

# BAJAJ FINANCE

Bajaj Auto Finance Limited



Seventeenth Annual Report 2003 - 2004



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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

Seventeenth Annual General Meeting on

Friday, 30th July, 2004 at 3.30 p.m. at the

Registered Office of the company.

Report



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# Directors' Report

1. The Directors present their Seventeenth Annual Report and the Audited Statement of Accounts for the year ended 31st March, 2004.

## 2 Working Results :

Your company disbursed under its various financing schemes, a total amount of **Rs.9,772** million during the year 2003-2004 as against Rs.7,842 million during the previous year 2002-2003.

The Stock on Hire Purchase Finance and receivables as on 31st March, 2004 was Rs.7,724 million as compared to Rs.6,361 million as on 31st March, 2003.

## 3 Financial Results :

Income from Operations	<b>1,056,527,322</b>	951,699,417
Other Income	<b>279,887,198</b>	229,039,973
Total	<b>1,336,414,520</b>	1,180,739,390
Profit before Depreciation	<b>561,282,637</b>	455,208,258
Depreciation	<b>18,758,638</b>	30,443,843
Profit before Taxation	<b>542,523,999</b>	424,764,415
Provision for Taxation	<b>156,805,149</b>	151,420,966
[net of Deferred Tax Credit]		
Profit for the year	<b>385,718,850</b>	273,343,449
Disposable surplus after earlier years adjustments	<b>385,701,511</b>	282,844,319
Appropriations :		
Transfer to Reserve Fund	<b>77,500,000</b>	57,000,000
Provision for Proposed Dividend	<b>98,941,200</b>	74,205,900
Provision for Dividend Tax	<b>12,676,841</b>	9,507,631
Balance carried to General Reserve	<b>196,583,470</b>	142,130,788

#### 4. Dividend :

The Directors have pleasure in recommending for the consideration of the Members at the Annual General Meeting, payment of Dividend of Rs.6/- per Share (60 per cent) for the year ended 31st March, 2004 (previous year : 45 per cent). The total Dividend outgo including tax thereon will be Rs.111.62 million.

#### 5. Branch Offices :

During the year under review, your company has opened branch offices at Hissar, Hubli, Patiala and Rourkela. With the opening of these branches, the total number of branches has gone up to 60. The company now covers more than 200 towns through its branch network. Your company has offered 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 :

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 and the company was able to achieve its highest ever disbursements of Rs.9,772 million.

The retail finance market has been exhibiting steady growth over the last few years. This growth has been aided by falling interest rates, change in demographic profiles and higher disposable incomes. This growth trend is expected to continue considering the lower

penetration of retail finance especially in rural and semi-urban areas. In view of this, your company expects to achieve satisfactory growth in the coming years, in spite of the increased level of competition from Banks and other multi-national players.

#### 7. Resources :

Your company was able to reduce the cost of borrowed funds by mobilising funds from diverse sources at competitive rates.

During the year under review, the working capital limit from the consortium bankers was enhanced from Rs.1,650 million to Rs.2,900 million.

Your company issued Commercial Papers aggregating Rs.2,300 million during the year.

The maximum amount outstanding at any time was Rs.1,100 million and the amount outstanding at the end of the year was Rs.1,100 million.

During the year under review, your company also raised Rs.550 million by way of Short Term Loan from the consortium bankers. The amount outstanding at the end of the year against the Short Term Loan was Rs.550 million.

Your company received fresh deposits of Rs.45.62 million and with renewals of Rs.62.25 million, the total deposits mobilised during the year under review, stood at Rs.107.87 million. Public Deposits outstanding at the year-end were Rs.413.71 million and the number of depositors was 17235. At the end of the financial year under review, there were 215 deposits aggregating Rs.2.79 million which matured but remained unclaimed as on that date. The company had written to these depositors and as on date, deposits aggregating Rs.0.71 million have been repaid / renewed.

## 8. 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 Non-Banking Finance Companies (NBFCs), which enjoys the highest rating.

The company also enjoys the highest rating of "P1+" from CRISIL for Rs.1,500 million Commercial Paper programme.

## 9. 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 33 per cent.

In line with the RBI guidelines for Asset-Liability Management (ALM) system for NBFCs, the company has constituted an Asset-Liability Committee.

## 10. Particulars in respect of conservation of energy etc.

The company, being a Non-Banking Finance Company, not having any manufacturing or foreign exchange 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 D.S. Mehta and Shri Rajiv Bajaj, Directors, retire by rotation in the forthcoming Annual General Meeting and being eligible, offer themselves for reappointment.

**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.

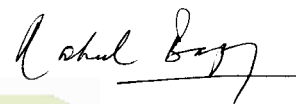
**15. Voluntary Delisting of Equity Shares  
from Pune and Ahmedabad Stock  
Exchanges :**

In terms of the Securities & Exchange Board of India (Delisting of Securities) Guidelines, 2003 and the Special Resolution passed by the Shareholders at the 16th Annual General Meeting held on 25th July, 2003, the Equity Shares of the Company have been delisted from Pune Stock Exchange Limited and The Stock Exchange, Ahmedabad w.e.f., 6th October, 2003 and 21st November, 2003 respectively. The Equity Shares continue to be listed on The Stock Exchange, Mumbai (BSE) and National Stock Exchange of India Limited (NSE) which have nationwide trading terminals.

**16. Corporate Governance :**

Your company complies with all the requirements pertaining to Corporate Governance, in terms of Clause 49 of the Listing Agreement with the Stock Exchanges, including the non-mandatory requirements. A detailed report on 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. Further, a separate Management Discussion and Analysis report is also given in this report.

On behalf of the Board of Directors



**Rahul Bajaj**  
Chairman

**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, 2004.

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	51	President	3,894,246	B.Sc., A.C.A.	28	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	5	—	—
Shri Ranjan Sanghi	Non-executive, Independent	6	—	1
Shri Rajendra Lakhotia	Non-executive, Independent	3	—	—
Shri D.S. Mehta	Non-executive	7	1	6
Shri Madhur Bajaj	Non-executive	8	2	4
Shri Rajiv Bajaj	Non-executive	2	—	—
Shri Naresh Patni	Non-executive, Independent	1	—	—
Shri Dipak Poddar	Managing Director, Executive	8	—	5

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

Name of Director	No. of Board Meetings attended during 2003-2004	Whether present at the last AGM?
Shri Rahul Bajaj	5	Yes
Shri Ranjan Sanghi	4	No
Shri Rajendra Lakhotia	4	Yes
Shri D.S. Mehta	3	Yes
Shri Madhur Bajaj	5	Yes
Shri Rajiv Bajaj	5	Yes
Shri Naresh Patni	5	Yes
Shri Dipak Poddar	5	Yes

Number of Board meetings held during 2003-2004 and the dates on which held :

Five Board Meetings were held during the year.

The dates on which the meetings were held are as follows:

13th May, 2003, 25th July, 2003, 21st October, 2003, 13th January, 2004 and 16th March, 2004.



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

No new director is proposed to be appointed in the 17th Annual General Meeting of the company.

Shri D.S. Mehta and Shri Rajiv Bajaj are retiring by rotation, and are eligible for re-appointment. Their brief particulars are as follows :

- a) Shri D.S. Mehta is a Commerce graduate with Honors from Sydenham College of Commerce & Economics, Mumbai. He is a Fellow Member of the The Institute of Chartered Accountants of India and a Fellow Member of The Institute of Company Secretaries of India. He has been associated with the Bajaj Group of companies since 1966 and he is currently Whole-time Director of Bajaj Auto Ltd. He has more than 38 years experience in corporate law, taxation, finance and investment.

He was a Member of the Working Group to re-draft the Companies Act, 1956. He was also a Member of the Economic Affairs Committee of the CII and Taxation Committee of FICCI.

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

- Bajaj Auto Ltd.
- Mukand Ltd.
- Maharashtra Scooters Ltd.
- Bajaj Auto Holdings Ltd.
- Bajaj Hindusthan Ltd.
- Jeewan Ltd.
- Hincan Holdings Ltd.

- b) Shri Rajiv Bajaj is a B.E. (Mech) First Class with distinction from University of Pune and an M.Sc. with distinction in Manufacturing Systems Engineering from University of Warwick, U.K. He has extensive on-the-job experience in Bajaj Auto Ltd and is now leading the technological, product and marketing re-orientation of Bajaj Auto Ltd. He is currently the Jt. Managing Director of Bajaj Auto Ltd.

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

- Bajaj Auto Ltd.
- Bajaj Auto Holdings 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. In addition to the Audit Committee members, the Managing Director, President, Heads of Finance and Internal Audit functions and the Statutory Auditors attend the meetings. The Company Secretary acts as the Secretary to the Audit Committee.

The Audit Committee met four times during 2003-2004, on 13th May, 2003, 25th July, 2003, 21st October, 2003 and 13th January, 2004. Shri Ranjan Sanghi and Shri D.S. Mehta were present for three meetings each and Shri Naresh Patni was present for four 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 did not meet during the year, since the remuneration payable to Shri Dipak Poddar, the only executive director on the Board of the company, has already been approved for a five year term as Managing Director with effect from 31st March, 2002. The same was approved and recommended to the Board by the said Committee in its Meeting held on 8th March, 2002 and subsequently approved by the Members in the 15th Annual General Meeting held on 26th July, 2002.

Remuneration of Directors (during 2003-2004)

Name of Director	Sitting Fees (Rupees)	Salaries and perquisites (Rupees)	Commission (Rupees)	Total (Rupees)
Shri Rahul Bajaj	22,000	—	—	22,000
Shri Ranjan Sanghi	31,000*	—	—	31,000
Shri Rajendra Lakhotia	17,000	—	—	17,000
Shri D.S. Mehta	26,000*	—	—	26,000
Shri Madhur Bajaj	22,000	—	—	22,000
Shri Rajiv Bajaj	22,000	—	—	22,000
Shri Naresh Patni	41,000*	—	—	41,000
Shri Dipak Poddar	Nil**	13,32,754	3,00,000	16,32,754

\* 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.

Committee are Shri Naresh Patni and Shri D.S. Mehta. The Secretarial Auditor also attends its meetings.

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

#### 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

59 Shareholder complaints were received during the year 2003-2004 and all of them have been attended to.

Number of pending Share Transfers as on 31st March, 2004 : Nil