to the International Monetary Fund.

While such concerted action has put an end to the severe liquidity crunch and instability across global financial institutions, the crisis has spread to the real economy. Consider the facts:

- US GDP is expected to shrink by 2.7% in 2009. Its unemployment rate is at 8.5% (March 2009), and rising — the highest since the early 1980s. Between October 2008 and March 2009, net payroll employment has shrunk by over 3.5 million. And the job losses continue.
- The Euro Zone's GDP is likely to contract by 3.4% in 2009. Unemployment is already at 8.5%.
- GDP of the UK is forecast to reduce by 3.5% in 2009.

- Japan's GDP will most likely contract by a massive 6.5% in 2009. Thanks to lower global demand, industrial production was down by a staggering 38% in February 2009.
- China's growth rate has crashed. From heady double-digit rates, GDP growth in 2009 is expected to be 6%.
- And the World Trade Organisation estimates a shrinking of global trade by as much as 9% in 2009.

Simply put, 2008-09 has been one of the worst years for the global economy. And 2009-10 is unlikely to be better. Indeed, most experts believe that the real turnaround will occur only in calendar 2010 — probably from the April-June quarter.

India has not been immune to these tumultuous times. After three consecutive years of over 9% GDP growth in 2005-06, 2006-07 and 2007-08, quarterly growth rates have steadily fallen from the second half of 2007-08. GDP growth for 2008-09 is expected at somewhere between



6.5% and 7%, which would be some 200-250 basis points lower than the previous year. And the prospects are fairly grim for 2009-10, with estimates varying from a low of 5% to 6.5%.

To be sure, we are better off compared to the OECD countries: we are growing, albeit at a lower rate; they are shrinking. Besides, we are better insulated from the global scenario with domestic demand comprising 68% of our GDP. Even so, these are difficult times. A fall in demand growth translates to lower order books; lower capacity utilisation; and severe pressure on prices. The relatively worse performance of most manufacturing and service sector companies in the third and fourth quarters of 2008-09 reflect this reality.

The Indian automotive sector has been hit by the combined effect of a severe credit crunch and a fall in demand growth. The third quarter of 2008-09 was particularly fierce. Average monthly sales of motorcycles in India fell by over 17% in Q3 2008-09 versus Q2 — from an average of 524,939 units per month to 435,114.

Your company has been affected by this downturn.

- Net sales and other operating income fell by 2.6% to Rs.88.11 billion in 2008-09.
- Operating EBITDA was Rs.12.02 billion. The company continued earning a double-digit operating EBITDA margin: at 13.6% of net sales and other operating income for 2008-09, rising to 15.2% margin for the fourth quarter.
- Operating profit before tax (PBT) was Rs.8.46 billion, with an operating profit margin of 9.6% of net sales and other operating income.

In a difficult year, there have been some positive news. The first is Bajaj Auto's exports. During 2008-09, your company's exports achieved an all-time high of 772,519 units of two- and three-wheelers — representing a growth of 25% over the previous year. The growth was driven by the export of two-wheelers, which