

BAJAJ

Bajaj Holdings & Investment Limited

66th Annual Report 2010-11



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Board of Directors

Rahul Bajaj
Chairman

Madhur Bajaj

D J Balaji Rao

S H Khan

Rajiv Bajaj

Nanoo Pamnani

Manish Kejriwal

Sanjiv Bajaj

Naresh Chandra

P Murari

CEO

V S Raghavan

Company Secretary

Mandar Velankar

Auditors

Dalal & Shah
Chartered Accountants

Bankers

Citibank NA
HDFC Bank

**Registered under the
Indian Companies Act, 1913**

Registered Office

Mumbai-Pune Road,
Akurdi, Pune – 411 035



V S Raghavan

Directors' Report

Introduction

The directors present their sixty-sixth annual report and the audited statements of accounts for the year ended 31 March 2011.

Operations

The operations and financial figures of the company are elaborated in the annexed Management Discussion and Analysis Report. The highlights are as under:-

Financial results (standalone)

	2011	2010
	₹ In Lakh	
Net sales & other income	107,645	81,348
Gross profit before interest & depreciation	106,936	80,721
Interest	—	—
Depreciation	24	22
Profit before tax	106,912	80,699
Provision for tax	7,141	3,566
Profit after tax	99,771	77,133
Add: Tax credits pertaining to earlier years	238	—
Profit for the year	100,009	77,133
Add: Balance brought forward from previous year	16,371	—
Less: Adjustments on revaluation of deferred tax assets	—	526
Profit available for appropriation	116,380	76,607
Transfer to Reserve Fund u/s 45IC(1) of the Reserve Bank of India Act, 1934	20,002	15,427
Transfer to General Reserve	10,001	7,713
Proposed dividend (inclusive of dividend tax)	45,272	37,096
Balance carried to Balance Sheet	41,105	16,371

Financial results (consolidated)

	2011	2010
	₹ In Lakh	
Total income	90,046	71,942
Income from associates	150,423	69,023
Profit before tax	239,250	139,881
Profit for the year	232,276	136,260
Basic Earnings per share (₹)	217.0	134.6
Diluted Earnings per share (₹)	213.5	133.1

Dividend

The directors recommend for consideration of the shareholders at the ensuing annual general meeting, payment of dividend of ₹ 35 per share (350 per cent) for the year ended 31 March 2011. The amount of dividend and the tax thereon aggregates to ₹ 45,272 lakh.

Dividend paid for the year ended 31 March 2010 was ₹ 30 per share (300 per cent). The amount of dividend and the tax thereon aggregated to ₹ 37,096 lakh.

Registration as a Systemically Important Non-deposit Taking NBFC

The company has been registered with the Reserve Bank of India as a Non-Banking Financial Institution (non-deposit taking). In terms of provisions of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007, your company is categorised as a 'systemically important non-deposit taking non-banking financial company' having total assets of ₹ 100 crore and above. The company has not accepted public deposits during the year under review.

Subsidiary/Joint venture/Associates

Following are the companies, which are the subsidiary/joint venture/associate companies of the company:

Name of the Company	% Shareholding of Bajaj Holdings & Investment Limited as on 31 March 2011	Status
Bajaj Auto Limited	31.49%	Associate
Bajaj Finserv Limited	38.69%	Associate
Bajaj Auto Holdings Limited	100%	Subsidiary
Maharashtra Scooters Limited (MSL)	24%	Joint Venture

As regards MSL, a company jointly promoted by the company (erstwhile BAL) and Western Maharashtra Development Corporation Ltd. (WMDC), WMDC had offered to sell its 27 per cent shareholding in MSL and the company 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 binding on both.

As reported in the past, the award of the arbitrator dated 14 January 2006 valuing the share price of MSL at ₹ 151.63 per share as the rate at which 3,085,712 equity shares of MSL held by WMDC are to be sold to the company, was challenged by WMDC in the Bombay High Court.

After hearing both the parties, the Hon'ble Bombay High Court, vide its order dated 15 February 2010, while confirming the ruling of the arbitrator on the relevant date for valuation and on the methodology adopted by the arbitrator on valuation, set aside the award of the learned arbitrator on the ground that the Arbitral Award goes contrary to the provisions of Section 111A of the Companies Act, 1956, which relates to free transferability of shares in a public limited company. The company has challenged the decision of the Hon'ble Bombay High Court by way of filing an appeal before the division bench of the High Court on various grounds and the same has been admitted. The appeal is currently pending.

Preferential Issue

During the year under review, promoters converted balance 5,251,000 warrants by paying balance 75%, i.e. ₹ 337.185 per equity share, aggregating to ₹ 17,706 lakh in January 2011.

In terms of powers conferred by the board of directors, share allotment committee allotted 5,251,000 equity shares of ₹ 10/- each to the promoters, at its meeting held on 21 January 2011.

Paid-up capital of the company has accordingly increased from ₹ 10,604 lakh (106,042,510 equity shares of ₹ 10/- each) to ₹ 11,129 lakh (111,293,510 equity shares of ₹ 10/- each). The Share Premium balance has gone up from ₹ 21,359 lakh to ₹ 44,442 lakh, since shares were issued at ₹ 449.58 per share, inclusive of ₹ 439.58 per share as share premium.

Approval of shareholders for payment of commission

Directors seek your approval by way of special resolution for payment of commission to non-executive directors of a sum not exceeding 1% of the net profits of the company for a further five years term from 1 April 2011 to 31 March 2016, subject to applicable provisions of the Companies Act, 1956. Earlier such approval expired on 31 March 2011.

Corporate Social Responsibility

During the year 2010-11, Bajaj Group continued its Corporate Social Responsibility (CSR) initiatives in various fields. Activities in this area are set out in detail in the annexed CSR Report.

Directors

During the year under review, Madhur Bajaj was appointed as non-executive director to fill up the casual vacancy caused by his resignation in the year 2009-10.

Madhur Bajaj, Rajiv Bajaj and S H Khan 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 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.
- 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 subsidiary, associates and joint venture and as prepared in compliance with the accounting standards and listing agreement as prescribed by SEBI.

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

Statutory disclosures

The company has received an exemption with regard to attaching of the balance sheet, profit and loss account and other documents of its subsidiary company, Bajaj Auto Holdings Limited. 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.

The company has received an exemption with regard to disclosure of investments in the investment schedule in the accounts under section 211(4) of the Companies Act, 1956. 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 an 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.

The company has no particulars to report regarding technology absorption, conservation of energy and foreign exchange earning and outgo as 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.

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.

Disclosures as prescribed by Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 and other NBFC regulations have been made in this annual report.

A Cash Flow Statement for the year 2010-11 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 General Shareholder Information.

All board members and senior management personnel have affirmed compliance with the code of conduct for the year 2010-11. A declaration to this effect signed by the Chief Executive Officer (CEO) of the company is contained in this annual report.

The CEO 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.

Secretarial standards of ICSI

Secretarial standards issued by the Institute of Company Secretaries of India (ICSI) from time to time are currently recommendatory in nature. Your company is, however, complying with the same.

Group

Pursuant to an intimation from the promoters, the names of the promoters and entities comprising "Group" as defined under the Monopolies and Restrictive Trade Practices ("MRTP") Act, 1969

are disclosed in the annual report for the purpose of Regulation 3(1)(e) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

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 M/s Dalal and Shah, Chartered Accountants as 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.

On behalf of the board of directors



Rahul Bajaj
Chairman

18 May 2011

Annexure 1

Certificate by Auditors on Corporate Governance

To the Members of
Bajaj Holdings and Investment Limited

We have reviewed the records concerning the Company's compliance of 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 31 March 2011.

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

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

For **Dalal and Shah**
Firm Registration Number: 102021W
Chartered Accountants

Anish P Amin
Partner
Membership No.: 40451
Pune: 18 May 2011

Annexure 2

Declaration by Chief Executive Officer (CEO)

I, V S Raghavan, Chief Executive Officer of Bajaj Holdings & Investment Limited hereby declare that all the board members and senior managerial personnel have affirmed for the year ended 31 March 2011 compliance with the code of conduct of the company laid down for them.

V S Raghavan

Chief Executive Officer

Pune : 18 May 2011

Annexure 3

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

We, V S Raghavan, Chief Executive Officer and Kevin D'sa, Chief Financial Officer of Bajaj Holdings & Investment Limited, certify:

1. That we have reviewed the financial statements for the year ended 31 March 2011 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:
 - significant changes in internal control during the year;
 - significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - 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

Chief Executive Officer

Pune : 18 May 2011

Kevin D'sa

Chief Financial Officer

Management Discussion and Analysis

In 2007-08, Bajaj Holdings & Investment Limited [BHIL – erstwhile Bajaj Auto Limited (BAL)] was demerged, whereby its manufacturing undertaking had been transferred to the new Bajaj Auto Limited and its strategic business undertaking consisting of wind farm and financial services business had been vested with Bajaj Finserv Limited.

Bajaj Holdings & Investment Limited ('BHIL' or 'the company') is essentially an investment company. The company holds 31.49% in Bajaj Auto Limited & 38.69% in Bajaj Finserv Limited, the results of which are consolidated with BHIL.

FY 2011 has been an excellent year for the company and its associates with each company scaling new highs in terms of revenue & profit.

- Stand alone income - ₹ 1,076.45 crore v/s ₹ 813.48 crore
- Stand alone Profit for the year - ₹ 1,000.09 crore v/s ₹ 771.33 crore
- Consolidated Profit After tax - ₹ 2,322.76 crore v/s ₹ 1,362.60 crore

Standalone Results of Bajaj Holdings & Investment Limited

The performance of the company is directly related to the performance of its investments. During the year, income from investments earned by the company was ₹ 1,074.56 crore as against ₹ 812.13 crore during the previous year.

During the year under review, the company booked profits on some of its investments. The profit on sale of investments increased from ₹ 590.13 crore in previous year to ₹ 706.52 crore for current year.

Standalone results of Bajaj Holdings & Investment Ltd are given in Table 1:

Table 1: Financial performance of Bajaj Holdings & Investment Limited

	2011	2010
Interest	139.68	75.01
Dividend	225.01	140.82
Profit on sale of investments	706.52	590.13
Others	5.24	7.52
Income from Investments & Other Income	1,076.45	813.48
Other Expenses	7.33	6.49
Profit before tax	1,069.12	806.99
Tax expense	71.41	35.66
Add: Tax credits pertaining to earlier years	2.38	—
Profit for the year	1,000.09	771.33

The company's assets broadly consist of equity investments and investments in liquid and secured instruments. The position of investments and its corresponding market values are given in Table 2.

Table 2: Position of investments held by the company

	2011		2010	
	Cost	Market Value	Cost	Market Value
Bajaj Auto Limited	286.22	13,332.99	286.22	9,162.47
Bajaj Finserv Limited	346.13	2,934.86	135.76	1,724.60
Other group companies	223.91	592.60	220.86	693.27
Other equities (including application money)	1,211.57	2,350.80	1,237.97	2,476.25
Subtotal – Equity shares	2,067.83	19,211.25	1,880.81	14,056.59
Mutual funds – equity based	5.00	5.00	5.00	5.00
Preference shares	0.20	0.20	0.20	0.20
Government securities	73.22	73.78	358.64	362.51
Debentures and bonds	991.17	983.86	946.43	971.17
Fixed income group – others	1,436.05	1,436.05	827.36	827.36
Subtotal – Fixed Income Securities	2,505.64	2,498.89	2,137.63	2,166.24
Total	4,573.47	21,710.14	4,018.44	16,222.83

Bajaj Holdings & Investment Ltd (BHIL), being a systemically important Non-Deposit taking NBFC has to adhere to the prudential norms prescribed by RBI from time to time. Specifically, company has to adhere to the provisions on 'Concentration of Investments' contained in Paragraph 18 of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007, which provides ceilings on lending to & investment in a single company/group.

Within the above ceilings, certain other conditions/sub-limits have been laid down in the Investment Policy framed by the board of directors of the company and the same are adhered to by the company.

Subject to above, the investment activity of the company is guided by the principles of adequate security, safety and prudence and the company would continue to endeavor to achieve good returns within this ambit.

The investments are made by the company within the broad parameters set out for Asset Allocation, Benchmarking & other operating guidelines.

The general strategy of Investment is to generate long-term capital appreciation and current income by creating a portfolio invested in equity and equity-related securities as well as in fixed Income and Money Market Instruments, of various maturities with a view to maximising income, while maintaining the optimum balance of yield, safety and liquidity.

While investing in equities, the company focuses on those sectors of economy & industry that exhibit consistent & long term profitable growth. The company also invests in select private equity opportunities.

The company has an investment committee appointed by the Board that meets regularly to review investment performance & decide all significant investments.

Consolidated Results

Consolidated financial results include results of companies shown in Table 3.

Table 3: Consolidated entity – Bajaj Holdings & Investment Limited

Name of the company	% shareholding and voting power of Bajaj Holdings & Investment Limited	Consolidated as
a. Bajaj Auto Limited	31.49%	Associate
b. Bajaj Finserv Limited	38.69%	Associate
c. Bajaj Auto Holdings Limited	100%	Subsidiary
d. Maharashtra Scooters Limited	24%	Joint Venture

With each of the underlying group companies delivering excellent results, the consolidated results of Bajaj Holdings & Investment Limited have also been outstanding. The consolidated financials of Bajaj Holdings & Investment Limited, including its subsidiaries, associates and joint ventures are given in Table 4:

Table 4: Summarised Consolidated Accounts of Bajaj Holdings & Investment Limited

	2011	2010
Net sales & other income	900.46	719.42
Income from associates after tax	1,504.23	690.23
Profit before tax	2,392.50	1,398.81
Profit for the year	2,322.76	1,362.60

Status of Subsidiary, Associates and Joint Venture

Subsidiary

Bajaj Auto Holdings Ltd. (BAHL)

BAHL is a 100% subsidiary of BHIL. The summary of financial results is given below:

Table 5: Summary financial results

	2011	2010
Operating income	3.14	4.32
Profit before tax	3.07	4.27
Profit after tax	2.21	3.25
Profit attributable to BHIL (100%)	2.21	3.25

Associates

Bajaj Auto Ltd. (BAL)

The summary of consolidated financial results of BAL is given below:

Table 6: Summary consolidated financial results

	2011	2010
Net sales & other income	17,008.05	12,096.65
Profit before tax	4,464.08	2,301.29
Profit after tax	3,454.89	1,594.60
Profit attributable to BHIL	1,087.91	493.65

Bajaj Finserv Ltd. (BFS)

The summary of consolidated financial results of BFS is given below:

Table 7: Summary consolidated financial results

	2011	2010
Operating & other income	2444.57	985.41
Profit before tax	1669.73	830.28
Profit after tax	1114.84	559.12
Profit attributable to BHIL	416.32	196.58

Joint Venture

Maharashtra Scooters Ltd.

A joint sector company promoted by the company with Western Maharashtra Development Corporation Limited (WMDC) continued to earn income from its investments. The summary of its financial results is given below:

Table 8: Summary of financial results

	2011	2010
Sales & other income	41.09	24.34
Profit before tax	21.13	6.40
Profit after tax	21.72	8.41
Profit attributable to BHIL	5.21	2.02

Cautionary Statement

Statements in Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectation may be 'forward looking' within the meaning of applicable laws and regulations. Actual results might differ materially from those expressed or implied.