

bajaj auto finance ltd

THIRTEENTH ANNUAL REPORT 1999-2000

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BOARD OF DIRECTORS

Rahul Bajaj
Chairman

Ranjan Sanghi
Rajendra Lakhota

D.S. Mehta

Madhur Bajaj

Rajiv Bajaj

Naresh Patni

Dipak Poddar

Managing Director

Company Secretary

Suhas Patwardhan

Auditors

Dalal & Shah
Chartered Accountants

Bankers

Central Bank of India
State Bank of India

Registered Office

C/o Bajaj Auto Limited,
Mumbai-Pune Road,
Akurdi, Pune - 411 035

Thirteenth Annual General Meeting on
28th July, 2000 at 3.30 p.m. at the
Registered Office of the company.

DIRECTORS' REPORT

1. The Directors present their Thirteenth Annual Report and the Audited Statement of Accounts for the year ended 31st March, 2000.

2. Working Results :

i) Your company has disbursed under its Hire Purchase Finance Schemes, a total amount of **Rs.3545** million during the year 1999-2000 as against Rs. 1846 million during the previous year 1998-99.

During the year under review, the company has discounted bills worth **Rs.1552** million as against Rs. 1571 million in 1998-99.

ii) The gross disbursement for the year 1999-2000 was **Rs.5099** million as against Rs. 3417 million for the year 1998-99.

iii) The Stock on Hire as on 31st March, 2000 was **Rs.3955** million as compared to Rs. 3016 million as on 31st March, 1999.

3. Financial Results :

	1999-2000	1998-99
	Rupees	Rupees
Income from		
Hire Purchase Business	555,940,177	446,779,264
Leasing Business	62,459,270	95,616,136
Other Income	246,370,532	158,517,813
Total	864,769,979	700,913,213
Profit before Depreciation	398,981,346	364,176,717
Depreciation	58,658,829	87,922,316
Profit before Taxation	340,322,517	276,254,401
Provision for Taxation	127,500,000	117,500,000
Profit for the year	212,822,517	158,754,401
Disposable surplus after earlier years adjustments	212,636,427	158,237,060
Appropriations :		
Transfer to Reserve Fund	43,000,000	32,500,000
Interim Dividend	49,470,600	—
Proposed Dividend	—	41,225,500
Provision for Dividend Tax	5,441,766	4,534,805
Balance carried to		
General Reserve	114,724,061	79,976,755

4. Dividend :

The Directors in their Meeting held on 13th March, 2000, had announced the payment of an Interim Dividend of Rs.3/- per Share (30%) for the year 1999-2000. The said Interim Dividend was paid to those Shareholders whose names appeared as Members / Beneficial Owners on 25th April, 2000, being the Record Date fixed for the purpose. The amount of Interim Dividend and the tax thereon @ 11% amounted to Rs.54.91 million. The Directors recommend that the Interim Dividend already paid be taken as the final Dividend for the year 1999-2000.

5. Resource Mobilisation :

The Credit Rating and Information Services of India Limited (CRISIL) has re-affirmed the highest rating of "FAAA" for the Fixed Deposit Programme of your company.

Your company had raised finance by way of Commercial Paper (CP) to the tune of Rs.100 million during the year under review. CRISIL has assigned "P1+" rating for the company's Commercial Paper programme.

6. Branch Offices :

During the year under review, your company has opened branch offices at Bhopal, Bhubaneswar, Calicut, Erode, Jalgaon, Jullundhar, Kanpur, Lucknow, Raipur, Rajkot, Salem, Solapur and Udaipur. With the opening of these branches, the total number of branches has gone up to 39. Your company has offered Hire Purchase finance schemes through these branches spread over various strategic locations throughout the country.

7. Prospects :

During the year under review, your company introduced attractive financing schemes for financing of two wheelers and consumer durables. The schemes were well received by the customers.

Considering the response received from the customers to the schemes, the company expects to continue to achieve sustainable growth in the current year.

Your company continues to fulfil all the norms and standards laid down by the Reserve Bank of India ("RBI") pertaining to non-performing assets, capital adequacy, statutory liquidity ratio etc. As against the RBI norms of 12%, the capital adequacy ratio of your company is 33.90%.

8. Fixed Deposits :

At the end of the financial year under review, there were 313 deposits aggregating Rs.3.10 million which matured but remained unclaimed as on that date. The Company had written to these depositors and as on date, deposits aggregating Rs.0.30 million have been repaid/renewed.

9. Particulars in respect of conservation of energy etc.:

The company, being a Non-Banking Finance Company, not having any manufacturing activity, the Directors have nothing to report on "Conservation of Energy", "Technology Absorption", "Foreign Exchange earnings and outgo".

10. Particulars of Employees :

Particulars required under Section 217(2A) of the Companies Act, 1956, as amended, read with the Companies (Particulars of Employees) Rules, 1975 are given in Annexure I forming part of this Report.

11. Depository :

As directed by the Securities & Exchange Board of India (SEBI), the Equity Shares of your company will be traded in compulsory dematerialised form by all the investors with effect from June 26, 2000.

As you are aware, the Equity Shares of the company are available for dematerialisation under the Depository System operated by National Securities Depository Limited (NSDL). In line with your company's constant endeavour to provide best

possible services to the investors, the company has now also entered into an agreement with Central Depository Services (India) Limited (CDSL), the other depository. Shareholders are free to dematerialise their Shares through any of the two depositories, viz., NSDL or CDSL.

12. Directors :

Shri Ranjan Sanghi and Shri Rajendra Lakhota, Directors, retire from the Board by rotation and being eligible, offer themselves for re-appointment.

13. Auditors :

You are requested to appoint 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.

14. Year 2000 (Y2K) transition :

The proactive steps taken by the company ensured that there was smooth roll over of the computerised systems of the company to the year 2000.

15. Corporate Governance :

The recommendations contained in the report of Shri Kumarmanagalam Birla Committee on Corporate Governance as incorporated in the Listing Agreement with the Stock Exchanges will have to be complied with by your company within the Financial Year 2001-2002 but not later than 31st March, 2002. However, your company is making an effort to comply with the said requirements from this year itself, to the extent and in the manner stated in the section on Corporate Governance in Annexure II forming part of this Report and some additional details regarding certain key operational areas are also provided.

On behalf of the Board of Directors



Rahul Bajaj
Chairman

15th May, 2000

ANNEXURE I TO DIRECTORS' REPORT

Information as per Section 217(2A) of the Companies Act, 1956, as amended, read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March, 2000.

Sr. No.	Name	Age (years)	Designation/ Nature of Duties	Gross Remuneration (Rupees)	Qualifications	Total Experience (years)	Date of Commencement of Employment	Last Employment and Designation
Employed throughout the Financial Year :								
1.	Dipak Poddar	57	Managing Director	647,345	B.Sc. (Hons.) S.M. (M.I.T.)	37	31/3/1987	—
2.	C.S. Ravindran	47	President	1,769,231	B.Sc., A.C.A.	24	17/4/1989	Goldstar Holding & Industries Ltd., Hyderabad, President

Notes : 1) Gross remuneration includes Salary, Allowances, Commission, Cost of other perquisites calculated on the basis of rules prescribed in this behalf by the Department of Company Affairs and company's contribution to Provident Fund, Superannuation Fund and other funds.

2) None of the employees mentioned above is a relative of any Director of the company.

ANNEXURE II TO DIRECTORS' REPORT**REPORT ON CORPORATE GOVERNANCE****1. Brief statement on company's philosophy on code of governance :**

The company strongly believes in fair, efficient and transparent business operations, fairness to all stakeholders in the company, proper disclosure of relevant financial and non-financial information and enhancing the shareholder value on a continuing basis.

2. Board of Directors :**Composition and category of Directors :**

Name of Director	Executive/Non-executive/ Independent	No. of Other Directorships (in public ltd. cos.)	No. of other Board Committees of which Member/Chairman
Shri Rahul Bajaj	Chairman, Non-executive	4	—
Shri Ranjan Sanghi	Non-executive, Independent	11	—
Shri Rajendra Lakhota	Non-executive, Independent	4	—
Shri D.S. Mehta	Non-executive	14	4
Shri Madhur Bajaj	Non-executive	7	—
Shri Rajiv Bajaj	Non-executive	1	—
Shri Naresh Patni	Non-executive, Independent	—	—
Shri Dipak Poddar	Managing Director, Executive	8	—

Attendance of each Director at the Board Meetings, Sitting Fees paid and attendance at the last AGM :

Name of Director	No. of Board Meetings attended during 1999-2000	Amount of Sitting Fees Paid (Rupees)	Whether present at the last AGM ?
Shri Rahul Bajaj	6	10,000	Yes
Shri Ranjan Sanghi	6	10,000	Yes
Shri Rajendra Lakhota	3	5,000	Yes
Shri D.S. Mehta	3	5,000	Yes
Shri Madhur Bajaj	5	8,000	Yes
Shri Rajiv Bajaj	6	10,000	No
Shri Naresh Patni	5	8,500	Yes
Shri Dipak Poddar	5	Nil*	No

* The company has not paid any sitting fees to Shri Dipak Poddar, Managing Director, as he is paid remuneration/perquisites and commission as specified in Note No.5, Schedule 13 forming part of the accounts.

Number of Board meetings held during 1999-2000 and the dates on which held :

6 Board Meetings were held during the year. The dates on which the meetings were held are as follows : May 10, 1999, July 16, 1999, September 10, 1999, October 18, 1999, January 17, 2000 and March 13, 2000.

3. Audit Committee :

Brief description of terms of reference :

The terms of reference of the Audit Committee apart from those specified in the Listing Agreement with the Stock Exchanges broadly pertain to review of business practices, review of investment policies, review of compliances and review of systems and controls.

Composition, names of members and Chairman :

The Audit Committee of Directors was constituted by the Board of Directors in their Meeting held on March 13, 2000, comprising of the following three Non-executive Directors :

Shri Ranjan Sanghi - Chairman
Shri Naresh Patni
Shri D.S. Mehta

4. General Body Meetings :

Location and time, where last three Annual General Meetings held :

	Location	Date & Time
10th Annual General Meeting	Registered Office	July 25, 1997 3.15 P.M
11th Annual General Meeting	—do—	July 24, 1998 3.30 P.M.
12th Annual General Meeting	—do—	July 16, 1999 3.30 P.M.

5. Disclosures :

Disclosures on materially significant related party transactions i.e. transactions of the company of material nature with its promoters, the directors or the management, their subsidiaries or relatives etc., that may have potential conflict with the interests of the company at large :

There were no such transactions during the year.

Details of non-compliance by the company, penalties, strictures imposed on the company by Stock Exchanges or SEBI or any statutory authority, on any matter related to capital markets, during the last three years :

None.

6. Means of communication :

The Quarterly (Unaudited) results are normally published in Financial Express (all editions), Indian Express (Pune edition) and Loksatta (Pune edition).

7. General Shareholder information :

- 13th Annual General Meeting : Date : July 28, 2000
Time : 3.30 P.M.
Venue : Regd. Office of the company at
Mumbai - Pune Road, Akurdi,
Pune - 411 035.

- Dates of Book closure / Record Date / Dividend Payment Date :

The company had paid an Interim Dividend Rs.3/- per Share (30%) for the year 1999-2000. The Record Date for the same was fixed as April 25, 2000.

Interim Dividend payment date : May 8, 2000 onwards.

The total Dividend recommended for the year 1999-2000 is Rs.3/- per Share (30%), which has already been paid as Interim Dividend.

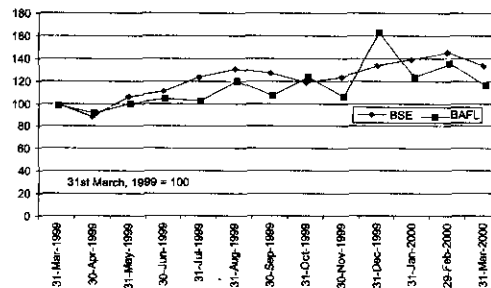
The Register of Members and the Share Transfer Books of the company will remain closed from Wednesday, July 19, 2000 to Friday, July 28, 2000 (both days inclusive) for the purpose of Annual General Meeting.

- Listing on Stock Exchanges : 1) Pune Stock Exchange Ltd.
2) The Stock Exchange, Mumbai
3) The Stock Exchange, Ahmedabad
- Stock Code (on BSE) : 34
- Name and designation of compliance officer : Shri Suhas Patwardhan, Company Secretary.
- Number of pending share transfers as on 31st March, 2000 (for more than 30 days) : Nil
- Market Price Data (on BSE) during each month in last financial year :

Month	High (Rs.)	Low (Rs.)
April, 1999	28.90	25.25
May, 1999	36.00	26.50
June, 1999	34.50	28.00
July, 1999	33.35	27.65
August, 1999	39.10	28.05
September, 1999	34.75	31.00
October, 1999	44.25	30.10
November, 1999	35.00	28.50
December, 1999	56.90	31.05
January, 2000	55.25	36.00
February, 2000	46.50	36.00
March, 2000	39.50	32.00

- Performance in comparison to BSE Sensex :

Bajaj Auto Finance Limited's Stock Performance vs. BSE Sensex



- Registrar and Transfer Agents :

The company has no external Registrar and Share Transfer agent. The Share Transfer work is done inhouse at the Registered Office of the company.

- Share Transfer System :

Share transfers are registered and returned within a period of 30 days from the receipt, if the documents are clear in all respects.

The total number of shares transferred during the year 1999-2000 was 1041400 compared to 1828810 in 1998-99.

Distribution of Shareholding (as on 31st March, 2000)

Range of Holding	No. of Shareholders	Percentage to total Shareholders	No. of Shares held	Percentage to total Shares
1 - 100	24583	87.25	2454700	14.88
101 - 500	2785	9.88	769825	4.67
501 - 1000	342	1.21	282800	1.71
1001 - 5000	322	1.14	777850	4.72
5001 - 10000	68	0.24	573300	3.48
10001 - 50000	60	0.21	1276150	7.74
50001 - 100000	10	0.04	847800	5.14
100001 and above	8	0.03	9501200	57.62
'In transit' at NSDL	—	—	6575	0.04
Total...	28178	100.00	16490200	100.00

Shareholding Pattern (as on 31st March, 2000)

Category	No. of Shares held	Percentage to total Shares
Individuals	6677925	40.50
Bodies Corporate	9752900	59.14
Financial Institutions/Banks/Mutual Funds	35100	0.21
Non Resident Individuals/Bodies Corporate	17700	0.11
'In transit' at NSDL	6575	0.04
Total...	16490200	100.00

- Dematerialisation of shares and liquidity :

As mandated by the Securities & Exchange Board of India (SEBI), the Equity Shares of your company will be traded in compulsory dematerialised form by all the investors w.e.f., June 26, 2000.

bajaj auto finance ltd.

The company has entered into agreements with both the depositories viz., National Securities Depository Ltd (NSDL) and Central Depository Services (India) Ltd (CDSL), in December 1998 and March 2000 respectively, enabling the investors to hold shares of the company in electronic form.

As on 31st March, 2000, the number of dematerialised shares was 1033285, which represents 6.27 % of the total subscribed capital.

The Equity Shares of the company are regularly traded on the Stock Exchange, Mumbai and National Stock Exchange Ltd.

- Outstanding GDRs/ADRs/Warrants or any Convertible Instruments, conversion date and likely impact on equity : Not Applicable as the company has not issued such instruments.
- Address for correspondence : Bajaj Auto Finance Limited,
Mumbai - Pune Road, Akurdi, Pune - 411 035.

Additional Information :

- 1) Report on relatives of Directors :
Shri Rajiv Bajaj, 33 [B.E. Mech., M. Sc. (MS Engg.)], Director (appointed w.e.f. 2nd May, 1994), is a son of Shri Rahul Bajaj.
- 2) During the year under review, the company has not appointed any Sole Selling Agent.
- 3) Your company, during the year under review, has not sanctioned any loan to any of the Directors and there is no outstanding towards loans to Directors as on date.
- 4) None of the employees of the company is related to any of the Directors of the company.
- 5) From the date of the Balance Sheet till the date of this report, there is no significant event which will have an impact on the performance of the company during the year 2000-2001.
- 6) During the year under review, your company has not taken any credit exposure to any of its group companies and has not invested in other NBFCs.
- 7) Capital Adequacy Ratio of your company is 33.90% based on the risk weighted asset and conversion of off balance sheet exposures as against the minimum Capital Adequacy Ratio of 12% as per RBI Prudential Norms.

Classification of Assets - Gross

As per RBI guidelines to NBFCs

(as on 31st March, 2000)

Classification of Assets	Rs. in million	Percentage to Total Assets
Standard Assets	3943.00	98.20
Sub-standard Assets	46.20	1.15
Doubtful Assets	20.20	0.50
Loss Assets	5.90	0.15
Total...	4015.30	100.00

Profile of Fixed Deposits

(as on 31st March, 2000)

Period of Deposit (months)	No. of Depositors	Amount (Rupees)	Percentage to Total Deposits
12	4,124	66,245,000	45.83
36	6,079	69,167,000	47.85
60	1,067	9,142,000	6.32
Total...	11,270	144,554,000	100.00

MANAGEMENT DISCUSSION AND ANALYSIS

Non-Banking Finance Companies (NBFCs) are performing an important role in the country's financial sector. NBFCs have emerged as significant players in the financial sector during the last decade and have shown that they are an important component of diversified financial markets.

The Reserve Bank of India is making a constant endeavour to develop this sector on sound and healthy lines as a vibrant segment of the Indian financial system and has put in place a comprehensive regulatory framework encompassing the deposit taking activities of the NBFCs and prudent practices for deployment of their funds and other operations.

In the backdrop of huge failures of several NBFCs, the industry was written-off as a sunset industry. But now the stigma attached to NBFCs is wearing off and some large NBFCs are on a comeback trail. However, this is no en masse recovery. It is limited only to a few efficient players with focussed energies.

World over the impact of information and knowledge revolution is very apparent. The Indian financial sector is also experiencing the effects of increasing deregulation and competition, which is compelling the companies to rethink their business models and strategies.

With globalisation, the business environment is undergoing a dramatic change. This is both a challenge and an opportunity for your company.

BUSINESS OPPORTUNITIES AND CONCERNS :

With the economy showing upswing, there is a hope that non-performing assets can be contained. Further, spread of technology involving Internet, e-Commerce, etc., can help growth of business of NBFCs. Improvements in customer service would result due to technological advances and customer needs for prompt, on-line service would increase and need to be met. Companies which are quick to update their technology would be able to succeed.

To reap additional benefits by capitalising on the technology boom, the company is in the process of entering into strategic tie ups to finance home computers, since the use of computers in households is on the increase. The company sees this as a profitable area, and plans to have a significant presence in this segment.

Many multi-national banks and finance companies with huge financial resources are entering retail financing segment in India. Similarly, banks and financial institutions are also moving away from the wholesale lending to retail lending, resulting in severe competition and a squeeze on margins.

COMPANY PLANS :

Compared to the recessionary trends of the last few years, there are now definite indications of economic and political stability. These have raised visions of an economy, which is back on track. Yet another development is the consolidation taking place in the industry. Thanks to increased regulatory intervention and regulatory effects, a number of NBFCs have also been rendered inactive. Simultaneously, the demand for finance shows signs of being revived. All these augur well for established players like BAFL.

Competition from strong players is likely to intensify, resulting in lower spreads. The company's strategy will be focussed on retaining good risks in the portfolio, even if it be at lower spreads, maintaining and improving profits through optimisation of costs, improved productivity and increase in performing assets.

In the current year, the company has commenced implementation of the following to increase productivity :

- Outsourcing of business generation with incentive payments based on volume generation.
- Setting up of target based incentive structure to dealers of consumer durables to enhance volumes.
- Improvements in existing systems and procedures to reduce manpower.