

bajaj auto finance ltd

FIFTEENTH ANNUAL REPORT 2001-2002



bajaj auto finance ltd.

**15TH
ANNUAL
REPORT
2001-2002**

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

Fifteenth Annual General Meeting on
Friday, 26th July, 2002 at 3.30 p.m. at the
Registered Office of the company.

DIRECTORS' REPORT

1. The Directors present their Fifteenth Annual Report and the Audited Statement of Accounts for the year ended 31st March, 2002.

2. Working Results :

- i) Your company disbursed under its Hire Purchase Finance schemes, a total amount of **Rs.5,799** million during the year 2001-2002 as against Rs.5,117 million during the previous year 2000-2001.

During the year under review, the company discounted bills worth **Rs.497** million as against Rs. 860 million in 2000-2001.

- ii) The gross disbursements for the year 2001-2002 were **Rs.6,296** million as against Rs.5,978 million for the year 2000-2001.
- iii) The Stock on Hire as on 31st March, 2002 was **Rs.5,389** million as compared to Rs. 4,935 million as on 31st March, 2001.

3. Financial Results :

	2001-2002 Rupees	2000-2001 Rupees
Income from		
Hire Purchase		
Finance Business	884,699,908	747,111,448
Leasing Business	35,272,072	60,324,666
Other Income	223,385,458	231,365,047
Total	1,143,357,438	1,038,801,161
Profit before Depreciation	540,293,745	410,620,881
Depreciation	47,255,974	49,309,847
Profit before Taxation	493,037,771	361,311,034
Provision for Taxation	154,507,471*	170,000,000
[*net of Deferred Tax Credit]		
Profit for the year	338,530,300	191,311,034
Disposable surplus after earlier years adjustments	337,893,691	188,719,053
Appropriations :		
Transfer to Reserve Fund	68,000,000	38,000,000
Provision for		
Proposed Dividend	74,205,900	49,470,600
Provision for Dividend Tax	—	5,046,001
Balance carried to		
General Reserve	195,687,791	96,202,452

4. Dividend :

The Directors have pleasure in recommending for the consideration of the Members at the Annual General Meeting, payment of Dividend of Rs.4.50 per Share (45 per cent) for the year ended 31st March, 2002 (previous year : 30 per cent) amounting to Rs.74.2 million, subject to deduction of tax at source, where applicable.

5. Branch Offices :

During the year under review, your company has opened branch offices at Trichur, Trichy, Kollam, Pondicherry, Jabalpur and Gwalior. With the opening of these branches, the total number of branches has gone up to 46. Your company has offered Hire Purchase finance schemes through these branches spread over various strategic locations throughout the country. In the current year, your company proposes to expand the branch network further by opening additional branches at various other locations across the country.

6. Prospects :

Your company is well positioned in the retail finance market providing a range of financial products and with its branch network, skilled manpower, efficient process capabilities and effective risk management systems, expects to continue to achieve satisfactory growth with a continuing emphasis on quality.

During the year under review, your company entered into an arrangement with Bajaj Allianz General Insurance Company Ltd., to provide services of various types.

7. RBI Guidelines :

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 norm of 12 per cent, the capital adequacy ratio of your company is 35.9 per cent.

In terms of the RBI guidelines for Asset-Liability Management (ALM) system for Non-Banking Finance Companies (NBFCs), the company has constituted an Asset-Liability Committee.

8. Resources :

Your company received fresh deposits of Rs.95.96 million and with renewals of Rs.58.53 million, the total deposits mobilised during the year under review, stood at Rs.154.49 million. Public Deposits outstanding at the year-end were Rs.229.98 million and the number of depositors was 12962. At the end of the financial year under review, there were 291 deposits aggregating Rs.3.27 million which matured but remained unclaimed as on that date. The company had written to these depositors and as on date, deposits aggregating Rs.0.27 million have been repaid / renewed.

Your company issued Commercial Papers aggregating to Rs.700 million during the year. The maximum amount outstanding at any time was Rs.400 million and the amount outstanding at the end of the year was Rs.100 million.

9. Credit Rating :

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. This rating indicates very strong degree of safety with regard to timely payment of interest and principal. Your company is one of the very few NBFCs which enjoy such highest rating.

The company enjoys the highest rating of "P1+" from CRISIL for the Commercial Paper programme.

10. 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".

11. 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 forming part of this Report.

12. Directors' Responsibility Statement :

In compliance of Section 217(2AA) of the Companies Act, 1956, your Directors state that :

- (i) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (ii) the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit of the company for that period;
- (iii) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and

for preventing and detecting fraud and other irregularities;

- (iv) that the Directors had prepared the annual accounts on a going concern basis.

13. Directors :

Shri Rahul Bajaj and Shri Madhur Bajaj, Directors, retire from the Board by rotation and being eligible, offer themselves for re-appointment.

The Board of Directors re-appointed Shri Dipak Poddar as Managing Director of the company for a further period of five years with effect from 31st March, 2002 and also determined his remuneration for the said period as recommended and approved by the Remuneration Committee, subject to the approval of Members in General Meeting. Appropriate Resolution for this purpose is being proposed in the Notice of Annual General Meeting for Members' approval.

14. 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.

15. Corporate Governance :

In terms of Clause 49 of the Listing Agreement with the Stock Exchanges, the requirements pertaining to Corporate Governance were to be complied with by your company within the Financial Year 2001-2002, but not later than 31st March, 2002. Your company has started complying with all the said requirements including the non-mandatory requirements. A separate section titled 'Corporate Governance' has been included in this Report along with a certificate from the auditors of the company regarding compliance of conditions of Corporate Governance.

On behalf of the Board of Directors



Rahul Bajaj
Chairman

Pune
10th May, 2002

ANNEXURE TO DIRECTORS' REPORT

Information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March, 2002.

Name	Age (years)	Designation/ Nature of duties	Gross Remuneration (Rupees)	Qualifications	Total experience (years)	Date of commencement of employment	Last employment and designation
C.S. Ravindran	49	President	2,618,514	B. Sc., A.C.A.	26	17/4/1989	Goldstar Holding & Industries Ltd., President

Notes: 1) Gross remuneration includes Salary, Allowances, 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) The aforesaid employee was employed throughout the financial year. He is not a relative of any Director of the company. Nature of his employment is contractual.

CORPORATE GOVERNANCE

1. Brief statement on the 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 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 held (in public ltd. companies)	No. of other Board Committee positions held	
			As Chairman	As Member
Shri Rahul Bajaj	Chairman, Non-executive	6	—	—
Shri Ranjan Sanghi	Non-executive, Independent	7	—	1
Shri Rajendra Lakhotia	Non-executive, Independent	3	—	—
Shri D.S. Mehta	Non-executive	9	1	5
Shri Madhur Bajaj	Non-executive	7	—	—
Shri Rajiv Bajaj	Non-executive	2	—	—
Shri Naresh Patni	Non-executive, Independent	—	—	—
Shri Dipak Poddar	Managing Director, Executive	8	—	3

Attendance of each Director at the Board Meetings and at the last AGM :

Name of Director	No. of Board Meetings attended during 2001-2002	Whether present at the last AGM ?
Shri Rahul Bajaj	6	Yes
Shri Ranjan Sanghi	5	Yes
Shri Rajendra Lakhotia	5	Yes
Shri D.S. Mehta	5	Yes
Shri Madhur Bajaj	6	Yes
Shri Rajiv Bajaj	4	No
Shri Naresh Patni	5	Yes
Shri Dipak Poddar	6	Yes

Number of Board Meetings held during 2001-2002 and the dates on which held :

Six Board Meetings were held during the year. The dates on which the meetings were held are as follows :

4th May, 2001, 27th July, 2001, 17th September, 2001, 23rd October, 2001, 15th January, 2002 and 8th March, 2002.

Brief Resume of Directors offering for appointment / re-appointment :

No new director is proposed to be appointed in the 15th Annual General Meeting of the company. Shri Rahul Bajaj and Shri Madhur Bajaj are retiring by rotation, and are eligible for re-appointment. Their brief particulars are :

- a) **Shri Rahul Bajaj**, an honors graduate in Economics and Law with an MBA from Harvard Business School, is the Chairman & Managing Director of Bajaj Auto Ltd., the flagship company of Bajaj Group and had the distinction of leading Bajaj Auto Ltd., to its present status from a very small beginning. He is associated with a number of Trade and Industry organisations at national and international level, including having been the President of Confederation of Indian Industry twice. The Government of India has conferred on him the prestigious "Padma Bhushan" in March, 2001.

He holds directorships in the following listed companies apart from Bajaj Auto Finance Ltd. :

- Bajaj Auto Ltd. (Chairman & Managing Director)
- Maharashtra Scooters Ltd. (Chairman)
- Mukand Ltd. (Chairman)

He is also the Chairman of Bajaj Allianz General Insurance Company Ltd., and Allianz Bajaj Life Insurance Company Ltd., the general and life insurance ventures respectively of Bajaj Auto Ltd.

- b) **Shri Madhur Bajaj** is a commerce graduate from Sydenham College, Mumbai and did his MBA from the Institute of Management Development, Lausanne, Switzerland. He was the Chairman of Confederation of Indian Industry (Western Region).

He holds directorships in the following listed companies apart from Bajaj Auto Finance Ltd. :

- Bajaj Auto Ltd. (Vice-Chairman)
- Maharashtra Scooters Ltd.
- Bajaj Electricals Ltd.

In addition, **Shri Dipak Poddar's** re-appointment has been proposed for his fourth five year term as Managing Director of the company with effect from 31st March, 2002. Shri Dipak Poddar, B.Sc. (Hons.), SB & SM (MIT), educated at Massachusetts Institute of Technology, USA, has experience of over three decades in finance, automobiles, garment exports, precision engineering and other areas.

He holds directorships in the following listed companies apart from Bajaj Auto Finance Ltd. :

- Monotona Exports Ltd. (Chairman)
- Monotona Securities Ltd.
- Suvijay Exports Ltd.
- VIP Industries Ltd.
- GTL Ltd.

He is a Member of the Audit Committees in VIP Industries Ltd., and GTL Ltd., and of the Shareholders' / Investors' Grievance Committee in GTL Ltd.

3. **Audit Committee :**

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.

The Audit Committee of Directors consists of three Non-executive Directors viz., Shri Ranjan Sanghi as Chairman of the Committee and Shri Naresh Patni and Shri D.S. Mehta as members.

The Audit Committee met four times during 2001-2002, on 4th May, 2001, 27th July, 2001, 23rd October, 2001 and 15th January, 2002. Shri Naresh Patni and Shri D.S. Mehta were present for four meetings and Shri Ranjan Sanghi was present for three meetings.

4. **Remuneration Committee :**

The terms of reference of the Remuneration Committee in brief pertain to determining the company's policy on and approve specific remuneration packages for executive directors after taking into account financial position of the company, trend in the industry, appointee's qualification, experience, past performance, past remuneration, interest of the company and shareholders etc.

The Remuneration Committee consists of three Non-executive Directors viz., Shri Ranjan Sanghi as Chairman of the Committee and Shri Rajendra Lakhotia and Shri Naresh Patni as members.

The Remuneration Committee met on 8th March, 2002 to approve and recommend to the Board the remuneration payable to Shri Dipak Poddar for his five year term as Managing Director with effect from 31st March, 2002 and was attended by all the members of the Committee.

Remuneration of Directors (during 2001-2002) :

Name of Director	Sitting Fees (Rupees)	Salaries and perquisites (Rupees)	Commission (Rupees)	Total (Rupees)
Shri Rahul Bajaj	12,000	—	—	12,000
Shri Ranjan Sanghi	20,000 *	—	—	20,000
Shri Rajendra Lakhota	12,000 *	—	—	12,000
Shri D.S. Mehta	20,000 *	—	—	20,000
Shri Madhur Bajaj	12,000	—	—	12,000
Shri Rajiv Bajaj	8,000	—	—	8,000
Shri Naresh Patni	22,000 *	—	—	22,000
Shri Dipak Poddar	Nil**	530,113	120,484	650,597

* Also includes Sitting Fees for attending Committee Meetings.

** The company has not paid any Sitting Fees to Shri Dipak Poddar, Managing Director, as he is paid salary/perquisites and commission as specified in Note No.5, Schedule13 forming part of the accounts.

5. Shareholders' / Investors' Grievance Committee :

The Shareholders' / Investors' Grievance Committee of Directors is headed by Shri Ranjan Sanghi, a non-executive director. The other Members of the Committee are Shri Naresh Patni and Shri D.S. Mehta.

Name and designation of Compliance Officer : Shri Suhas Patwardhan, Company Secretary.

47 Shareholder complaints were received during the year 2001-2002 and all of them have been attended to.

Number of pending Share Transfers as on 31st March, 2002 : Nil

6. General Body Meetings :

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

	Location	Date & Time
12th Annual General Meeting	Registered Office	16th July, 1999 3.30 P.M.
13th Annual General Meeting	—do—	28th July, 2000 3.30 P.M.
14th Annual General Meeting	—do—	27th July, 2001 3.30 P.M.

No resolutions have been put through postal ballot so far. Similarly, there are no resolutions which are required to be put through postal ballot at this Annual General Meeting.

7. 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 :

None of the transactions with any of the related parties were in conflict with the interest of the Company.

- 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

8. Means of communication :

The financial results for the half-year ended 30th September, 2001 were sent to the household of each shareholder.

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

The financial results are also put on the web-site for the benefit of the public at large. The Company's web-site address is www.bajajautofinance.com.

Management Discussion and Analysis report is given in a separate section included in this annual report.

9. General Shareholder information :

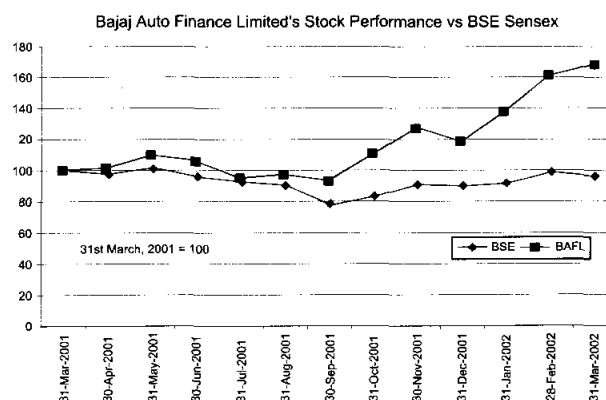
- 15th Annual General Meeting :** Date : 26th July, 2002 Time : 3.30 P.M.
 Venue : Regd. Office of the company at Mumbai - Pune Road, Akurdi, Pune - 411 035.
- Financial Calendar (tentative) :**
 Unaudited results for the quarter ending 30th June, 2002 and 15th Annual General Meeting : 26th July, 2002
 Unaudited results for the quarter / half year ending 30th September, 2002 : 3rd week of October, 2002
 Unaudited results for the quarter / nine months ending 31st December, 2002 : 2nd week of January, 2003
 Audited results for the year ending 31st March, 2003 : 2nd week of May, 2003
- Dates of Book Closure :** Saturday, 13th July, 2002 to Friday, 26th July, 2002 (both days inclusive)
- Dividend Payment Date :** on or after 30th July, 2002, but within the statutory time limit.
- Listing on Stock Exchanges :**

Pune Stock Exchange Ltd., Shivleela Chambers, 752, Sadashiv Peth, R.B. Kumbhkar Marg, Pune - 411 030.	The Stock Exchange, Mumbai Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001.	The Stock Exchange, Ahmedabad, Kamdhenu Complex, Opp. Sahajanand College, Panjara Pole, Ahmedabad - 380 015.
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 Annual Listing Fees as prescribed has been paid to the above Stock Exchanges upto 31st March, 2003.
- Stock Code** on The Stock Exchange, Mumbai (BSE) : 34
 Demat ISIN for NSDL and CDSL : INE296A01016
- Market Price Data** (on BSE) during each month in last financial year :

Month	High (Rs.)	Low (Rs.)
April, 2001	31.00	25.85
May, 2001	31.00	28.00
June, 2001	31.50	29.00
July, 2001	29.05	24.50
August, 2001	28.70	26.60
September, 2001	27.50	24.00
October, 2001	32.30	26.05
November, 2001	38.45	30.30
December, 2001	36.95	31.50
January, 2002	41.00	32.15
February, 2002	57.75	38.00
March, 2002	55.00	43.00

- Performance in comparison to BSE Sensex :**



bajaj auto finance ltd.

- **Registrar and Transfer Agents :** The company has no external Registrar and Share Transfer agent. The Share Transfer work is done in-house at the Registered Office of the company.
- **Share Transfer System :** Share transfers in physical form are registered and returned well within the stipulated period of 30 days from the receipt, if the documents are clear in all respects.

The total number of shares transferred in physical form during the year 2001-2002 was 92,205, compared to 7,24,905 in 2000-2001.

- **Distribution of Shareholding (as on 31st March, 2002) :**

Range of Holding	No. of Shareholders	% to total Shareholders	No. of Shares held	% to total Shares
1 - 100	21476	85.83	2130764	12.92
101 - 500	2631	10.52	726285	4.40
501 - 1,000	378	1.51	315958	1.92
1,001 - 5,000	326	1.30	781889	4.74
5,001 - 10,000	76	0.30	630751	3.83
10,001 - 50,000	73	0.29	1467622	8.90
50,001 - 1,00,000	8	0.03	640120	3.88
100001 and above	10	0.04	9787315	59.35
Clearing Members (NSDL+ CDSL)	45	0.18	9506	0.06
Total...	25023	100.00	16490200	100.00

- **Shareholding Pattern (as on 31st March, 2002)**

Category	No. of Shares held	% to total Shares
Promoters	7610700	46.15
Resident Individuals	6593591	39.99
Bodies Corporate	2229893	13.52
Financial Institutions/Banks/Mutual Funds	27900	0.17
Non Resident Individuals/Overseas Corporate Bodies	18610	0.11
Clearing Members (NSDL + CDSL)	9506	0.06
Total...	16490200	100.00

- **Dematerialisation of shares and liquidity :**

The Equity Shares of your company are traded in compulsory dematerialised form by all the investors w.e.f., 26th June, 2000.

The company has entered into agreements with both the depositories viz., National Securities Depository Ltd (NSDL) and Central Depository Services (India) Ltd (CDSL), enabling the investors to hold shares of the company in electronic form through the depository of their choice.

As on 31st March, 2002, the number of dematerialised shares was 38,00,650, which represents 23.05 per cent of the total Paid-up capital.

The Equity Shares of the company are regularly traded on The Stock Exchange, Mumbai and National Stock Exchange of India 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 :** Secretarial Department
Bajaj Auto Finance Limited,
Mumbai - Pune Road,
Akurdi, Pune - 411 035.
E-mail : spatwardhan@bajajauto.co.in

Additional Information :

- 1) Report on relatives of Directors:
Shri Rajiv Bajaj, Director is a son of Shri Rahul Bajaj, Chairman.
- 2) 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.
- 3) None of the employees of the company is related to any of the Directors of the company.
- 4) 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 2002-2003.
- 5) Profile of Fixed Deposits as on 31st March, 2002 was as under :

Period of Deposit (months)	No. of Depositors	Amount (Rupees)	% to Total Deposits
12	3503	76,096,000	33.09
36	9349	152,799,000	66.44
60	110	1,082,000	0.47
Total...	12962	229,977,000	100.00

To,
The Board of Directors
Bajaj Auto Finance Limited,
Akurdi,
Pune - 411 035

RE : BAJAJ AUTO FINANCE LIMITED

We have reviewed the records concerning the Company's compliance with Clause 49 of the Listing Agreement entered into by the Company with the Stock Exchanges of India for the financial year beginning April 1, 2001 and ending on March 31, 2002.

The objective of our review is to give our opinion on whether the Company has complied with provisions of Clause 49 of the Listing Agreement entered into by the Company with the Stock Exchanges of India.

We have conducted our review on the basis of the relevant records and documents maintained by the Company and furnished to us for review and the information and explanations given to us by the Company.

Based on such review, in our opinion, the Company has complied with Clause 49 of the Listing Agreement of the Stock Exchanges of India.

Mumbai : 10th May, 2002

Dalal & Shah
CHARTERED ACCOUNTANTS