

**BAJAJ**

Bajaj Holdings &  
Investment Limited

Sixty Third Annual Report

2007-08

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### Board of Directors

**Rahul Bajaj**  
Chairman

**Madhur Bajaj**

**Rajiv Bajaj**

**Sanjiv Bajaj**

**D J Balaji Rao**

**S H Khan**

**Nanoo Pamnani**

**Manish Kejriwal**

### CEO (Operations)

**V S Raghavan**

### Company Secretary

**Mandar Velankar**

### Auditors

Dalal & Shah  
Chartered Accountants

### Bankers

Citibank NA

Registered under Indian  
Companies Act, 1913

### Registered Office

Mumbai-Pune Road,  
Akurdi, Pune – 411 035



# Directors' Report

## Introduction

The directors present their sixty-third annual report and the audited statements of accounts for the year ended 31 March 2008.

## Demerger

During the year under review, the Hon'ble High Court of Judicature at Bombay approved the scheme of arrangement of demerger of the company vide its order dated 18 December 2007. Accordingly, the manufacturing undertaking of the erstwhile Bajaj Auto Ltd. (BAL) has been vested with new Bajaj Auto Limited and the strategic business undertaking consisting of wind farm business and financial services business has been vested with Bajaj Finserv Limited. The appointed date of this demerger was closing hours of business on 31 March 2007.

Consequently, the name of the company has changed from Bajaj Auto Limited to Bajaj Holdings & Investment Limited and a fresh certificate of incorporation in the new name of the company has been issued by the Registrar of Companies, Maharashtra, Pune on 5 March 2008.

Pursuant to the demerger, the company now holds strategic investments in the group.

The demerger enables the new companies to tap (on an arm's length basis) into the cash pool of the company to support their future growth initiatives, even while enabling the company to participate in the growth of the auto business and the financial services business. The company will function primarily as an investment company and will focus on new business opportunities.

The operations and financial results of the company are elaborated in the annexed Management Discussion and Analysis Report. On account of the demerger, the previous year's figures of the company are not comparable and hence are not given. The highlights are as under :-

## Financial results

	2007-08 Rs. In Million
Operative income	3,553
Gross profit before interest & depreciation	3,495
Depreciation	2
<b>Profit before taxation</b>	<b>3,493</b>
Provision for taxation	423
<b>Profit after tax</b>	<b>3,070</b>
Disposable surplus	3,070
Proposed dividend (inclusive of dividend tax)	2,368
<b>Earnings per share (Rs.)</b>	<b>30.3</b>

## Dividend

The directors recommend for consideration of the shareholders at the ensuing annual general meeting, payment of dividend of Rs. 20 per share (200 per cent) for the year ended 31 March 2008. The amount of dividend and the tax thereon aggregates to Rs. 2,368 million.

Dividend paid for the year ended 31 March 2007 was Rs.40 per share (400 per cent). The amount of dividend and the tax thereon aggregated to Rs. 4,735 million. In view of the demerger, the dividend figures for the year 2006-07 and 2007-08 are not comparable.

## Conservation of energy, technology absorption and foreign exchange earnings & outgo

The company, having become an investment company pursuant to the demerger of the company, has nothing to report on 'Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo' during the year under review.

## Joint ventures / new companies

After the demerger of the company, investments of the company in Bajaj Allianz Life Insurance Company Limited (BALICL), Bajaj Allianz General Insurance Company Limited (BAGICL) have been transferred to Bajaj Finserv Limited and investments in PT. Bajaj Auto Indonesia (PTBAI) and Bajaj Auto International Holdings BV (BAIHBV) have been transferred to new Bajaj Auto Limited.

After the demerger, the following are the companies, which are the subsidiary companies / joint venture / associate companies of the company:

a. Bajaj Auto Holdings Ltd.	Subsidiary
b. Maharashtra Scooters Ltd.	Joint Venture
c. Bajaj Auto Ltd.	Associate
d. Bajaj Finserv Ltd.	Associate

**Maharashtra Scooters Ltd. (MSL)** is a company jointly promoted by erstwhile BAL and Western Maharashtra Development Corporation Ltd. (WMDC). WMDC had offered to sell its 27 per cent shareholding in MSL and erstwhile BAL had confirmed its willingness to purchase these shares. The price at which the shares were to be sold, had been jointly referred to a sole arbitrator, Justice Arvind V Savant (Retd.), with an understanding in writing that arbitral award would be final and binding on both.

As reported last year, the award of the arbitrator dated 14 January 2006 valuing the share price of MSL at Rs. 151.63 per share as the rate at which 3,085,712 equity shares of MSL held by WMDC are to be sold to erstwhile BAL i.e. to the company, has been challenged by WMDC in the Bombay High Court.

## Directors

Consequent to demerger of the company and vesting of manufacturing undertaking with Bajaj Auto Limited and strategic business undertaking with Bajaj Finserv Limited, eight directors of the company viz. Kantikumar Podar, D S Mehta, J N Godrej, Ms Suman Kirloskar, Naresh Chandra, P Murari, Shekhar Bajaj and Niraj Bajaj resigned



as directors of the company with effect from the 20 February 2008 the effective date of scheme of arrangement of demerger.

Further, Rahul Bajaj resigned as executive chairman, Madhur Bajaj resigned as executive vice chairman, Rajiv Bajaj resigned as managing director and Sanjiv Bajaj resigned as executive director of the company with effect from 20 February 2008, the effective date of scheme of arrangement of demerger. Rahul Bajaj will continue to act as non-executive chairman and Madhur Bajaj, Rajiv Bajaj and Sanjiv Bajaj shall continue on the board as non-executive directors.

Madhur Bajaj and Rajiv 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 along with proper explanation relating to material departures.
- that the directors have selected such accounting policies and applied them consistently and made judgements 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.

## Consolidated financial statements

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

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

## Statutory disclosures

An application has been made for exemption with regard to attaching of the balance sheet, profit and loss account and other documents of its subsidiary company, Bajaj Auto Holdings Limited and the approval for the same is awaited. The summary of the key financials of the company's subsidiary is included in this annual report.

The annual accounts of the subsidiary company and the related detailed information will be made

available to the members of the company and its subsidiary company, seeking such information at any point of time. The annual accounts of the subsidiary company 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.

An application has been made for exemption with regard to disclosure of investments in the investment schedule in the accounts under section 211(4) of the Companies Act, 1956 and the approval for the same is awaited. Any shareholder interested in obtaining the details thereof may write to the 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 the 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.

Particulars regarding technology absorption, conservation of energy and foreign exchange earning and outgo required under section 217(1)(e) of the Companies Act, 1956 and Companies (Disclosure of Particulars in the report of board of directors) Rules, 1988 : The company, having become an investment company pursuant to the demerger of the company, the company has nothing to report on 'Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo' during the year under review.

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 as Annexure 1.

A Cash Flow Statement for the year 2007-08 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, along with the reports on Management Discussion and Analysis and Additional Shareholder Information.

All board members and senior management personnel have affirmed compliance with the code of conduct for the year 2007-08. A declaration to this effect signed by the Chief Executive Officer (Operations) [CEO (O)] of the company is contained in this annual report.

The CEO (O) and Chief Financial Officer (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.

## 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 members 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.

In view of demerger of the company, provisions relating to cost audit will no longer be applicable to the company from the year under review.

On behalf of the board of directors



**Rahul Bajaj**  
Chairman

22 May 2008



## Annexure 1

### Certificate by the Auditors on Corporate Governance

To the members of  
Bajaj Holdings & Investment Limited

We have reviewed the records concerning the Company's compliance of the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement entered into by the Company with the Stock Exchanges of India for the financial year ended on March 31, 2008.

The compliance of conditions of corporate governance is the responsibility of the management. Our review was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of an opinion on the financial statements of the company.

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

Based on such a review, and to the best of our information and according to the explanations given to us, in our opinion, the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement of the Stock Exchanges of India.

We further state that such compliance is neither an assurance as to the future viability of the Company nor to the efficiency with which the management has conducted the affairs of the Company.

For and on behalf of  
**Dalal & Shah**  
Chartered Accountants

**Anish Amin**  
Membership No. 40451  
Partner  
Mumbai: 22 May 2008

## Annexure 2

### Declaration by Chief Executive Officer (CEO)

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I, V S Raghavan, CEO (Operations) of Bajaj Holdings & Investment Limited hereby declare that all the board members and senior managerial personnel have affirmed for the year ended 31 March 2008 compliance with the code of conduct of the company laid down for them.

**V S Raghavan**

CEO (Operations)

Mumbai : 22 May 2008

## Annexure 3

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

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We, V S Raghavan, CEO (Operations) and Kevin D'sa, CFO of Bajaj Holdings & Investment Limited, certify :

1. That we have reviewed the financial statements and the cash flow statement for the year ended 31 March 2008 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.

**V S Raghavan**

CEO (Operations)

Mumbai : 22 May 2008

**Kevin D'sa**

Chief Financial Officer