

**Registered office:**

Akurdi, Pune 411 035

Email id: [investor.service@bajajfinserv.in](mailto:investor.service@bajajfinserv.in)

Website: [www.bajajfinserv.in/finance](http://www.bajajfinserv.in/finance)

Phone: (020) 30405060

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## NOTICE

Notice is hereby given that the twenty seventh annual general meeting of the members of Bajaj Finance Limited will be held on Wednesday, 16 July 2014 at 12 noon at the registered office of the Company at Akurdi, Pune - 411 035 to transact the following business:

1. To consider and adopt the audited Balance Sheet as at 31 March 2014 and the Statement of Profit and Loss for the year ended 31 March 2014 and the Directors' and the Auditors' reports thereon.
2. To declare a dividend.
3. To appoint a director in place of Rahul Bajaj (DIN 00014529), chairman, who retires by rotation in terms of section 152(6) of the Companies Act, 2013 and, being eligible, offers himself for re-appointment.
4. To appoint auditors of the Company and to fix their remuneration.

To consider and, if thought fit, to pass, the following resolution, with or without modifications, as an ordinary resolution:

"RESOLVED THAT pursuant to section 139 and other applicable provisions of the Companies Act, 2013 and the Rules made thereunder, Dalal & Shah, Chartered Accountants, Mumbai, Firm Registration No. 102021W, the retiring auditors of the Company, be and are hereby re-appointed as auditors of the Company to hold office from the conclusion of this annual general meeting until the conclusion of the 30th annual general meeting of the Company, subject to ratification by members at each annual general meeting to be held hereafter, on a remuneration of ₹ 30,00,000 (Rupees thirty lakh only) plus taxes as applicable and out-of-pocket, travelling and living expenses for the year 2014-15."

### SPECIAL BUSINESS:

#### 5. Appointment of Gita Piramal as independent director

To consider and, if thought fit, to pass the following resolution, with or without modifications, as an ordinary resolution:

"RESOLVED THAT Gita Piramal (DIN 01080602) who was appointed by the Board of Directors as an additional director under section 161(1) of the Companies Act, 2013 and who vacates her office at this annual general meeting and in respect of whom the Company has, as required by section 160 of the Companies Act, 2013, received a notice in writing, be and is hereby appointed as an independent director on the Board of Directors of the Company, pursuant to section 149, schedule IV and other applicable provisions, if any, of the Companies Act, 2013 and the Rules thereunder, for a consecutive period of five years from 16 July 2014 to 15 July 2019."

#### 6. Appointment of Nanoo Pamnani, Vice-Chairman, as independent director

To consider and, if thought fit, to pass the following resolution, with or without modifications, as an ordinary resolution:

"RESOLVED THAT pursuant to section 149, schedule IV and other applicable provisions, if any, of the Companies Act, 2013 and the Rules thereunder, approval be and is hereby given for the appointment of Nanoo Pamnani (DIN 00053673), vice-chairman, in respect of whom the Company has, as required by section 160 of the Companies Act, 2013, received a notice in writing, as an independent director on the Board of Directors of the Company, for a consecutive period of five years from 1 April 2014 to 31 March 2019."

## **7. Appointment of D S Mehta as independent director**

To consider and, if thought fit, to pass the following resolution, with or without modifications, as an ordinary resolution:

“RESOLVED THAT pursuant to section 149, schedule IV and other applicable provisions, if any, of the Companies Act, 2013 and the Rules thereunder, approval be and is hereby given for the appointment of D S Mehta (DIN 00038366) director, in respect of whom the Company has, as required by section 160 of the Companies Act, 2013, received a notice in writing, as an independent director on the Board of Directors of the Company, for a consecutive period of five years from 1 April 2014 to 31 March 2019.”

## **8. Appointment of D J Balaji Rao as independent director**

To consider and, if thought fit, to pass the following resolution, with or without modifications, as an ordinary resolution:

“RESOLVED THAT pursuant to section 149, schedule IV and other applicable provisions, if any, of the Companies Act, 2013 and the Rules thereunder, approval be and is hereby given for the appointment of D J Balaji Rao (DIN 00025254) director, in respect of whom the Company has, as required by section 160 of the Companies Act, 2013, received a notice in writing, as an independent director on the Board of Directors of the Company, for a consecutive period of five years from 1 April 2014 to 31 March 2019.”

## **9. Appointment of Omkar Goswami as independent director**

To consider and, if thought fit, to pass the following resolution, with or without modifications, as an ordinary resolution:

“RESOLVED THAT pursuant to section 149, schedule IV and other applicable provisions, if any, of the Companies Act, 2013 and the Rules thereunder, approval be and is hereby given for the appointment of Omkar Goswami (DIN 00004258) director, in respect of whom the Company has, as required by section 160 of the Companies Act, 2013, received a notice in writing, as an independent director on the Board of Directors of the Company, for a consecutive period of five years from 1 April 2014 to 31 March 2019.”

## **10. Appointment of Dipak Poddar as independent director**

To consider and, if thought fit, to pass the following resolution, with or without modifications, as an ordinary resolution:

“RESOLVED THAT pursuant to section 149, schedule IV and other applicable provisions, if any, of the Companies Act, 2013 and the Rules thereunder, approval be and is hereby given for the appointment of Dipak Poddar (DIN 00001250) director, in respect of whom the Company has, as required by section 160 of the Companies Act, 2013, received a notice in writing, as an independent director on the Board of Directors of the Company, for a consecutive period of five years from 1 April 2014 to 31 March 2019.”

## **11. Appointment of Ranjan Sanghi as independent director**

To consider and, if thought fit, to pass the following resolution, with or without modifications, as an ordinary resolution:

“RESOLVED THAT pursuant to section 149, schedule IV and other applicable provisions, if any, of the Companies Act, 2013 and the Rules thereunder, approval be and is hereby given for the appointment of Ranjan Sanghi (DIN 00275842) director, in respect of whom the Company has, as required by section 160 of the Companies Act, 2013, received a notice in writing, as an independent director on the Board of Directors of the Company, for a consecutive period of five years from 1 April 2014 to 31 March 2019.”

## **12. Appointment of Rajendra Lakhotia as independent director**

To consider and, if thought fit, to pass the following resolution, with or without modifications, as an ordinary resolution:

“RESOLVED THAT pursuant to section 149, schedule IV and other applicable provisions, if any, of the Companies Act, 2013 and the Rules thereunder, approval be and is hereby given for the appointment of Rajendra Lakhotia (DIN 00163156) director, in respect of whom the Company has, as required by section 160 of the Companies Act, 2013, received a notice in writing, as an independent director on the Board of Directors of the Company, for a consecutive period of five years from 1 April 2014 to 31 March 2019.”

## **13. Modification in the Employee Stock Option Scheme, 2009**

To consider, and if thought fit, to pass, the following resolution, with or without modifications, as a special resolution:

“RESOLVED THAT pursuant to sections 62(1)(b) and 67(3)(b) and all other applicable provisions, if any, of the Companies Act, 2013, the Rules thereunder, the Articles of Association of the Company, the provisions of the Securities and

Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, ('the Guidelines') including any statutory modification(s) or re-enactment of the Act or the Guidelines, for the time being in force and subject to such other approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions which may be agreed to by the Board of Directors of the Company in its sole discretion (hereinafter referred to as the 'Board', which expression shall also include any committee including Compensation Committee constituted by the Board for this purpose) and in partial modification of the special resolution passed by the members of the Company by postal ballot on 15 December 2009, consent of the Company be and is hereby accorded for increase in the number of equity shares and/or equity linked instruments (including options) as mentioned in the Employee Stock Option Scheme, 2009, as approved by the members vide the aforesaid special resolution (hereinafter referred to as 'the ESOS' or 'the scheme') from 18,29,803 options to 25,07,116 options i.e. 5% of the present paid-up equity shares and the Board be and is hereby authorised to create, offer, issue and allot at any time to or for the benefit of such person(s), who are in the permanent employment of the Company, present or future, as decided by the Board, equity shares and/or equity linked instruments (including options) upto 25,07,116 options convertible into 25,07,116 shares of the face value of ₹ 10 each fully paid-up upon payment of the requisite exercise price, in such manner, during such period, in one or more tranches and on such other terms and conditions as the Board may decide in accordance with the regulations or other provisions of the law as may be prevailing at the relevant time.

RESOLVED FURTHER THAT such shares as are issued by the Company in the manner aforesaid shall rank pari-passu in all respects with the then existing fully paid-up shares of the Company.

RESOLVED FURTHER THAT in case of any corporate action(s) such as rights issues, bonus issues, merger and sale of division and others, if any additional equity shares and/or equity linked instruments (including options) of the Company are issued to the option grantees for the purpose of making a fair and reasonable adjustment to such securities, the above ceiling of 5% of the present paid-up equity shares (or 25,07,116 options convertible into 25,07,116 shares) be deemed to be increased in proportion to such additional equity shares issued in the aforesaid corporate action(s).

RESOLVED FURTHER THAT in case the equity shares of the Company are either sub-divided or consolidated, then the number of shares to be allotted and/or the price of acquisition payable by the option grantees under the scheme shall automatically stand increased or reduced, as the case may be, in the same proportion as the present face value of ₹ 10 per equity share bears to the revised face value of the equity shares of the Company after such sub-division or consolidation, without affecting any other rights or obligations of the said allottees.

RESOLVED FURTHER THAT the Board be and is hereby authorised to take necessary steps for listing of the securities allotted under the ESOS on the stock exchanges, where the securities of the Company are listed as per the provisions of the listing agreement with the concerned stock exchanges and other applicable guidelines, rules and regulations.

RESOLVED FURTHER THAT the maximum number of stock options that can be granted under the said ESOS, to non-executive non-independent directors, in any financial year and in aggregate shall not exceed 1% of the present paid-up equity shares (or 5,01,423 options convertible into 5,01,423 shares) and shall be within the overall limit of 5% of the paid-up equity shares (or 25,07,116 options convertible into 25,07,116 shares) of the ESOS.

RESOLVED FURTHER THAT pursuant to section 67(3)(b) and all other applicable provisions, if any, of the Companies Act, 2013, the Rules thereunder, the Articles of Association of the Company and the Guidelines and including any statutory modification(s) or re-enactment of the Act or the Guidelines, for the time being in force, consent of the Company be and is hereby accorded for modification of Employee Stock Option Scheme 2009 by insertion of clause 4.3 therein as below:

"The Company may provide interest free loan to the ESOP Trust from time to time, on such terms as it may think fit, to enable the ESOP Trust to subscribe to the shares of the Company, for the purpose of transfer of shares to option grantee(s) on exercise of employee stock options pursuant to ESOP 2009."

RESOLVED FURTHER THAT pursuant to the Guidelines, the approval of the members be and is hereby given to the ESOS, as amended considering the increased number of equity shares and/or equity linked instruments (including options) and insertion of clause 4.3 pursuant to the abovementioned resolution, and the Board be and is hereby authorised on behalf of the Company to make any modifications, changes, variations, alterations or revisions in the said scheme from time to time or to suspend, withdraw or revive the scheme from time to time as may be specified by any statutory authority and/or to give effect to any laws, rules, regulations, amendment(s) thereto and to do all other acts, deeds matters and things as are necessary to give effect to the above resolution and with power on behalf of the Company to settle any questions or difficulties that may arise with regard to the creation, offer, issue and allotment of shares without requiring the Board to secure any further consent or approval of the members of the Company in this regard."

**14. Grant of options to employees of holding and/or subsidiary companies, under the amended Employee Stock Option Scheme, 2009**

To consider, and if thought fit, to pass, the following resolution, with or without modifications, as a special resolution:

“RESOLVED THAT pursuant to sections 62(1)(b) and 67(3)(b) and all other applicable provisions, if any, of the Companies Act, 2013, the rules thereunder, the Articles of Association of the Company and the provisions of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, (‘the Guidelines’) and including any statutory modification(s) or re-enactment of the Act or the Guidelines, for the time being in force and subject to such other approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions which may be agreed to by the Board of Directors of the Company in its sole discretion (hereinafter referred to as the ‘Board’, which expression shall also include any committee including Compensation Committee constituted by the Board for this purpose) and in partial modification of the special resolution passed by the members of the Company by postal ballot on 15 December 2009, approval of the members be and is hereby given to the Company to extend the benefits of the Employee Stock Option Scheme, 2009, as amended considering the increased number of equity shares and/or equity linked instruments (including options) and insertion of clause 4.3 referred to in the item no. 13 in this notice, to the employees of the holding and/or subsidiary companies, of the Company, if any, as may from time to time be allowed under prevailing laws, rules and regulations, and/or amendments thereto from time to time on such terms and conditions as may be decided by the Board, upto 5% of the present paid-up equity shares i.e. 2,507,116 options convertible into 2,507,116 shares of the face value of ₹ 10 each fully paid upon payment of the requisite exercise price, in such manner, during such period, in one or more tranches and on such other terms and conditions as the Board may decide in accordance with the regulations or other provisions of the law as may be prevailing at the relevant time.

RESOLVED FURTHER THAT the Board be and is hereby authorised to take necessary steps for listing of the securities allotted under the Employee Stock Option Scheme, 2009 on the stock exchanges, where the securities of the Company are listed as per the provisions of the listing agreement with the concerned stock exchanges and other applicable guidelines, rules and regulations.

RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution, the Board be and is hereby authorised on behalf of the Company to make any modifications, changes, variations, alterations or revisions in the said scheme from time to time or to suspend, withdraw or revive the scheme from time to time as may be specified by any statutory authority and/or to give effect to any laws, rules, regulations, amendment(s) thereto and to do all other acts, deeds matters and things as are necessary to give effect to the above resolution and with power on behalf of the Company to settle any questions or difficulties that may arise with regard to the creation, offer, issue and allotment of shares without requiring the Board to secure any further consent or approval of the members of the Company in this regard.”

**15. Issue of non-convertible debentures through private placement**

To consider, and if thought fit, to pass, the following resolution, with or without modifications, as a special resolution:

“RESOLVED THAT pursuant to section 42 and other applicable provisions of the Companies Act, 2013, the Companies (Prospectus and Allotment of Securities) Rules, 2014 (including any modifications or re-enactments thereof, for the time being in force), and subject to all other applicable statutory and regulatory requirements, the relevant provisions of the Memorandum and Articles of Association of the Company, the approval and/or consent of any statutory and/or regulatory authorities, if any, and the conditions as may be prescribed by any of them while granting any such approval and/or consent, as may be agreed to by the Board of Directors of the Company, (hereinafter referred to as ‘Board’, which term shall be deemed to include any committee constituted by the Board or any person(s) authorised by the Board in this regard), the approval of the Company be and is hereby given to the Board to make offer(s) or invitation(s) to the eligible person(s) to subscribe to the non-convertible debentures of the Company on private placement basis within the overall borrowing limits approved by the members from time to time.

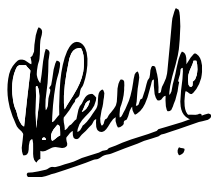
RESOLVED FURTHER THAT the Board be and is hereby further authorised to create, issue, offer, invite and allot the debentures in one or more offering(s), to eligible investor(s), as permitted by applicable statutes and regulations from time to time, by way of circulation of the private placement offer document or otherwise, on such terms and conditions as may be decided and deemed appropriate by the Board at the time of issue or allotment.

RESOLVED FURTHER THAT the approval of the Company be and is hereby given to all offers of non-convertible debentures or invitations to subscribe to debentures during the period from the conclusion of this annual general meeting till the conclusion of next annual general meeting.

RESOLVED FURTHER THAT without prejudice to the generality of the above, the Board be and is hereby authorised to do such acts, deeds and things as the Board in its absolute discretion may deem necessary or desirable in connection with offering, inviting, issuing and allotting the debentures, and to give effect to this resolution, including, without limitation, the following:

- (i) offer, invite, issue and allot the debentures or any or all of them, subject to such terms and conditions, as the Board may deem fit and proper in its absolute discretion.
- (ii) approve, finalise and execute any offer document including private placement offer document and to approve and finalise any term sheets in this regard.
- (iii) do all such incidental and ancillary acts and things as may be deemed necessary, and to give such directions that may be necessary or arise in regard to or in connection with any such offer, invitation, issue or allotment of securities.
- (iv) settle any issues, questions, difficulties or doubts that may arise.
- (v) finalise the basis of allotment of the securities."

By order of the Board of Directors  
For Bajaj Finance Limited

A handwritten signature in black ink, appearing to read 'Anant Damle', with a horizontal line underneath it.

Anant Damle  
Company Secretary

Pune: 14 May 2014

## NOTES:

- 1) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL, INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER. A PERSON CAN ACT AS PROXY ON BEHALF OF MEMBERS UPTO AND NOT EXCEEDING FIFTY AND HOLDING IN THE AGGREGATE NOT MORE THAN TEN PERCENT OF THE TOTAL SHARE CAPITAL OF THE COMPANY. FURTHER, A MEMBER HOLDING MORE THAN TEN PERCENT OF THE TOTAL SHARE CAPITAL OF THE COMPANY CARRYING VOTING RIGHTS MAY APPOINT A SINGLE PERSON AS PROXY AND SUCH PERSON SHALL NOT ACT AS PROXY FOR ANY OTHER PERSON OR MEMBER. THE INSTRUMENT APPOINTING PROXY MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE TIME OF HOLDING THE MEETING.
- 2) During the period beginning 24 hours before the time fixed for the commencement of the meeting and ending with the conclusion of the meeting, members would be entitled to inspect the proxies lodged, at any time during the business hours of the Company, provided not less than 3 days' written notice is given to the Company.
- 3) Explanatory statement pursuant to section 102(1) of the Companies Act, 2013 forms part of this notice.
- 4) Brief details of directors, who are seeking appointment/re-appointment, are annexed hereto as per requirements of the Companies Act, 2013 and clause 49 of the listing agreement.
- 5) Pursuant to the provisions of section 139 of the Companies Act, 2013 and the rules made thereunder, the current auditors of the Company, Dalal & Shah, Chartered Accountants are eligible to hold the office for a period of three years, upto 2017. The appointment of Dalal & Shah, Chartered Accountants as auditors for three years from the conclusion of the ensuing annual general meeting till the conclusion of the 30th annual general meeting and the fixing of their remuneration for the year 2014-15 has been put up for the approval of members.
- 6) Pursuant to section 91 of the Companies Act, 2013, the register of members and the share transfer books of the Company will remain closed from Saturday, 5 July 2014 to Wednesday, 16 July 2014 (both days inclusive) for the purpose of annual general meeting and payment of dividend.
- 7) Subject to the provisions of section 126 of the Companies Act, 2013, dividend on equity shares, if declared, at the annual general meeting, will be credited/dispatched between Monday, 21 July 2014 and Wednesday, 23 July 2014 as under:
  - a) to all those members holding shares in physical form after giving effect to all valid share transfers lodged with the Company before closing hours on Friday, 4 July 2014.
  - b) to all those beneficial owners holding shares in electronic form as per beneficial ownership data as may be made available to the Company by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) as of the end of the day on Friday, 4 July 2014.
- 8) As per circular dated 21 March 2013, issued by Securities and Exchange Board of India, companies whose securities are listed on stock exchanges are required to use electronic mode of payment approved by Reserve Bank of India for making payment to the members. Accordingly, dividend, if declared, will be paid through National Electronic Clearing Service (NECS)/Electronic Clearance Service (ECS), wherever the facility is available. Where dividend payments are made through NECS/ECS, intimations regarding such remittance would be sent separately to the members. In case where the dividend cannot be paid through NECS/ECS, the same will be paid by account payee/non-negotiable instruments with bank account details printed thereon. For enabling the payment of dividend through electronic mode, members holding shares in physical form are requested to furnish, on or before Friday, 4 July 2014, updated particulars of their bank account, to the share transfer agent (i.e. Karvy Computershare Private Limited) of the Company along with a photocopy of a 'cancelled' cheque of the bank account. Beneficial owners holding shares in electronic form are requested to furnish their bank particulars to their respective depository participants and make sure that such changes are recorded by them correctly on or before Friday, 4 July 2014.
- 9) Members, holding shares in physical form, are requested to notify change of address, if any, to the share transfer agent (i.e. Karvy Computershare Private Limited) of the Company on or before Friday, 4 July 2014. Beneficial owners holding shares in electronic form are requested to notify any change in address, etc. to their respective depository participants and make sure that such changes are recorded by them correctly on or before Friday, 4 July 2014.
- 10) The Securities and Exchange Board of India (SEBI) has mandated submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the share transfer agent (i.e. Karvy Computershare Private Limited) of the Company.

- 11) Unclaimed dividend upto FY1995 has been transferred to the general revenue account of the Central Government. Those who have not encashed their dividend warrants, for whatever reason, for the period prior to and including FY1995, are requested to claim the amount from Registrar of Companies, Pune, PMT Building, 3rd Floor, Deccan Gymkhana, Pune 411004.

Pursuant to section 205C of the Companies Act, 1956 read with Investor Education and Protection Fund (Awareness and Protection of the Investors) Rules, 2001, any money transferred by the Company to the unpaid dividend account and remaining unclaimed for a period of seven years from the date of such transfer is required to be transferred by the Company to a fund called "Investor Education and Protection Fund" (the fund) set up by the Central Government. Accordingly, unclaimed dividend for the years FY1996 to FY2006 has been transferred by the Company to the aforesaid fund within the prescribed time limit. The amounts of unclaimed/unpaid dividend for the subsequent years will be transferred to the said fund every year on their respective due dates.

Members are, therefore, requested to verify their records and send claims, if any, for the relevant years from FY2007 onwards at the registered office of the Company before the respective amounts become due for transfer to the fund.

The unpaid dividend amount for FY2007 will be due for transfer to the aforesaid fund in September 2014. Members, who have not encashed the dividend warrants for the said year are, therefore, requested to immediately forward the same to Karvy Computershare Private Limited for payment.

- 12) Sections 101 and 136 of the Companies Act, 2013 read together with the rules made thereunder, permit the listed companies to send the notice of annual general meeting and the annual report, including financial statements, board's report, etc. by electronic mode. The Company is accordingly forwarding soft copies of the above referred documents to all those members who have registered their email ids with their respective depository participants or with the share transfer agent of the Company.
- 13) To receive members' communications through electronic means, including annual reports and notices, members are requested to kindly register/update their email address with their respective depository participant, where shares are held in electronic form. If, however, shares are held in physical form, members are advised to register their e-mail address with Karvy Computershare Private Limited, at [mohsin.mohd@karvy.com](mailto:mohsin.mohd@karvy.com)
- 14) Documents referred to in the notice and the explanatory statement shall be kept open for inspection by the members at the registered office of the Company on all working days (Monday to Friday) from 10.00 a.m. to 1.00 p.m. except holidays, upto the date of the meeting.
- 15) The following statutory registers are open for inspection of members and others at the registered office of the Company as prescribed in the respective sections of the Companies Act, 2013 as specified below:
- a) Register of contracts or arrangements in which directors are interested under section 301 of the Companies Act, 1956 and Register of contracts with related party and contracts and bodies etc. in which directors are interested under section 189 of the Companies Act, 2013 shall be open for inspection on all working days during business hours.
  - b) Register of directors' shareholdings under Section 307 of the Companies Act, 1956 and Register of directors and key managerial personnel and their shareholding under section 170 of the Companies Act, 2013 shall be open for inspection on all working days during business hours.

The aforesaid registers shall be kept open for inspection at the annual general meeting by any person attending the meeting.

- 16) Pursuant to section 72 of the Companies Act, 2013, members holding shares in physical form may file nomination in the prescribed Form SH-13 (a copy of which is placed on the website of Company [www.bajajfinserv.in/finance](http://www.bajajfinserv.in/finance)) with the Company's share transfer agent. In respect of shares held in electronic form, the nomination form may be filed with the respective depository participant.
- 17) Corporate members are requested to send in advance duly certified copy of board resolution/power of attorney authorising their representative to attend the annual general meeting.
- 18) Members/proxies are requested to bring their copies of annual reports to the meeting.
- 19) For security reasons, no article/baggage will be allowed at the venue of the meeting.

## 20) Voting through electronic means –

In terms of section 108 of the Companies Act, 2013 (the Act) read with Rule 20 of the Companies (Management and Administration) Rules, 2014 (hereinafter called “the Rules” for the purpose of this section of the notice) and clause 35B of the listing agreement, the Company is providing facility to exercise votes on the items of business given in the notice through electronic voting system, to members holding shares as on 30 May 2014 (End of Day) being the cut-off date (“Record date” for the purpose of Rule 20(3)(vii) of the Rules) fixed for determining voting rights of members entitled to participate in the e-voting process through the e-voting platform provided by Karvy Computershare Private Limited (Karvy).

The e-voting rights of the members/beneficiary owners shall be reckoned on the equity shares held by them as on 30 May 2014, i.e. cut-off date for the purpose.

The instructions for e-voting are as under:

### **A. For members who receive notice of annual general meeting through e-mail:**

- i. Use the following URL for e-voting:  
<https://evoting.karvy.com>
- ii. Enter the login credentials i.e., user id and password mentioned in your email. Your Folio No/DP ID Client ID will be your user ID. However, if you are already registered with Karvy for e-voting, you can use your existing User ID and Password for casting your votes.
- iii. After entering the details appropriately, click on LOGIN.
- iv. You will reach the Password change menu wherein you are required to mandatorily change your password. The new password shall comprise of minimum 8 characters with at least one upper case (A-Z), one lower case (a-z), one numeric value (0-9) and a special character (@,#,\$,etc.). It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- v. You need to login again with the new credentials.
- vi. On successful login, the system will prompt you to select the EVENT i.e., Bajaj Finance Limited.
- vii. On the voting page, the number of shares (which represents the number of votes) as held by the member as on the cut-off date will appear. If you desire to cast all the votes assenting/dissenting to the resolution then enter all shares and click “FOR”/“AGAINST” as the case may be or partially in “FOR” and partially in “AGAINST”, but the total number in “FOR/AGAINST” taken together should not exceed your total shareholding as on the cut-off date. You may also choose the option “ABSTAIN” and the shares held will not be counted under either head.
- viii. Members holding multiple folios/demat accounts shall choose the voting process separately for each folio/demat account.
- ix. Cast your votes by selecting an appropriate option and click on “SUBMIT”. A confirmation box will be displayed. Click “OK” to confirm else “CANCEL” to modify. Once you confirm, you will not be allowed to modify your vote subsequently. During the voting period, you can login multiple times till you have confirmed that you have voted on the resolution.
- x. Corporate/Institutional Members (i.e. other than individuals, HUF, NRI, etc.) are required to send scanned copy (PDF/JPG Format) of the relevant board resolution/authority letter etc. together with attested specimen signature of the duly authorised signatory(ies) who are authorised to vote, to the scrutinizer through e-mail [cssdlimaye@gmail.com](mailto:cssdlimaye@gmail.com). They may also upload the same in the e-voting module in their login. The scanned image of the above documents should be in the naming format “Corporate Name\_EVENT No.”
- xi. The portal will remain open for voting from: 10 July 2014 (9.00 a.m.) till 12 July 2014 (6.00 p.m.)
- xii. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for members and e-voting User Manual available at the “Downloads” section of <https://evoting.karvy.com> or contact Karvy Computershare Private Limited on 1800 345 4001 (toll free).



- xiii. Members may alternatively cast their votes using the ballot form sent alongwith this notice and also available on the website of the Company. Please refer instructions under heading C below for more details.

**B. For members who receive the notice of annual general meeting in physical form:**

- i. Members holding shares either in demat or physical mode who are in receipt of notice in physical form, may cast their votes using the ballot form enclosed to this notice. Please refer instructions under heading C below for more details.

Members may alternatively opt for e-voting, for which the User Id & Initial password are provided at the bottom of the ballot form.

- ii. Please follow steps from Sl. No.(i) to (xii) under heading A above to vote through e-voting platform.

**C. For members who wish to vote using ballot form:**

Pursuant to clause 35B of the listing agreement, members may fill in the ballot form sent alongwith the notice and submit the same in a sealed envelope to the scrutinizer, Shyamprasad D. Limaye, practising company secretary, Unit: Bajaj Finance Limited, C/o Karvy Computershare Private Limited, Plot No.17-24, Near Image Hospital, Vittal Rao Nagar, Madhapur, Hyderabad – 500081, so as to reach by 6.00 p.m. on 12 July 2014. Unsigned, incomplete or incorrectly ticked forms are liable to be rejected and the decision of the scrutinizer on the validity of the forms will be final.

In the event a member casts his votes through both the processes i.e. e-voting and ballot form, the votes in the electronic system would be considered and the ballot form would be ignored.

**D. General Instructions:**

- (i) The e-voting period commences from 9.00 a.m. on 10 July 2014 and ends at 6.00 p.m. on 12 July 2014. During this period, the members of the Company, holding shares either in physical form or in demat form, as on the cut-off date of 30 May 2014 may cast their vote electronically.

Once the vote on a resolution is cast by the member, the member shall not be allowed to change it subsequently.

- (ii) The Company has appointed Shyamprasad D. Limaye, practising company secretary (FCS No. 1587 CP No.572) as the scrutinizer to the e-voting process, (including voting through ballot form received from the members) in a fair and transparent manner.
- (iii) The scrutinizer shall, within a period not exceeding three (3) working days from the conclusion of the e-voting period, unlock the votes in the presence of at least two (2) witnesses, not in the employment of the Company and make a scrutinizer's report of the votes cast in favour or against, if any, forthwith to the Chairman of the Company.
- (iv) In the event of a poll, please note that the members who have exercised their right to vote by electronic means/ ballot form as above shall not be eligible to vote by way of poll at the meeting. The poll process shall be conducted and scrutinized and report thereon will be prepared in accordance with section 109 of the Companies Act, 2013 read with the relevant Rules.
- (v) Subject to the receipt of sufficient votes, the resolution shall be deemed to be passed at the 27th annual general meeting of the Company scheduled to be held on Wednesday, 16 July 2014. At the said annual general meeting the Chairman shall declare the results of voting on the resolutions set out in the notice. The results declared along with the scrutinizer's report shall be placed on the Company's website [www.bajajfinserv.in/finance](http://www.bajajfinserv.in/finance) and on the website of Karvy - <https://evoting.karvy.com>, within two days of the passing of the resolutions at the 27th annual general meeting of the Company and shall also be communicated to the stock exchanges.

## ANNEXURE TO THE NOTICE

### BRIEF RESUME OF DIRECTORS SEEKING APPOINTMENT/RE-APPOINTMENT AT THE ANNUAL GENERAL MEETING PURSUANT TO THE COMPANIES ACT, 2013 AND CLAUSE 49 OF THE LISTING AGREEMENT

- a) Rahul Bajaj (DIN 00014529) Chairman, was a non-retiring director. However, in terms of the provisions of the Companies Act, 2013, the Board in its meeting held on 27 March 2014 categorised him as a director liable to retire by rotation and he is now due for retirement by rotation at this annual general meeting. Being eligible, he offers himself for re-appointment.

Rahul Bajaj, 75, holds an Honours Degree in Economics from Delhi University, a degree in Law from Bombay University and MBA from Harvard Business School, USA. He has been associated with the Company as its Chairman since inception. He is the Chairman of the Board of many companies. He was elected to the Upper House of Parliament (Rajya Sabha) in June 2006.

He has received numerous prestigious awards and recognitions, notable being the award of 'Padma Bhushan' by the Government of India in 2001, Alumni Achievement Award by the Harvard Business School and Life Time Achievement Awards from Economic Times, Ernst & Young and CNBC TV18. He has been conferred Honorary Doctorates by 6 Universities including IIT Roorkee. He was the President of Confederation of Indian Industry (CII - 1979-80/1999-2000). He was President of Society of Indian Automobile Manufacturers (SIAM) and Maharashtra Chamber of Commerce, Industry and Agriculture (MCCIA) and Chairman of the Development Council for Automobiles and Allied Industries. He was appointed by the Government of India as the Chairman (1986-89) of the Government owned domestic carrier, Indian Airlines. He was nominated by the President of India as the Chairman of the Board of Governors of the Indian Institute of Technology, Bombay during 2003-06. He is a Member & former Chairman of the International Business Council of the World Economic Forum, Geneva, a Member of Harvard Business School's Global Advisory Board and the International Advisory Committee of NYSE Euronext. He is also a Member of the International Advisory Council of the Brookings Institution, Washington DC and a Member of the Executive Board of Indian School of Business.

He spear-heads the CSR initiatives of the Bajaj Group which include Jamnalal Bajaj Foundation and Shiksha Mandal and a number of social organizations including Bharatiya Yuva Shakti Trust and Ruby Hall Clinic, a large hospital in Pune as their Chairman.

He holds directorships in the following companies:

- Bajaj Auto Limited
- Bajaj Allianz General Insurance Company Limited
- Bajaj Allianz Life Insurance Company Limited
- Bajaj Electoral Trust
- Bajaj Finance Limited
- Bajaj Finserv Limited
- Bajaj Holdings & Investment Limited
- Bhoopati Shikshan Pratishthan
- Indian School of Business
- Kamalnayan Investment & Trading Private Limited
- Mahakalp Arogya Pratishthan
- Rahul Securities Private Limited
- Rupa Equities Private Limited

He is not a member of audit committee or shareholders/investors grievance committee of any company.

He is not disqualified from being appointed as a director in terms of section 164 of the Act. He holds 18,600 shares in the Company.

- b) Gita Piramal (DIN 01080602), 59, is currently engaged in academic research at the University of Oxford. An entrepreneur and businesswoman, author and journalist, she has a PhD in business history from Bombay University. For two decades, she contributed to several Piramal family companies in India in various positions. She launched a publishing company and a real estate company. In 2012, she retired and gave up board responsibilities and management roles. An award-winning author, she has written best seller books, cases studies, articles in international and Indian publications and commissioned and edited over 1,000 articles for The Smart Manager. She has also scripted, edited, featured and anchored television documentaries for international and Indian channels. She conceptualized and created content for three best-selling, award-winning programs for CNBC-TV18. She is associated with several trade and industry organisations, non-profit organisations and educational institutions.

She holds directorships in the following companies:

- Bajaj Finance Limited
- Bajaj Finserv Limited
- Bajaj Holdings & Investment Limited
- Piramal Properties Private Limited
- Prism Management Consultancy Private Limited
- Trimode Properties Private Limited

She is a member of the shareholders/investors grievance committee of the Company.

She does not hold any shares in the Company.

- c) Nanoo Pamnani (DIN 00053673), 69, obtained a B.A.(Hons.) from Bombay University and B.Sc. (Economics) from London School of Economics. Between 1982 to 1985, he was Chief Executive Officer of Citibank, N.A. India with responsibilities covering Corporate and Investment Banking in India and oversight over businesses in Sri Lanka, Bangladesh and Nepal. Between 1985 to 1989, he was Chief Executive Officer of Citibank, N.A. based in Manila and was involved in the country debt rescheduling process. During 1989 to 1995, he was with Citibank N.A. as Business Head for Private Banking businesses across Asia Pacific, excluding Japan and was based in Singapore. In 1995, he became Director of Operations and Technology of Citibank N. A. for over 70 countries including Emerging Markets (Asia, Latin America, Central and Eastern Europe and Middle East and Africa) and was based in London. In 1998, he became Chief Executive Officer of Citibank N.A., India with responsibilities covering Corporate and Investment Banking and Consumer Banking and Regional Head for India, Sri Lanka, Bangladesh and Nepal. In 2002, he was appointed to the position of Chairman, Citibank N.A., India in a non-executive capacity. From 2004 to December 2006, as Director of Citibank, N.A. Asia Pacific Group, based in Singapore, he focused on bank acquisitions and establishing new Centres of Excellence for Software and business processing across Asia Pacific. He retired from Citigroup with effect from 31 December 2006 and has now relocated to Mumbai, India.

He holds directorships in the following companies:

- Bajaj Auto Limited
- Bajaj Finance Limited
- Bajaj Finserv Limited
- Bajaj Holdings & Investment Limited

He is the chairman of the audit committee of all the above mentioned companies and that of shareholders/investors grievance committee of Bajaj Finserv Limited. He is also a member of shareholders/investors grievance committee of Bajaj Finance Limited and Bajaj Holdings & Investment Limited.

He does not hold any shares in the Company.

- d) D. S. Mehta (DIN 00038366), 78, is a commerce graduate with Honors from Sydenham College of Commerce & Economics, University of Bombay. He is a Fellow Member of the Institute of Chartered Accountants of India and a Fellow Member of the Institute of Company Secretaries of India. He was the Whole-time Director of erstwhile Bajaj Auto Limited and has been associated with Bajaj Group of companies since 1966. He has more than 50 years' experience in corporate laws, taxation, finance and investment.

While in active professional career, he worked for several committees of SEBI, CII, FICCI and Government of India. He is also associated with a number of social, educational and welfare organizations.

He holds directorships in the following companies:

- Bajaj Auto Limited
- Bajaj Finance Limited
- Bajaj Hindusthan Limited
- Bhoopati Shikshan Pratisthan
- Janmabhoomi Newspapers Education Foundation
- Mahakalp Arogya Pratisthan
- Mukand Limited

- Niche Financial Services Private Limited
- Sikkim Janseva Pratisthan Private Limited
- The States People Private Limited

He is a member of the audit committee and the shareholders/investors grievance committee of Bajaj Finance Limited and Mukand Limited and a member of the shareholders/investors grievance committee of Bajaj Hindusthan Limited.

He does not hold any shares in the Company.

- e) Doveton Jagannath Rao Balaji Rao (DIN 00025254), 74, holds a B.E. Degree in Mechanical Engineering and is an Associate Member of Indian Institution of Industrial Engg. (AMIIIE). He attended the Advanced Management Program at the European Institute of Business Administration (INSEAD) at Fontainebleau, France in 1990.

He pursued his career as an Industrial Engineer for about 8 years before joining erstwhile ICICI Limited (since merged with ICICI Bank Limited) in 1970. After wide ranging responsibilities in different locations, he reached the position of Dy. Managing Director. He subsequently took over as the vice chairman and managing director of SCICI Limited, in August 1996. With the merger of SCICI Limited with ICICI Limited, he moved to Infrastructure Development Finance Company Limited (IDFC), as its first managing director, which he served till his superannuation in January 2000.

He has served on the Boards of many leading companies including MICO Limited, Wipro Limited and Bharat Forge Limited etc. He is currently the chairman of 3M India Limited and director in following companies:

- Ashok Leyland Limited
- Bajaj Auto Limited
- Bajaj Finance Limited
- Bajaj Finserv Limited
- Bajaj Holdings & Investment Limited
- CMI FPE Limited
- Graphite India Limited
- Hinduja Foundries Limited
- JSW Energy Limited

He is the chairman of audit committee of CMI FPE Limited and Hinduja Foundries Limited and that of shareholders/investors grievance committee of Bajaj Auto Limited and 3M India Limited. He is also a member of audit committee of Ashok Leyland Limited, Bajaj Auto Limited, Bajaj Finserv Limited, JSW Energy Limited and 3M India Limited and share transfer and shareholders committee of Ashok Leyland Limited.

He does not hold any shares in the Company.

- f) Omkar Goswami (DIN 00004258), 57, is a professional economist with Master's in Economics from the Delhi School of Economics and D. Phil (Ph.D) from Oxford. He taught and researched economics for 18 years at Oxford, Delhi School of Economics, Harvard, Tufts University, Jawaharlal Nehru University, Rutgers University and the Indian Statistical Institute, New Delhi. He has served on several government committees including as Chairman of the Committee on Industrial Sickness and Corporate Re-structuring and as member of the Working Group on the Companies Act; the CII Committee on Corporate Governance; the Rakesh Mohan Committee on Railway Infrastructure Reform; the Vijay Kelkar Committee on Direct Tax Reforms; the Naresh Chandra Committee on Auditor-Company Relationship; the N.R. Narayana Murthy SEBI Committee on Corporate Governance Reforms, among others. He has more than 25 years of experience, inter alia, in Corporate Sector.

He has been a consultant to the World Bank, the International Monetary Fund, the Asian Development Bank and the Organization for Economic Co-operation Development. He has been the Chief Economist of Confederation of Indian Industry.

He is author of various research papers and books on economic history, industrial economics, public sector, bankruptcy laws and procedures, economic policy, corporate finance, corporate governance, public finance, tax enforcement and legal reforms. He writes columns for newspapers and magazines. He was the editor of Business India magazine.

He holds directorships in the following companies:

- Ambuja Cements Limited
- Bajaj Finance Limited
- Cairn India Limited
- CERG Advisory Private Limited

- Crompton Greaves Limited
- Dr. Reddy's Laboratories Limited
- DSP BlackRock Investment Managers Private Limited
- Godrej Consumer Products Limited
- IDFC Limited
- Infosys Limited
- Infosys BPO Limited
- Max Healthcare Institute Limited

He is the chairman of shareholders/investors grievance committee of Cairn India Limited and Infosys Limited. He is a member of audit committee of Ambuja Cements Limited, Bajaj Finance Limited, Cairn India Limited, Crompton Greaves Limited, Dr. Reddy's Laboratories Limited, Godrej Consumer Products Limited, IDFC Limited and Infosys BPO Limited.

He does not hold any shares in the Company.

- g) Dipak Poddar (DIN 00001250), 70, is B.Sc.(Hons.), SB & SM (MIT), educated at Massachusetts Institute of Technology, USA and has experience of over three decades in finance, automobiles, garment exports, precision engineering and other areas. He was the Managing Director of the Company from April 1987 to March 2008.

He holds directorships in the following companies:

- Bachhraj Factories Private Limited
- Bajaj Allianz General Insurance Company Limited
- Bajaj Finance Limited
- Brite Merchants Limited
- Knitrite Apparelco Limited
- Poddar Developers Limited
- Poddar Habitat Private Limited
- Poddar Housing Private Limited
- Poddar Infrastructure Private Limited
- Poddar Leisure Infrastructure Private Limited
- Poddar Natural Resources and Ores Limited
- Suvijay Exports Limited
- VIP Industries Limited

He is a member of audit committee of Poddar Developers Limited and VIP Industries Limited.

He does not hold any shares in the Company.

- h) Ranjan Sanghi (DIN 00275842), 70, is a commerce graduate with Honors from Sydenham College of Commerce & Economics, Mumbai and also holds a degree in Law from University of Bombay. He was a member of Local Advisory Board of Deutsche Bank for two years. He has extensive experience in finance, marketing, automobiles and other fields. He was the President of Western India Automobile Association, Mumbai during 1990-91. He is associated with various business and industrial associations. He is also actively associated with a number of social, charitable and sports organisations.

He has been associated with the Company as a director since incorporation.

He holds directorships in the following companies:

- Bajaj Finance Limited
- Borax Morarjee Limited
- HDFC Trustee Company Limited
- Kemp & Company Limited
- Morarjee Textiles Limited
- Rajesh Sanghi Auto Traders Private Limited
- Sah & Sanghi Auto Agencies Private Limited
- Suraj Sanghi Finance Limited
- Tyresoles Concessionaries Private Limited

He is the chairman of audit committee of Kemp & Company Limited and Morarji Textiles Limited, a member of audit committee of Bajaj Finance Limited and HDFC Trustee Company Limited and a member of shareholders/investors grievance committee of Bajaj Finance Limited.

He does not hold any shares in the Company.

- i) Rajendra Lakhota (DIN 00163156), 63, is an arts graduate in English with Honors from St. Stephens College, Delhi University. He has wide experience, inter alia, in automobiles and tourism business. He is also associated with a number of social and charitable organisations. He has been associated with the Company as a Director since incorporation.

He holds directorships in the following companies:

- Bajaj Finance Limited
- Calcutta Auto Works Private Limited
- Cindrella Hotels Limited
- Denzong Cinema Limited
- Hotel Tashi Delek Limited
- Siliguri Auto Works Private Limited
- Sikkim Jansewa Pratishthan Private Limited
- Sikkim Investment Private Limited
- NeevAgro Venture Private Limited

He is not a member of audit committee or shareholders/investors grievance committee of any company.

He holds 1,00,054 equity shares in the Company.

## **EXPLANATORY STATEMENT PURSUANT TO SECTION 102(1) OF THE COMPANIES ACT, 2013**

### **Item No. 5 relating to appointment of Gita Piramal as independent director**

Gita Piramal was appointed by the Board of Directors of the Company as additional director on 27 March 2014 with the recommendations of the Remuneration and Nomination Committee. She holds office until the ensuing annual general meeting under section 161(1) of the Companies Act, 2013.

It is proposed to appoint Gita Piramal as independent director of the Company pursuant to section 149, schedule IV and other applicable provisions, if any, of the Companies Act, 2013. The proposed appointment is recommended by Remuneration and Nomination Committee. In respect of her proposed appointment, the Company has, as required by section 160 of the Companies Act, 2013, received a notice in writing regarding her candidature for the office of the director. Gita Piramal has submitted the declaration of independence, as required pursuant to section 149(7) of the Companies Act, 2013 stating that she meets the criteria of independence as provided in sub-section (6). Gita Piramal is not disqualified from being appointed as a director in terms of section 164 of the Act.

In the opinion of the Board, the proposed appointment of Gita Piramal as independent director, fulfills the conditions specified in the Act and the Rules made thereunder and that the proposed appointment of Gita Piramal is independent of the management.

Brief resume of Gita Piramal is given in the annexure to the notice. The Board of Directors is of the opinion that Gita Piramal possesses requisite skills, experience and knowledge relevant to the Company's business and it would be in the interest of the Company to continue to have her association with the Company as director.

The Board recommends passing of the ordinary resolution set out in item no. 5 of the notice.

None of the directors, except Gita Piramal, key managerial personnel of the Company and their relatives are, concerned or interested, in this resolution, except to the extent of their respective shareholding, if any, in the Company.

### **Items No. 6-12 relating to appointment of independent directors**

Section 149 of the Companies Act, 2013, which came into effect from 1 April 2014, requires every listed company to have one-third of the total number of directors as independent directors. As on 31 March 2014, the Board of Directors of the Company comprised of Nanoo Pamnani, vice-chairman, D S Mehta, D J Balaji Rao, Omkar Goswami, Dipak Poddar, Ranjan Sanghi, Rajendra Lakhota and Gita Piramal, directors, as independent directors pursuant to clause 49 of the listing agreement.

Accordingly, with the recommendations of the Remuneration and Nomination Committee, the Board of Directors at its meeting held on 27 March 2014, has appointed Nanoo Pamnani, vice-chairman, D S Mehta, D J Balaji Rao, Omkar Goswami, Dipak Poddar, Ranjan Sanghi and Rajendra Lakhotia, directors, as independent directors of the Company pursuant to section 149, schedule IV and other applicable provisions, if any, of the Companies Act, 2013, for a consecutive period of 5 years from 1 April 2014 to 31 March 2019. The said appointment is subject to the approval of members. In respect of the appointments of the aforesaid directors, the Company has, as required by section 160 of the Companies Act, 2013, received notices in writing regarding candidature of the aforesaid directors for the office of the director. Appointment of Gita Piramal as independent director is considered at item no. 5 of this notice.

The independent directors have submitted the declaration of independence, as required pursuant to section 149(7) of the Companies Act, 2013 stating that they meet the criteria of independence as provided in sub-section (6). The respective appointee is not disqualified from being appointed as a director in terms of section 164 of the Act.

The appointment of independent directors is subject to the terms and conditions as mentioned in the respective appointment letter given to the aforesaid directors. The terms and conditions of appointment of independent directors shall be open for inspection at the registered office of the Company by any member during normal business hours and the same shall also be available at the Company's website [www.bajajfinserv.in/finance](http://www.bajajfinserv.in/finance)

In the opinion of the Board, the proposed appointment of independent directors, fulfills the conditions specified in the Act and the Rules made thereunder and that the proposed appointment of independent directors is independent of the management.

Brief resume of above mentioned directors are given in the annexure to the notice. The Board of Directors is of the opinion that the aforesaid directors possess requisite skills, experience and knowledge relevant to the Company's business and it would be in the interest of the Company to continue to have their association with the Company as directors.

The Board recommends passing of the ordinary resolutions set out in items no. 6 to 12 of the notice.

None of the directors, except the concerned directors, key managerial personnel of the Company and their relatives are, concerned or interested, in these resolutions, except to the extent of their respective shareholding, if any, in the Company.

### **Items No. 13 and 14 relating to modification in the Employee Stock Option Scheme, 2009 and grant of options to employees of holding and/or subsidiary companies**

Vide special resolution dated 15 December 2009 passed by postal ballot, the members of the Company had accorded their consent for the Employee Stock Option Scheme, 2009 (ESOS 2009) to issue upto 18,29,803 stock options (5% of the then paid-up equity shares) to the employees of the Company, its holding and/or subsidiary companies.

It is proposed to amend the ESOS 2009 as follows:

1. Considering the balance number of options available under the ESOS 2009, the Company proposes to increase the limit on the number of stock options under the ESOS 2009 upto 25,07,116 options convertible into 25,07,116 shares of the face value of ₹ 10 each fully paid-up i.e. increase from 18,29,803 options to 25,07,116 i.e 5% of the present paid-up equity shares.
2. Pursuant to section 67(3)(b) of the Companies Act, 2013, along with Rules framed thereunder, the ESOS 2009 needs to be amended to provide for a clause relating to provision of finance by the Company for subscription of shares by the Trust formed for administration of the Scheme.

Disclosure pursuant to the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ("ESOS Guidelines") and the Companies Act, 2013 are as under:

#### **1. Total number of options to be granted:**

Options upto 5% of the present paid-up equity shares (or 25,07,116 options convertible into 25,07,116 shares of the face value of ₹ 10 each fully paid-up i.e. proposed to be increased from 18,29,803 options to 25,07,116 options) of the Company would be available for being granted to eligible employees of the Company through the Trust under ESOS 2009. Each option when exercised would be converted into one equity share of ₹ 10 each fully paid-up.

Vested options lapsed due to non-exercise and/or unvested options that get cancelled due to resignation of the employees or otherwise, would be available for being re-granted at a future date.

In case of any corporate action such as rights issue, bonus issue, merger and sale of division and others, if a fair and reasonable adjustment is made to any equity shares and/or equity linked instruments (including options) allotted through the trust to the option grantees, the ceiling of 5% of the present paid-up equity shares (or 25,07,116 options convertible into 25,07,116 shares) as stated above from time to time shall be deemed to be increased in proportion to such additional equity shares issued in the corporate action.

## **2. Identification of classes of employees entitled to participate in the Employee Stock Option Scheme:**

The employees, of the Company, and its holding and/or subsidiary company(ies) if any, as defined in the ESOS Guidelines (including any statutory modification(s) or re-enactment of the Act or the Guidelines, for the time being in force), and as may be decided by the Compensation Committee from time to time, excluding the employees, who are either promoter or who belong to the promoter group as defined in the Guidelines.

The class of employees eligible for participating in the ESOS shall be determined on the basis of grade of the employee, length of service, his role and contribution to overall performance of the Company, the performance of profit centre/division to which he/she belongs, merits of the employee, future potential contribution by the employee, sense of loyalty and/or such other criteria as may be decided by the Compensation Committee at its sole discretion from time to time.

## **3. Transferability of employee stock options:**

The stock options granted to an employee will not be transferable to any person and shall not be pledged, hypothecated, mortgaged or otherwise alienated in any manner. However, in the event of the death of stock option grantee while in employment, the right to exercise all the options granted to him till such date shall be transferred to his nominees or legal heirs.

## **4. Requirements of vesting and period of vesting:**

The options granted shall vest so long as the employee continues to be in the employment of the Company. The Board may, at its discretion, lay down certain performance metrics on the achievement of which the granted options would vest, the detailed terms and conditions relating to such performance-based vesting, and the proportion in which options granted would vest (subject to the minimum and maximum vesting period as specified below).

The options would vest not earlier than 1 year and not later than 5 years from the date of grant of options. The exact proportion in which and the exact period over which the options would vest would be determined by the Board, subject to the minimum vesting period of 1 year from the date of grant of options.

## **5. Exercise price:**

The options would be granted at an exercise price as follows:

Market price of the equity shares of the Company as on the date of grant, per option, where the market price shall be the closing market price one day prior to the date of grant, on the stock exchange where highest trading volume is registered.

## **6. Exercise period and the process of exercise:**

The exercise period would commence from the date of vesting and will expire on completion of 5 years from the date of vesting of options. The shares arising out of exercise of vested options would not be subject to any lock-in period after such exercise.

The options will be exercisable by the option grantees by a written application to the Trust to exercise the options in such manner, and on execution of such documents, as may be prescribed by the Board from time to time. The options will lapse if not exercised within the specified exercise period.

## **7. Appraisal Process for determining the eligibility of the employees to ESOS:**

The appraisal process for determining the eligibility of the employees will be specified by the Board and will be based on criteria such as grade of the employee, role/designation of the employee, length of service with the Company, his role and contribution to overall performance of the Company, the performance of profit centre/division to which he/she belongs, merits of the employee, past performance record, future potential of the employee and/or such other criteria that may be determined by the Board at its sole discretion.



**8. Maximum number of options to be issued per employee and in aggregate:**

The number of options that may be granted to any individual employee under the Scheme shall not exceed 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant of options.

**9. Disclosure and accounting policies:**

The Company shall comply with the disclosure and the accounting policies prescribed as per SEBI Guidelines.

**10. Method of option valuation by the Company:**

To calculate the employee compensation cost, the Company shall use the intrinsic value method for valuation of the options granted.

The difference between the employee compensation cost computed using intrinsic value method and the cost that shall have been recognised if it had used the Fair Value of the options, shall be disclosed in the Directors' Report and also the impact of this difference on profits and on EPS of the Company shall also be disclosed in the Directors' Report.

**11. Details of variation:**

Amendment of ESOS 2009 to provide for the following:

1. Increase in the limit on the number of stock options under the ESOS 2009 upto 25,07,116 options convertible into 25,07,116 shares of the face value of ₹ 10 each fully paid-up i.e. increase from 18,29,803 options to 25,07,116 i.e 5% of the present paid-up equity shares.
2. Insertion of clause 4.3 as below:

"The Company may provide interest free loan to the ESOP Trust from time to time, on such terms as it may think fit, to enable the ESOP Trust to subscribe to the shares of the Company, for the purpose of transfer of shares to option grantee(s) on exercise of employee stock options pursuant to ESOP 2009."

**12. Rationale:**

The amendments in the ESOS 2009 are proposed in view of the following:

1. Increase in the number of the stock options:  
  
To increase the number of options available for future grants equal to 5% of the incremental paid-up equity share capital, since the approval of ESOS 2009.
2. Insertion of clause 4.3:  
  
Section 67(3)(b) of the Companies Act, 2013 read with the Companies (Share Capital and Debentures) Rules, 2014, requires an Employee Stock Option Scheme to include a clause providing for loan to be granted to the ESOP trust. (This requirement was not there in the Companies Act, 1956)

**13. Details of the employees who are beneficiary of such variation:**

As mentioned in sr. no. 2 above.

**14. Class of employees for whose benefit the scheme is being implemented and money is being provided for purchase of or subscription to shares:**

As mentioned in sr. no. 2 above.

**15. Particulars of the trustees or employees in whose favour such shares are to be registered:**

ESOS 2009 is administered through BFL Employee Welfare Trust. The Company allots equity shares to the trust which transfers the same to the option grantees on exercise of options.

**16. Particulars of trust and name, address, occupation and nationality of trustees and their relationship with the promoters, directors or key managerial personnel, if any:**

- a. Name of the Trust: BFL Employee Welfare Trust  
b. Name and Address, Occupation and Nationality of Trustees:

Name of Trustee	Address	Occupation	Nationality
Deepak Reddy	2nd Floor, Panchsil Tech Park, Viman Nagar, Pune – 411014	Company Executive	Indian
Pankaj Thadani	4th Floor, Bajaj Finserv Corporate Office, Off Pune-Ahmednagar Road, Viman Nagar, Pune 411 014	Company Executive	Indian
M M Muralidharan	4th Floor, Bajaj Finserv Corporate Office, Off Pune-Ahmednagar Road, Viman Nagar, Pune 411 014	Company Executive	Indian

None of the trustees is related to any promoter, directors or key managerial personnel of the Company.

**17. Any interest of key managerial personnel, directors or promoters in such scheme or trust and effect thereof:**

Promoters and independent directors of the Company are not entitled to any stock options. However they may be deemed to be concerned or interested to the extent of their respective shareholding, if any, in the Company.

No key managerial personnel of the Company or their relatives is, concerned or interested, except to the extent of their respective shareholding, if any, in the Company and number of options granted and/or to be granted to them pursuant to the ESOS 2009.

**18. Detailed particulars of benefits which will accrue to the employees from the implementation of the scheme:**

The option grantees will be entitled to exercise the options granted to them at the grant price during the exercise period pursuant to ESOS 2009.

**19. Details about who would exercise and how the voting rights in respect of the shares to be purchased or subscribed under the scheme would be exercised:**

The voting rights in respect of the shares will be exercised by the option grantees on transfer of shares by trust to the said option grantees.

As the scheme will entail further shares to be offered to persons other than existing members of the Company, consent of the members is sought pursuant to section 62(1)(b) and all other applicable provisions, if any, of the Companies Act, 2013, rules made thereunder and as per the requirement of Clause 6 of the ESOS Guidelines.

As per ESOS Guidelines, a separate resolution is required to be passed if the benefits of ESOS are to be extended to employees of holding and/or subsidiary companies. Thus, separate resolution is being proposed at item no. 14 of this notice to cover those employees, as may be permitted from time to time, under the prevailing laws, rules and regulations, and/or amendment(s) thereto from time to time.

A copy of the ESOS 2009 incorporating the proposed modifications will be kept open for inspection by members at the Corporate Office of the Company during business hours.

The Board recommends passing of the special resolutions set out in items no. 13 and 14 of the notice.

None of the directors, key managerial personnel of the Company and their relatives are, concerned or interested, in these resolutions, except to the extent of their respective shareholding, if any, in the Company and number of options granted/to be granted to them, if any, pursuant to the ESOS 2009.

**Item No. 15 relating to issue of non-convertible debentures through private placement**

As per section 42 of the Companies Act, 2013 read with the Companies (Prospectus and Allotment of Securities) Rules, 2014, a company may make an offer or invitation to subscribe to the debentures through an issue of a private placement offer letter with a previous special resolution of its members approving offer(s) or invitation(s) to subscribe to the non-convertible debentures of the company on private placement basis. The said section and the rules are effective from 1 April 2014.

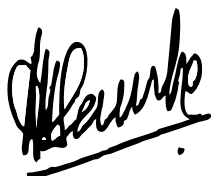
The Company, in the ordinary course of its business, is required to resort to borrowings from time to time, including by way of loans, issue of debentures/bonds or other debt instruments, on private placement basis or otherwise, and through acceptance of fixed deposits. The intermix of borrowings depends upon the market conditions, tenor and cost of funds, tenor and security available in case of loans to be disbursed to customers etc. The Company normally issues non-convertible debentures on private placement basis for meeting the medium and long term funding requirements of the Company. The debentures are issued at face value with coupon rate and/or on zero coupon basis. The rate of interest depends, inter alia, on the market rates, tenor and security.

Approval of the members is, therefore, sought by way of a special resolution for making offer(s) or invitation(s) to eligible persons to subscribe to the non-convertible debentures of the Company on private placement basis during the period from the conclusion of this annual general meeting till the conclusion of next annual general meeting, within the overall borrowing limits approved by the members from time to time.

The Board recommends passing of the special resolution set out in item no. 15 of this notice.

None of the directors, key managerial personnel of the Company and their relatives are, concerned or interested, in this resolution, except to the extent of their respective shareholding, if any, in the Company.

By order of the Board of Directors  
For Bajaj Finance Limited



Anant Damle  
Company Secretary

Pune: 14 May 2014

**BAJAJ FINANCE LIMITED**

(CIN: L65910MH1987PLC042961)

**Registered office:**

Akurdi, Pune 411 035

**Email id:** [investor.service@bajajfinserv.in](mailto:investor.service@bajajfinserv.in)**Website:** [www.bajajfinserv.in/finance](http://www.bajajfinserv.in/finance)**Phone:** (020)30405060, **Fax:** (020)30405030**BAJAJ FINANCE LIMITED****27th Annual Report 2013-14****PROXY FORM****Form No. MGT-11***[Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014]*

CIN : L65910MH1987PLC042961

Name of the Company : BAJAJ FINANCE LIMITED

Registered office : Akurdi, Pune - 411 035

Name of the member(s) : \_\_\_\_\_

Registered address : \_\_\_\_\_

E-mail ID : \_\_\_\_\_

Folio No/Client ID/DP ID : \_\_\_\_\_

I/We, being the member(s) of \_\_\_\_\_ shares of the above named company, hereby appoint:

(1) Name : \_\_\_\_\_ Address : \_\_\_\_\_  
E-mail Id: \_\_\_\_\_ Signature : \_\_\_\_\_ or failing him(2) Name : \_\_\_\_\_ Address : \_\_\_\_\_  
E-mail Id: \_\_\_\_\_ Signature : \_\_\_\_\_ or failing him(3) Name : \_\_\_\_\_ Address : \_\_\_\_\_  
E-mail Id: \_\_\_\_\_ Signature : \_\_\_\_\_as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the TWENTY SEVENTH annual general meeting of the Company, to be held on the **Wednesday, 16 July 2014 at 12 noon** at Akurdi, Pune 411 035 and at any adjournment thereof in respect of such resolutions as are indicated below:**Ordinary business**

- Adoption of financial statements for the year ended 31 March 2014 and the Directors' and Auditors' Reports thereon
- To declare a dividend
- Re-appointment of Rahul Bajaj, Chairman, who retires by rotation
- Appointment of Dalal & Shah, Chartered Accountants, as auditors and fixing their remuneration

**Special business**

- Appointment of Gita Piramal as independent director
- Appointment of Nanoo Pamnani, Vice-Chairman as independent director
- Appointment of D S Mehta as independent director
- Appointment of D J Balaji Rao as independent director
- Appointment of Omkar Goswami as independent director
- Appointment of Dipak Poddar as independent director
- Appointment of Ranjan Sanghi as independent director
- Appointment of Rajendra Lakhota as independent director
- Modification in the Employee Stock Option Scheme, 2009
- Grant of options to employees of holding and/or subsidiary companies under the amended Employee Stock Option Scheme, 2009
- Issue of non-convertible debentures through private placement

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2014

Affix  
revenue  
stamp  
of ₹ 1

Signature of shareholder

Signature of Proxy holder(s)

**Note:**

- This form of proxy in order to be effective should be duly completed and deposited at the registered office of the Company, not less than 48 hours before the commencement of the meeting.
- Notwithstanding the above, the Proxies can vote on such other items which may be tabled at the meeting by the members present.

**BAJAJ FINANCE LIMITED**

(CIN: L65910MH1987PLC042961)

**Registered office:**

Akurdi, Pune 411 035

**E-mail:** investor.service@bajajfinserv.in**Website:** www.bajajfinserv.in/finance**Phone:** (020) 30405060; **Fax:** (020) 30405030**BALLOT FORM**

(In lieu of E-voting)

**BAJAJ FINANCE LIMITED**

27th Annual Report 2013-14

I/We hereby exercise my/our vote in respect of the resolution(s) to be passed for the business stated in the notice of 27th annual general meeting (AGM) of the Company scheduled on 16 July 2014, by conveying my/our assent or dissent to the said resolution(s) by placing the tick (✓) mark at the appropriate box below.

Item No.	Description	No. of equity shares	I/We assent to the resolution (For)	I/We dissent to the resolution (Against)
1	Adoption of financial statements for the year ended 31 March 2014 and the Directors' and Auditors' Reports thereon			
2	To declare a dividend			
3	Appointment of Rahul Bajaj, Chairman, who retires by rotation			
4	Appointment of Dalal & Shah, Chartered Accountants, as auditors and fixing their remuneration			
5	Appointment of Gita Piramal as independent director			
6	Appointment of Nanoo Pamnani, Vice-Chairman, as independent director			
7	Appointment of D S Mehta as independent director			
8	Appointment of D J Balaji Rao as independent director			
9	Appointment of Omkar Goswami as independent director			
10	Appointment of Dipak Poddar as independent director			
11	Appointment of Ranjan Sanghi as independent director			
12	Appointment of Rajendra Lakhota as independent director			
13	Modification in the Employee Stock Option Scheme, 2009			
14	Grant of options to employees of holding and/or subsidiary companies, under the amended Employee Stock Option Scheme, 2009			
15	Issue of non-convertible debentures through private placement			

Place: \_\_\_\_\_

Date: \_\_\_\_\_

Signature of shareholder

**NOTE:** Kindly read the instructions printed overleaf before filling the form. Only valid ballot forms received by the scrutinizer by 6.00 p.m. on 12 July 2014 shall be considered.

**E-VOTING**

Users who wish to opt for e-voting may use the following login credentials.

EVEN (E Voting Event No.)	USER ID	PASSWORD
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Please follow steps for e-voting procedure as given in the notice of AGM by logging on to - <https://evoting.karvy.com>

## INSTRUCTIONS

1. Members may fill up the ballot form printed overleaf and submit the same in a sealed envelope to the scrutinizer, Shyamprasad D. Limaye, practising company secretary, Unit: Bajaj Finance Limited, C/o Karvy Computershare Private Limited, Plot No. 17-24, Near Image Hospital, Vittal Rao Nagar, Madhapur, Hyderabad – 500081 or to his email id [cssdlimaye@gmail.com](mailto:cssdlimaye@gmail.com), so as to reach by 6.00 p.m. on 12 July 2014. Ballot form received thereafter will strictly be treated as if not received.
2. The Company will not be responsible if the envelope containing the ballot form is lost in transit.
3. Unsigned, incomplete or incorrectly ticked forms are liable to be rejected and the decision of the scrutinizer on the validity of the forms will be final.
4. In the event member casts his votes through both the processes i.e. e-voting and ballot form, the votes in the electronic system would be considered and the ballot form would be ignored.
5. The right of voting by ballot form shall not be exercised by a proxy.
6. To avoid fraudulent transactions, the identity/signature of the members holding shares in electronic/demat form is verified with the specimen signatures furnished by NSDL/CDSL and that of members holding shares in physical form is verified as per the records of the share transfer agent of the Company (i.e. Karvy Computershare Private Limited). Members are requested to keep the same updated.
7. There will be only one ballot form for every Folio/DP ID Client ID irrespective of the number of joint holders.
8. In case of joint holders, the ballot form should be signed by the first named member and in his/her absence by the next named member. Ballot form signed by a joint holder shall be treated valid if signed as per records available with the Company and the Company shall not entertain any objection on such ballot form from other joint holders.
9. Where the ballot form has been signed by an authorized representative of the body corporate/trust/society, etc. a certified copy of the relevant authorisation/board resolution to vote should accompany the ballot form.
10. Instructions for e-voting procedure are available in the notice of annual general meeting which is also placed on the website of the Company.



# Bajaj Finance Limited

27th Annual Report 2013-14







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# Corporate Information

## Board of Directors

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**Rahul Bajaj**  
Chairman

**Nanoo Pamnani**  
Vice Chairman

**Sanjiv Bajaj**  
Vice Chairman

**Madhur Bajaj**

**Rajiv Bajaj**

**D S Mehta**

**D J Balaji Rao**

**Omkar Goswami**

**Dipak Poddar**

**Ranjan Sanghi**

**Rajendra Lakhotia**

**Gita Piramal**  
(w.e.f. 27 March 2014)

## Chief Executive Officer

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**Rajeev Jain**

## Company Secretary

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**Anant Damle**

## Auditors

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**Dalal & Shah**  
Chartered Accountants

## Bankers

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**Central Bank of India**  
**State Bank of India**  
**IDBI Bank Limited**  
**Syndicate Bank**  
**Bank of India**

## Registrar & Share Transfer Agent

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**Karvy Computershare Private Limited**  
Plot No.17 to 24, Near Image Hospital,  
Vittalrao Nagar, Madhapur,  
Hyderabad – 500 081

## Debenture Trustee

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**GDA Trusteeship Limited**  
S.No. 94/95, Plot No. 85,  
Opp. Kothrud Bus Depot,  
Off Paud Road, Kothrud,  
Pune – 411 038

## Registered Office

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Akurdi, Pune – 411 035

## Corporate Office

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4th Floor, Bajaj Finserv Corporate Office,  
Off Pune-Ahmednagar Road,  
Viman Nagar, Pune – 411 014



## Chairman's Letter

### Dear Shareholder,

This is my second letter in your Company's Annual Report. On the previous occasion, I wrote, "I am truly proud of how well Bajaj Finance Limited (BFL) has fared for two consecutive years despite difficult economic circumstances". These are exactly my sentiments for FY2014 — because BFL has continued to perform outstandingly well despite the Indian economy, for the year under review, performing as bad as, if not worse than, the previous year.

So, to begin with, congratulations to Mr Rajeev Jain, your Company's Chief Executive Officer, Mr Nanoo Pamnani and Mr Sanjiv Bajaj, both Vice-Chairmen of the Company and the Management team.

I wish one could have been anywhere close to being congratulatory about the state of India's economy. In FY2013, India achieved real GDP growth of just 4.5%. In the backdrop of widespread inactivity, risk aversion and non-governance, one saw no improvement in the investment cycle and, thus, the growth rate. In the first three quarters of FY2014, the growth rates were: 4.4%, followed by 4.8%, and then 4.7%. The Central Statistical Organisation's forecasted growth for FY2014 is 4.9%. Personally, I am not sure that even this growth is possible. However, even if it were to occur, India's GDP will have grown by less than 5% for two consecutive years.

Low growth was not all. Inflation remained relatively high and sticky throughout FY2014, making it difficult for the Reserve Bank of India (RBI) to pursue a stable, yet growth oriented, monetary policy. Investments for capital formation dried up. According to rough estimates, a real GDP growth of 7% in India requires gross fixed capital formation (GFCF) to be in the region of 36% to 37% of GDP. Thanks to a poor investment climate, the GFCF for FY2014 is estimated at 32.5% of GDP — well short of what is needed to significantly boost growth. And, in the financial sector, there were problems associated with low credit growth, a volatile interest rate environment and high non-performing assets (NPAs).

Despite such headwinds, BFL has done excellently. Let me share some facts:

- In FY2014, BFL's total income was up 31% to ₹ 4,073 crore
- Profit before tax (PBT) increased by 25% to ₹ 1,091 crore
- Profit after tax (PAT) was up 22% to ₹ 719 crore
- BFL's assets under management rose by 37% to ₹ 24,061 crore
- Loan deployment had risen by 34% to ₹ 26,024 crore. Consumer lending grew by 36% and small and medium enterprise (SME) lending by 52%. Commercial lending, however, de-grew by 11% due to your Company's cautious stance on the precarious state of India's infrastructure sector
- Capital adequacy as on 31 March 2014 was 19.14%, which is well above the RBI norms

Being conservative is a virtue for a financial sector firm. I am proud to say that BFL is conservative. Despite an excellent and relatively unstressed loan book, your Company continued to strengthen its provisioning standard, and ranks among the most prudent non-banking financial companies (NBFCs) in India. In FY2014, it further strengthened this by opting for an accelerated provisioning of ₹ 38.4 crore, which has taken up the Company's loan losses and provisions to ₹ 258 crore. Thanks to caution and robust risk management, BFL's net NPAs were at 0.28% of total assets.

Moreover, its prudent asset liability management helped your Company to withstand tight liquidity conditions as well as policy rate increases of 75 basis points with only a marginal increase in its cost of borrowings.

Like the previous year, BFL has done well in consumer lending. Loan deployment for consumer lending in FY2014 was up 36% to ₹ 13,360 crore. Your Company was the largest financier of Bajaj motorcycles in the year and, through 523 Bajaj dealers and over 2,400 sub-dealers across the country, it acquired over 650,000 customers. It was also the second largest financier in the country of three-wheelers — and the largest financier for Bajaj three-wheelers, acquiring over 38,500 customers.

Present in 117 cities of India, BFL continued to be the largest consumer durables lender in country — and helped finance 15% of all consumer electronics sold in the year.

In FY2014, SME lending grew by 52% to ₹ 9,907 crore. This was largely through loan against property, lease rental discounting, home loans to SME customers and loans against securities.

The year also saw BFL's entry into wealth management as well through a fixed deposit programme for high net worth clients. The response was excellent, with your Company raising over ₹ 200 crore from more than 7,300 customers in less than 90 days of its launch.

I am particularly happy with BFL launching its rural lending business in FY2014. This focuses on relatively better off rural customers by meeting their borrowing and wealth needs through consumer durable loans, gold loans, refinance loans and fixed deposits. Operating in 68 up-country towns and villages, this business disbursed ₹ 77 crore to over 22,000 customers in the course of the year. I am confident that this business will grow significantly over time.

There is, however, a disappointment that I must share with you. As you may know, your Company applied for a bank licence when the RBI had opened this window. As one of India's most successful NBFCs with a strong record of growth, a solid Balance Sheet, constant adherence to prudential lending and income recognition standards that well exceed the RBI norms, and a top class management team, we expected BFL to get a licence. Indeed, both I and your Company's Senior Management were confident of our best-in-class 'fit and proper' position.

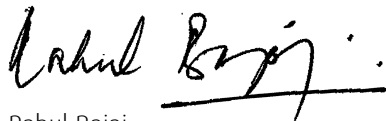
Unfortunately, we did not get the licence. Only two NBFCs did of the many that applied. I presume that the RBI had its reasons. But I remain sure that we were and continue to be well positioned to transit towards being a full-fledged bank.

The process of approving new bank licences will return under the new political dispensation. When it does, we expect to make the cut.

Once again, my congratulations to the Management team for performing excellently in a very difficult environment, and doing so with the highest standards of financial care, prudence and probity.

Thank you for your support. Let us all join in wishing Bajaj Finance more success.

Yours sincerely,



Rahul Bajaj  
Chairman

# Management Discussion and Analysis

Financial year 2013-14 (FY2014) was a difficult one for India's economy. Growth during 2012-13 (FY2013) was 4.5%. Thereafter, the first three quarters of FY2014 continued seeing low growth: 4.4% in Q1; 4.8% in Q2; and 4.7% in Q3. The Central Statistical Organisation (CSO) has estimated full year growth for FY2014 at 4.9%. Thus, it will be two consecutive years of sub-5% growth - the country's worst performance for very long.

Low growth was not the only economic issue. Inflation remained sticky throughout FY2014 as well. Consumer price inflation (CPI), a key component of determining monetary policy, fluctuated between 10.39% in April 2013 and 8.31% in March 2014. Such volatility made a stable monetary stance difficult.

The year began on a sombre note. The tapering announcement by the US Federal Reserve coupled with global slowdown resulted in huge pressures on capital flows and depreciation of the rupee. The situation was further exacerbated by high inflation and a very high current account deficit (CAD). The Reserve Bank of India (RBI) responded swiftly by tightening monetary policy. Short term interest rates were raised by increasing the marginal standing facility (MSF) rate by 200 basis points (bps) and curtailing liquidity.

As global and local markets stabilised by Q3, the RBI eased tight liquidity conditions by lowering the MSF rate by 150 bps in three steps. However, it maintained its hawkish stance on containing inflation and raised policy rates by 75 bps in the second half of FY2014. The government's actions on placing import restrictions on gold also helped rein in the CAD from 4.2% to 2.3% of GDP.

FY2014 was difficult for the banking sector owing to low growth, volatile interest rate environment and high NPAs. However, retail finance continued its strong performance owing to low consumer leverage and large untapped demand. A clear demographic shift in favour of a younger population aspiring for a better lifestyle should continue to drive strong demand for all retail finance products for the foreseeable future.

Non-banking finance companies (NBFCs) continued to play a critical role in making financial services accessible to a wider set of India's population. Given their unique business models and, for many, their focus on operational excellence, NBFCs should continue to strengthen their position in the financial services space in India.

Bajaj Finance Limited ('Bajaj Finance' or 'BFL') had a strong year aided by robust volume growth, prudent operating cost management and low NPAs. With assets under management of ₹ 24,061 crore, BFL today, has emerged as one of the leading, diversified NBFCs in the country. The Company delivered strong results in FY2014, the highlights of which are given below.

- Assets under management up 37% to ₹ 24,061 crore
- Receivables under financing up 37% to ₹ 22,971 crore
- Deployment up 34% to ₹ 26,024 crore
- Total income up 31% to ₹ 4,073 crore
- Total operating cost up 35% to ₹ 1,151 crore
- Loan losses and provisions ₹ 258 crore\*
- Profit before tax up 25% to ₹ 1,091 crore
- Profit after tax up 22% to ₹ 719 crore
- Capital adequacy as on 31 March 2014 19.14%, which is well above the RBI norms

\* BFL continued to strengthen its provisioning standards, and is among the most prudent NBFCs in India. In the current year, it further strengthened provisioning, and took an accelerated provisioning impact of ₹ 38.40 crore. Adjusting for accelerations in both years, the loan loss and provisions would have increased by 33% in FY2014.

BFL focuses on five broad categories: (i) Consumer Lending, (ii) SME Lending, (iii) Commercial Lending, (iv) Rural Lending, and (v) Wealth Management and fee based product distribution. The Company's product suites are given below.

Verticals	Product
<b>Consumer Lending</b>	2 Wheeler and 3 Wheeler
	Consumer Durables
	Lifestyle Products
	Personal Loan Cross Sell
	Salaried Personal Loans
	Co-branded Credit Card
	Home Loans
<b>SME Lending</b>	Loan Against Property
	Lease Rental Discounting Against Property
	Working Capital Loans
	Loan Against Securities
<b>Commercial Lending</b>	Construction Equipment Finance
	Infrastructure Finance
	Auto Component Manufacturer Financing
<b>Rural Lending</b>	Gold Loans
	Refinance Loans
	Fixed Deposits
<b>Wealth Management and Fee based Products</b>	Life Insurance Distribution
	General Insurance Distribution
	Credit Rating Distribution

BFL's deployments grew by 34% due to its diversified product portfolio. Consumer Lending grew by 36% and SME Lending by 52%. However, Commercial Lending declined by 11% due to the Company's cautious stance on the infrastructure sector.

Prudent asset liability management (ALM) helped BFL withstand policy rate increases of 75 bps and tight liquidity conditions with only a marginal increase in the cost of borrowings for FY2014. It continued its constant vigil on the asset-liability framework and raised longer tenor borrowings whenever necessary.

Operating cost of the Company grew by 35% due to its strong focus on creating new capabilities to manage and improve scale.

BFL's loan book continued to remain strong due to its cautious stance on growth and robust risk management with net non-performing assets (NPAs) remaining at 0.28%. This was despite witnessing portfolio quality pressures on account of broader issues in two of its products, viz. Construction Equipment Finance and Infrastructure Finance, both of which have faced difficulties on account of the sharp slowdown in the growth of infrastructure activities. The Construction Equipment and Infrastructure Finance portfolio collectively declined by 17% from ₹ 1,150 crore in FY2013 to ₹ 949 crore in FY2014. By remaining focused on customer segments that it understands well, BFL expects to maintain its credit quality in the coming years.

As on 31 March 2014, the Company's total borrowings stood at ₹ 19,750 crore. Its capital adequacy remains at a healthy 19.14% as on 31 March 2014; and it remains well capitalised to fuel growth for the next few years.

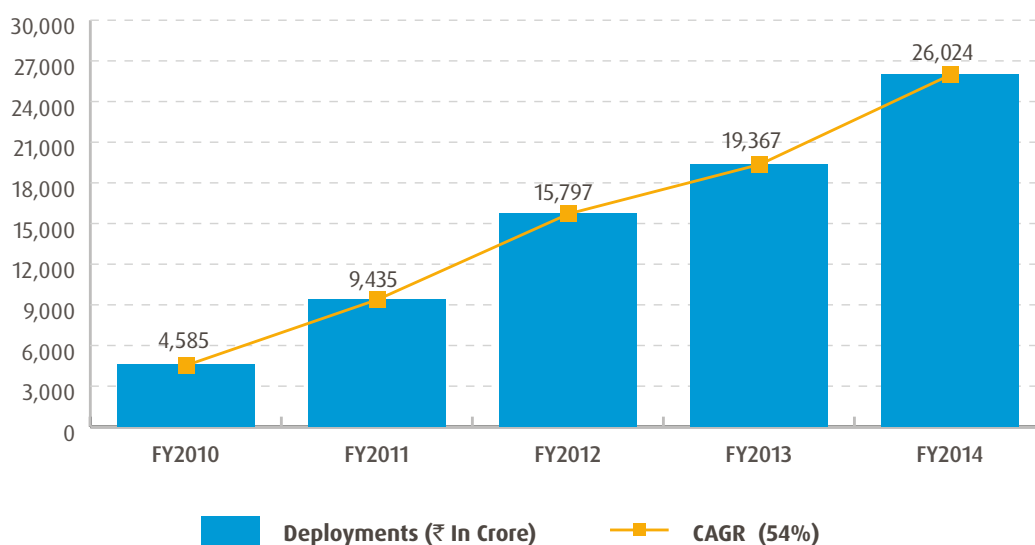
## Deployment snapshot

Table 1 gives the deployment mix for FY2014 compared to FY2013, while Chart A plots the Company's loan deployment over the last five years.

**Table 1: BFL's deployment mix**

Deployment	(₹ In Crore)		
	FY2014	FY2013	% Change
Consumer Lending	13,360	9,851	36%
SME Lending	9,907	6,505	52%
Rural Lending	77	Nil	-
Commercial Lending	2,680	3,011	(11%)
<b>Total</b>	<b>26,024</b>	<b>19,367</b>	<b>34%</b>

**Chart A: BFL's loan deployments**



## Receivables under finance

Table 2 gives the data of BFL's receivables under finance.

**Table 2: Receivables under finance**

Receivable under Finance	(₹ In Crore)		
	FY2014	FY2013	% Change
Consumer Lending	9,328	7,138	31%
SME Lending	11,782	7,697	53%
Rural Lending	50	Nil	-
Commercial Lending	1,811	1,909	(5%)
<b>Total</b>	<b>22,971</b>	<b>16,744</b>	<b>37%</b>



## Business update

### Consumer lending

BFL was the largest financier of Bajaj motorcycles in FY2014 and acquired over 650,000 customers. The Company operates at 523 Bajaj dealers and at over 2,400 of its sub-dealers across the country. It continued to leverage its Direct Cash Collection model in rural and semi-urban markets where the customers with no banking habits can repay the EMIs by cash. A pilot is currently underway to roll out a similar model in some urban markets of the country as well.

In FY2014, Bajaj Finance was the largest financier for Bajaj three-wheelers and acquired over 38,500 customers. It was also the second largest three-wheeler financier in the country. Here too, the Company adopted the Direct Cash Collection model at 138 dealer and 78 sub-dealer locations across the country.

Present in the top 117 cities of the country, BFL continued to be the largest consumer durables lender in India. It helped finance 15% of all consumer electronics sold in the year. Consumer durable financing deployments grew by 50% in FY2014 as competitive activity remained benign due to high up-front investments required in distribution, technology and processes that are vital to compete in this relatively low ticket size, high volume business.

The Company acquired over 2.4 million new customers, and is currently present in over 5,000 points of sale across the country. BFL continued to focus on relatively affluent customers and major dealerships to drive lower operating costs and improve risk performance. It is currently financing one out of every four LCD and plasma televisions sold in the country, and works with all leading consumer durable manufacturers.

In FY2014, BFL started to focus on one of the largest and the fastest growing consumer durable products, namely digital products financing. This category extension has yielded solid growth in the year. The Company has tied up with leading digital product manufacturers like Samsung, Apple, Dell, and others for this initiative.

Lifestyle product financing (i.e. financing for lifestyle products like furniture, home furnishings, fitness equipment, luxury watches, etc.), a two year old initiative, has begun to yield substantial benefits to strengthen its dominance in the consumer lending space. BFL now offers lifestyle product financing in top 30 cities and has presence at over 3,500 points of sale. Lifestyle financing products disbursement grew by 184% to 108,000 customers in FY2014.

BFL has a unique and innovative product offering called the EMI (Existing Member Identification) card for its existing consumer durable customers. The card entitles a customer to obtain a loan for incremental consumer durables with the facility to 'Swipe, Sign and Go', so long as the earlier loans and payment performance have remained good. This product has been very successful. At present, the number of EMI cards in force exceeds 1.8 million versus 1 million in FY2013.

Bajaj Finance believes in continued customer association and hence targets customers with good repayment history of their two-wheeler and/or consumer durables loans to cross-sell personal loans. Present in the top 117 cities, the Company financed over 121,000 new customers during FY2014.

It continued to grow its personal loan offering to salaried employees in a robust manner. The Company's online personal loan capability continued to generate strong volumes in FY2014.

### Launch of Rural lending

Given the large opportunity that rural markets represent, BFL launched its Rural Lending business in FY2014. The strategy is to focus on affluent rural customers by meeting their lending and wealth needs. At present, it offers consumer durable loans, gold loans, refinance loans and fixed deposits in 68 towns and villages in FY2014. The Company disbursed ₹ 77 crore to 22,000 customers in FY2014.

## SME lending

SME Lending offers secured and unsecured loans to its customers. Secured lending is done through four product offerings: Loan Against Property, Lease Rental Discounting, Home Loans to SME customers and Loan Against Securities. These secured SME products are offered in the top 80 cities in India. A new product offering called Flexisaver, introduced in the last fiscal year, has been well accepted. This gives credit-worthy customers the flexibility to 'draw when they want' and 'pay when they want'.

The Company also offers unsecured working capital loans to affluent small business customers, doctors and other professionals. It launched India's first online working capital loan facility in the current year.

Bajaj Finance continues to remain customer centric and does not levy any pre-payment or part-pre-payment charges for its SME customers.

## Commercial lending

BFL caters to the infrastructure sector by lending under Construction Equipment Finance and Infrastructure Finance.

Present in the top 20 cities in India, the Construction Equipment business focuses on financing small, mid-sized and large contractors for their construction equipment needs. It is an asset backed financing business collateralised by construction equipment assets. Given the difficult state of this sector in India, BFL has systematically reduced its exposure in the Construction Equipment vertical from a peak of ₹ 1,056 crore to ₹ 448 crore as on 31 March 2014.

Given the problems plaguing the infrastructure sector, Bajaj Finance has been very selective in its lending. During the year, it approved no new loans. Moreover, it has decided to continue reviewing this area very carefully and remain focused on maintaining the quality of its portfolio. In FY2014, the infrastructure loan book stood at ₹ 525 crore.

BFL also extends short and medium term loans to vendors of large auto manufacturers. This has grown steadily, with the Company having deployed ₹ 2,383 crore under this business in FY2014.

## Wealth management and Fee based product distribution

BFL launched its fixed deposit programme as an anchor wealth management product in FY2014, to help build a strong foundation for a wealth management business as well as diversify its liability mix. The fixed deposit scheme has been rated FAAA/Stable by CRISIL and MAAA/Stable by ICRA.

The response has been strong with the Company raising over ₹ 200 crore from over 7,300 customers in less than 90 days of its launch. The strategy is to start offering broader wealth management services to these customers in the forthcoming years.

The Company partnered with Bajaj Allianz General Insurance Company Limited (BAGIC) to launch health insurance distribution for its existing customers in FY2014. Today, it is among the largest health insurance distributors for BAGIC in India. Similarly, it continued to grow its life insurance distribution, partnering with Bajaj Allianz Life Insurance Company Limited (BALIC) as a corporate agent and is a significant life insurance distributor for BALIC.

As an innovation, BFL launched a SME rating product for its existing SME customers in partnership with CRISIL in FY2014. In the process, it has helped over 1,000 SMEs to get rated in FY2014. BFL continues to focus on enhancing its cross-sell capabilities and on increasing "Products per Customer"

## Brand campaign

Bajaj Finance continues to deliver strong performance year after year. Behind its sustainable profitable growth lies a belief system of continuous re-invention as a way of life. The Company believes the path to sustainable success is through breakthrough innovations and creation of new benchmarks in products, services and experience.

The Company has rolled out this belief through its first ever integrated television, print and digital brand campaign. As an integral part of this campaign, it has consolidated the identity under a single brand name – Bajaj Finserv. The earlier Bajaj Finserv Lending logo has been replaced by the refreshed Bajaj Finserv logo in all communication.

The Company is confident that this campaign will help consolidate the Brand's image and reinforce its belief in a strong manner.

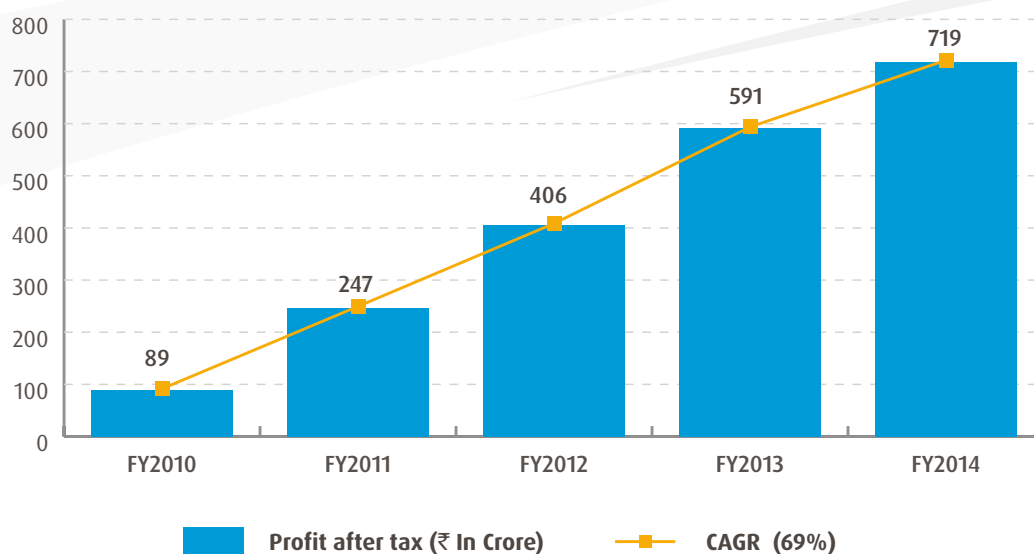
## Financial performance

Table 3 gives the Company's financial performance for FY2014 vis-à-vis the previous year. Chart B plots profits after tax over the last five years, while Chart C plots the movement of net owned funds.

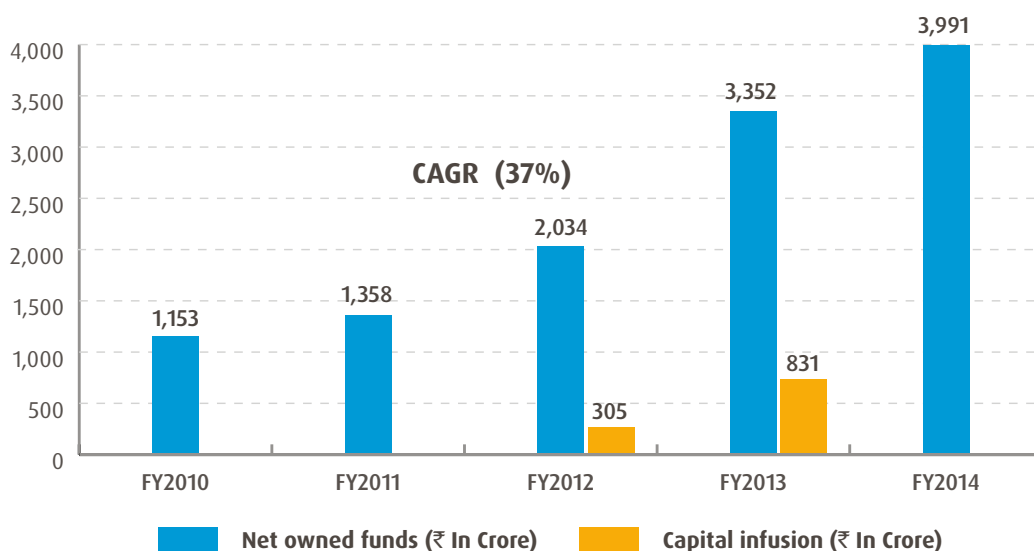
**Table 3: BFL's financials**

Particulars	(₹ In Crore)		
	FY2014	FY2013	% Change
Total income	4,073	3,110	31%
Interest and finance charges	1,573	1,206	30%
<b>Net interest income</b>	<b>2,500</b>	<b>1,904</b>	<b>31%</b>
Salary cost	341	245	39%
Marketing commission	93	82	13%
Dealer incentives	138	100	38%
Recovery costs	168	120	40%
Loan loss and provisions	258	182	42%
Depreciation	29	20	45%
Other expenses	382	283	35%
<b>Profit before tax (PBT)</b>	<b>1,091</b>	<b>872</b>	<b>25%</b>
<b>Profit after tax (PAT)</b>	<b>719</b>	<b>591</b>	<b>22%</b>
Earnings per share (EPS) basic, in ₹	144.79	135.88	7%
Earnings per share (EPS) diluted, in ₹	143.65	134.56	7%
Book value per share, in ₹	801.77	676.41	19%

**Chart B: BFL's profit after tax**



**Chart C: BFL's net owned funds and capital infusion**



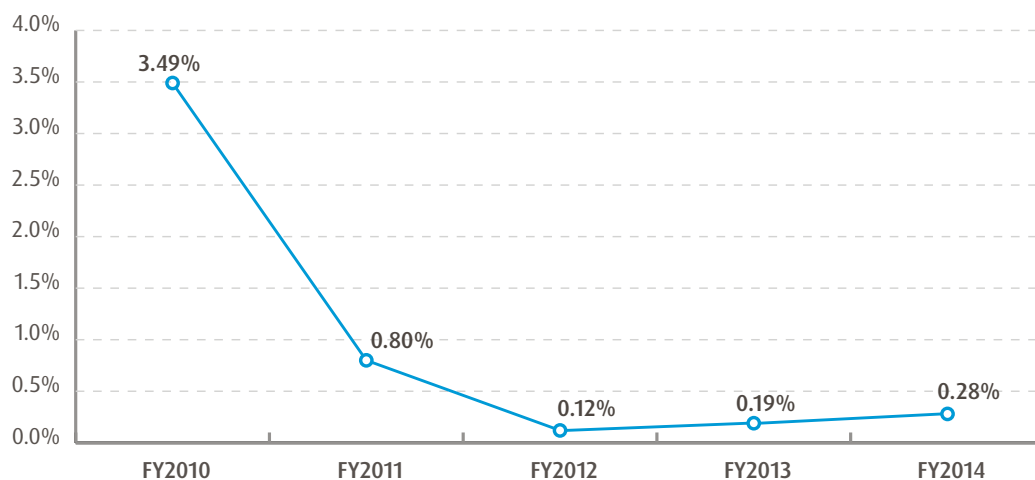
## Risk management and portfolio quality

As an NBFC, Bajaj Finance is exposed to credit risk, liquidity risk and interest rate risk. The Company has invested in people, processes and technology to mitigate risks posed by external environment and by its borrowers. It has in place a strong risk management team and an effective credit operations structure. Its risk management policies continue to segregate the functions of a Chief Risk Officer and a Chief Credit Officer to focus on portfolio management and underwriting respectively. Sustained efforts to strengthen the risk framework and portfolio quality have yielded significant results over the last few years.

The Company continues to invest in enhancing its risk management capabilities. In FY2014, Bajaj Finance established a Centre of Excellence for Analytics in partnership with a leading analytics company. Through this Centre and otherwise, BFL expects to substantially raise its risk management capabilities especially in the area of consumer lending risk management.

BFL's conservative approach to portfolio management and its rigorous portfolio review mechanism has enabled it to get early stress signals in the infrastructure sector and take corrective action in its infrastructure and construction equipment business. Bajaj Finance ended the year with a net NPA of 0.28%, which is among the lowest in the industry.

### BFL's net NPA over the last 5 years



## Asset Liability Management (ALM)

BFL had a total borrowing of ₹19,750 crore as on 31 March 2014. The Company's Asset-Liability Committee (ALCO), set-up in line with the guidelines issued by the RBI, monitors asset-liability mismatches to ensure that there are no imbalances or excessive concentrations on either side of the Balance Sheet. BFL continued to raise longer tenor borrowings in FY2014 as well. Another strategy adopted to keep a balanced ALM was to enter into strategic partnership with banks who are keen on good quality assets and assign long tenor receivables to them at mutually beneficial terms.

The Company has till date assigned ₹2,159 crore of its receivables including ₹775 crore assigned in FY2014. The net receivables due as on 31 March 2014 amounted to ₹1,090 crore. This takes the assets under management to ₹24,061 crore. Delinquency levels on the pools assigned till date are below 1%. The quality of assets so assigned has put the Company in an advantageous position to assign more receivables in future, which would help to maintain a strong ALM.

Given the growing scale of Bajaj Finance borrowings, the Company took a strategic step to set up a liquidity management desk to reduce its liquidity risk. This initiative should help mitigate volatile liquidity conditions in the coming years.

## Customer service

BFL continues to remain customer centric in its policies and practices. It invested in a leading global customer experience technology platform in FY2014. It provides its customers multi-channel options across call centre, IVR, online portal, branch and mobile applications. The Company serviced over 3.5 million customers in FY2014. It also annually benchmarks its customer service practices by seeking feedback through an independent customer service survey. BFL has seen substantial improvement on this metric over the last three years.

It is worth noting that BFL became the first NBFC to tie up with UIDAI to access the e-KYC customer database. This will substantially improve customer experience and should help grow the business in the upcoming year.

## Human resources

The Company continues to lay emphasis on people, its most valuable resource. In an increasingly competitive market for human resources, it seriously focuses on attracting and retaining the right talent. It provides equal opportunity to employees to deliver results. During FY2014, Bajaj Finance added 1,321 permanent employees, taking the total employee strength to 3,975.

In FY2014, BFL was recognised as among the top two employers in the Banking and Financial Services Industries (BFSI) space by Great Places to Work With (GPTW). It was also recognised as the only BFSI company by AON Hewitt in its ranking of the top 17 best employers in India in FY2014.

## Awards and Accreditation

- First prize for QIMPRO quality award for its 'Mortgage Easy Dox Project'.
- CMMI Level 3 certification for its back office processes by CMMI Institute.
- Recognised as top employer in India by Aon Hewitt and GPTW.

## Internal control systems and their adequacy

Bajaj Finance has an independent internal management assurance function which is commensurate with the size and scale of the Company. It evaluates the adequacy of all internal controls and processes, and ensures strict adherence to clearly laid down processes and procedures as well as to the prescribed regulatory and legal framework. The Company has further strengthened its internal audit function by investing in domain specialists to increase effectiveness of controls. The Audit Committee of the Board of Directors reviews the internal audit reports and the adequacy and effectiveness of internal controls.

## Fulfilment of RBI's norms and standards

Bajaj Finance fulfils and often exceeds norms and standards laid down by the RBI relating to the recognition and provisioning of non-performing assets, capital adequacy, statutory liquidity ratio, etc. The capital adequacy ratio of the Company is 19.14%, which is well above the RBI norm of 15%.

## Business outlook

Bajaj Finance Limited expects to maintain its performance in FY2015 and hopes to grow at a rate faster than the growth of bank credit. The approach would be to continue with the growth momentum while balancing risk. As before, it will continue to invest in strengthening risk management practices; and in maintaining its investment in technology and human resources to consolidate its position as a leading NBFC in India.

## Cautionary statement

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

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# Corporate Governance

The commitment of Bajaj Group to the highest standards of good corporate governance practices predates SEBI and clause 49 of the listing agreement. Transparency, fairness, disclosure and accountability are central to the working of the Bajaj Group. Bajaj Finance Limited (the Company) maintains the same tradition and commitment.

Given below are the Company's corporate governance policies and practices for FY2014. As will be seen, the Company's corporate governance practices and disclosures have gone well beyond complying with the statutory and regulatory requirements in accordance with the provisions of clause 49 of the listing agreement.

SEBI vide its circular No. CIR/CFD/POLICY CELL/2/2014 dated 17 April 2014 has notified the revised clause 49 of the listing agreement to be applicable with effect from 1 October 2014. This Report therefore states compliance against the previous clause 49 of the listing agreement, applicable for FY2014.

## Board of Directors

In keeping with the commitment of the management for the principle of integrity and transparency in business operations for good corporate governance, the Company's policy is to have an appropriate blend of independent and non – independent directors to maintain the independence of the Board and to separate the Board functions of governance and management.

## Composition

The Company has a non-executive chairman. According to clause 49, if the non-executive chairman is a promoter, at least one half of the Board of the Company should consist of independent directors.

As on 31 March 2014, the Board of the Company consisted of twelve directors, of whom eight were non-executive independent and four were non-executive non-independent. The Board has no institutional nominee directors. As Table 1 shows, the Company is in compliance with the guidelines.

## Non-executive directors' compensation

A sitting fee of ₹ 20,000 per meeting is paid to non-executive directors, including independent directors, for every meeting of the Board or committee of the Board attended by them.

In view of the increase in the liability, responsibilities and obligations of the non-executive directors with numerous changes taking place in the legal provisions concerning them and the higher responsibilities they are expected to bear in the interest of higher level of excellence in corporate governance, the Board of Directors at its meeting held on 27 March 2014 has increased, with effect from 1 April 2014, the amount of sitting fees from ₹ 20,000 to ₹ 50,000 per meeting of the Board and/or committee thereof attended.

The members of the Company vide a special resolution passed at the annual general meeting held on 17 July 2012 have by way of an enabling provision approved the payment of a sum not exceeding one percent of the net profits of the Company, calculated in accordance with the provisions of sections 198, 349 and 350 of the Companies Act, 1956, to one or more or all non-executive directors as may be decided by the Board of Directors at its discretion from time to time for a period of five years commencing from 1 April 2012.

The Board of Directors at its meeting held on 17 September 2012 has approved payment of commission to non-executive directors (independent and non-independent) at the rate of



₹ 50,000 per meeting of Board and/or committee attended by them with effect from 1 April 2012, subject to the aggregate being within the overall ceiling of one percent of the net profits.

The Board of Directors has also approved, at its meeting held on 27 March 2014, payment of an amount of ₹ 75,00,000 to Nanoo Pamnani, vice chairman, and non-executive independent director, as additional commission for the time devoted by him in attending to the business of the Company during FY2014.

The Company currently does not have a stock option plan for any of its directors.

## Board procedures

During FY2014, the Board of Directors met seven times: on 9 April 2013, 15 May 2013, 18 July 2013, 23 September 2013, 15 October 2013, 15 January 2014 and 27 March 2014. The gap between any two meetings has been less than four months.

## Attendance record of directors

**Table 1: Composition of the Board and attendance record of directors for FY2014**

Name of director	Category	No. of Board meetings attended	Whether attended AGM
Rahul Bajaj	Chairman, Non-executive	7	Yes
Nanoo Pamnani	Vice-Chairman, Non-executive, Independent	7	Yes
Sanjiv Bajaj	Vice-Chairman, Non-executive	7	Yes
Madhur Bajaj	Non-executive	7	Yes
Rajiv Bajaj	Non-executive	6	Yes
D S Mehta	Non-executive, Independent	6	Yes
D J Balaji Rao	Non-executive, Independent	6	Yes
Omkar Goswami	Non-executive, Independent	5	No
Dipak Poddar	Non-executive, Independent	7	Yes
Ranjan Sanghi	Non-executive, Independent	7	Yes
Rajendra Lakhota	Non-executive, Independent	7	Yes
Gita Piramal*	Non-executive, Independent	0	-

\* Appointed with effect from 27 March 2014

## Information supplied to the Board

In advance of each meeting, the Board is presented with relevant information on various matters related to the working of the Company, especially those that require deliberation at the highest level. Presentations are also made to the Board by the different functional heads on important matters from time to time. The directors have separate and independent access to officers of the Company.

In addition to items which are required to be placed before the Board for its noting and/or approval, information is provided on various significant items. In terms of quality and importance, the information supplied by management to the Board of the Company is far ahead of the list mandated under clause 49 of the listing agreement.

Pursuant to the requirement under the NBFC regulations, the following information is also being placed before the Board at regular intervals:

- i) Risk management system, risk management policy and strategy followed.
- ii) Compliance with the corporate governance standards.
- iii) Minutes of asset liability committee meetings.

## Directorships and memberships of Board committees

Table 2 gives the number of directorships and committee positions held by the directors of the Company.

**Table 2: Directorships/committee positions as on 31 March 2014**

Name of director	In listed companies	In unlisted public limited companies	Committee positions	
			As chairman	As member
Rahul Bajaj	4	2	–	–
Nanoo Pamnani	4	–	5	2
Sanjiv Bajaj	6	4	1	5
Madhur Bajaj	6	–	–	–
Rajiv Bajaj	4	1	–	1
D S Mehta	4	–	–	5
D J Balaji Rao	10	–	4	6
Omkar Goswami	8	2	2	8
Dipak Poddar	5	3	–	2
Ranjan Sanghi	3	3	2	3
Rajendra Lakhota	2	2	–	–
Gita Piramal	3	–	–	–

**Notes:** Private limited companies, foreign companies and companies under section 25 of the Companies Act, 1956 are excluded for the above purposes. Only audit committee and shareholders/investors grievance committee are considered for the purpose of committee positions as per listing agreement.

None of the directors was a member in more than ten committees nor a chairman in more than five committees across all companies in which he was a director.

## Review of legal compliance reports

During the year, the Board periodically reviewed legal compliance reports with respect to the various laws applicable to the Company, as prepared and placed before it by the management.

## Code of conduct

The Board has laid down a code of conduct for all Board members and Senior Management of the Company, which has been posted on the website of the Company. All the Board members and Senior Management personnel have affirmed compliance with the code for the year ended 31 March 2014. A declaration to this effect signed by the Chief Executive Officer (CEO) is given elsewhere in this Annual Report.

## Audit Committee

### Constitution and composition

With a view to comply with various requirements under the Companies Act and clause 49 of the listing agreement, the Board of Directors has set up an Audit Committee. The Board reviews the working of the Committee from time to time to bring about greater effectiveness in order to comply with the various requirements under the Companies Act, clause 49 of the listing agreement and NBFC regulations.

The terms of reference are extensive and go beyond what is mandated in clause 49 of the listing agreement, the Companies Act and under NBFC regulations. These broadly include review of financial statements, review of compliances and review of systems and controls.

Composition of the Committee as on 31 March 2014 was as under:

1. Nanoo Pamnani, Chairman
2. Sanjiv Bajaj
3. D S Mehta
4. Omkar Goswami
5. Ranjan Sanghi

In compliance with clause 49 of the listing agreement, four members of the audit committee including Chairman are independent directors. All the members are non-executive directors and are financially literate and have accounting or related financial management expertise.

### Meetings and attendance

During FY2014, the Audit Committee met four times:

15 May 2013, 18 July 2013, 15 October 2013 and 15 January 2014.

The meetings were scheduled well in advance. In addition to the members of the Audit Committee, these meetings were attended by the heads of finance and internal audit, executives considered necessary for providing inputs to the Committee and representatives of the statutory auditors. The company secretary acted as the secretary to the Audit Committee.

**Table 3: Composition of the Audit Committee and attendance record of members for FY2014**

Name of director	Category	Meetings attended
Nanoo Pamnani	Chairman, Non-executive and Independent	4
Sanjiv Bajaj	Non-executive	4
D S Mehta	Non-executive, Independent	4
Omkar Goswami	Non-executive, Independent	3
Ranjan Sanghi	Non-executive, Independent	4

## Disclosures

A summary statement of transactions with related parties was placed periodically before the Audit Committee during the year. During the year under review there were no materially significant related party transactions that may have potential conflict with the interest of the Company at large. Suitable disclosures have been made in the financial statements, together with the Management's explanation in the event of any treatment being different from that prescribed in accounting standards.

The Company has risk assessment and minimisation procedures which are periodically reviewed to ensure that Management identifies and controls risk through a properly defined framework.

### Details of capital market non-compliance, if any

There was no non-compliance by the Company of any legal requirements; nor has been any penalty/ies or stricture/s imposed on the Company by any stock exchange, SEBI or any statutory authority on any matter related to capital markets at any time in the past.

## Remuneration and Nomination Committee

The terms of reference of the Remuneration and Nomination Committee in brief pertain to, inter-alia, determining the Company's policy on and approve specific remuneration packages for executive director(s)/manager 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 members. The Committee also acts as a Nomination Committee, as per circular of RBI dated 8 May 2007, to ensure 'fit and proper' status of the directors to be appointed/re-appointed and recommend their appointment/re-appointment to the Board of Directors.

The Remuneration and Nomination Committee also acts as Compensation Committee for implementation of Employee Stock Option Scheme, 2009.

During the year, the Committee met three times on:

15 May 2013, 23 September 2013 and 27 March 2014.

**Table 4: Composition of the Remuneration and Nomination Committee and attendance record of members for FY2014**

Name of director	Category	Meetings attended
Nanoo Pamnani	Chairman, Non-executive and Independent	3
Rahul Bajaj	Non-executive	3
Sanjiv Bajaj	Non-executive	3
Omkar Goswami	Non-executive, Independent	2
Ranjan Sanghi	Non-executive, Independent	3
Rajendra Lakhotia	Non-executive, Independent	3

## Remuneration of directors

### Pecuniary relationship or transactions of non-executive directors

During the year under review, there were no material pecuniary relationships and transactions of any non-executive director with the Company.

### Criteria of making payments to non-executive directors

Non-executive directors of the Company play a crucial role in the independent functioning of the Board. They bring in an external perspective to decision-making and provide leadership and strategic guidance while maintaining objective judgment. They also oversee corporate governance framework of the Company.

The criteria of making payments to non-executive directors has been put on the Company's website [www.bajajfinserv.in/finance](http://www.bajajfinserv.in/finance)

### Non-executive directors

All non-executive directors are paid sitting fees and commission and one independent director is paid additional commission as separately stated in this report.

The Company currently has no stock option plans for any of its directors. During the year under review, none of the directors was paid any performance-linked incentive. In FY2014, the Company did not advance any loans to any of the non-executive directors. Table 5 gives details of the remuneration paid or payable to directors during FY2014.

**Table 5: Remuneration paid/payable to directors during FY2014 (exclusive of service tax):**

(Amount in ₹)

Name of director	Relationship with other directors	Sitting fees	Salary and perquisites	Commission for attending Board/committee meetings	Commission	Total
Rahul Bajaj	Father of Rajiv Bajaj and Sanjiv Bajaj	200,000	-	500,000	-	700,000
Nanoo Pamnani	-	300,000	-	750,000	7,500,000	8,550,000
Sanjiv Bajaj*	Son of Rahul Bajaj, brother of Rajiv Bajaj	-	-	-	-	-
Madhur Bajaj	-	140,000	-	350,000	-	490,000
Rajiv Bajaj	Son of Rahul Bajaj, brother of Sanjiv Bajaj	120,000	-	300,000	-	420,000
D S Mehta	-	220,000	-	550,000	-	770,000
D J Balaji Rao	-	120,000	-	300,000	-	420,000
Omkar Goswami	-	200,000	-	500,000	-	700,000
Dipak Poddar	-	140,000	-	350,000	-	490,000
Ranjan Sanghi	-	300,000	-	750,000	-	1,050,000
Rajendra Lakhotia	-	200,000	-	500,000	-	700,000
Gita Piramal**	-	-	-	-	-	-

\*Sanjiv Bajaj has refunded the remuneration received from the Company, as he was not entitled to the same pursuant to section 309(6) of the Companies Act, 1956, since he was in receipt of commission from Bajaj Finserv Limited, the holding company.

\*\* Appointed with effect from 27 March 2014.

## Details of shares and convertible instruments held by non-executive directors as on 31 March 2014

Name of director	Number of shares	Number of convertible instruments
Rahul Bajaj	18,600	–
Madhur Bajaj	18,600	–
Rajendra Lakhotia	100,054	–

## Management

### Management discussion and analysis

This is given as a separate chapter in this Annual Report.

### Disclosure of material transactions

Pursuant to clause 49 of the listing agreement, Senior Management is required to make disclosures to the Board relating to all material, financial and commercial transactions where they had (or were deemed to have had) personal interest that might have been in potential conflict with the interest of the Company.

## Shareholders

### Appointment and/or re-appointment of directors

The Board of Directors at its meeting held on 27 March 2014, appointed Gita Piramal as an additional director in the capacity of independent director of the Company pursuant to clause 49 of the listing agreement. Gita Piramal holds the office up to the date of the ensuing annual general meeting. The Company has received a notice under section 160 of the Companies Act, 2013, in respect of her candidature as a director at the ensuing annual general meeting. Necessary resolution is being proposed in the notice of the ensuing annual general meeting for the approval of the members for appointment of Gita Piramal as an independent director of the Company pursuant to section 149 of the Companies Act, 2013 for a term of 5 consecutive years with effect from 16 July 2014.

As on 31 March 2014, the Board of Directors of the Company comprised of Nanoo Pamnani, vice-chairman, D S Mehta, D J Balaji Rao, Omkar Goswami, Dipak Poddar, Ranjan Sanghi, Rajendra Lakhotia and Gita Piramal as independent directors pursuant to clause 49 of the listing agreement. Pursuant to section 149 of the Companies Act, 2013, the Board of Directors has, at its meeting held on 27 March 2014, appointed Nanoo Pamnani, vice-chairman, D S Mehta, D J Balaji Rao, Omkar Goswami, Dipak Poddar, Ranjan Sanghi and Rajendra Lakhotia as independent directors for a term of 5 consecutive years with effect from 1 April 2014. The requisite resolutions for approval of the members for their appointment as independent directors, are being proposed in the notice of the ensuing annual general meeting.

According to the Companies Act, 2013, at least two-thirds of the total number of directors (excluding independent directors) shall be liable to retire by rotation. For this purpose, considering the composition of the Board of Directors, the status of Rahul Bajaj, chairman, and Rajiv Bajaj, chairman, the non-retiring directors, has been changed to directors liable to retire

by rotation. Of the total number of directors liable to retire by rotation, one third are required to retire every year and, if eligible, may seek re-appointment by the shareholders. Accordingly Rahul Bajaj, chairman, being the longest in the office amongst the three directors liable to retire by rotation, retires from Board by rotation at the ensuing annual general meeting and, being eligible, has offered his candidature for re-appointment. Necessary resolution for this purpose is being proposed in the notice of the ensuing annual general meeting for the approval of the members.

Brief resume of directors who are proposed to be appointed/re-appointed as director, is given in the notice convening the ensuing annual general meeting of the Company.

## Communication to shareholders

Quarterly, half yearly and annual financial results are published in Business Standard (all editions) and Kesari (Pune edition) along with the official press release. An abridged version of the financial results is also published in Mint (all editions), Hindustan Times (all editions), Hindu Business Lines (all editions) and Economic Times (all editions). The Company also sends the half-yearly financial results, along with a detailed write-up, to all shareholders.

The Company has a website [www.bajajfinserv.in/finance](http://www.bajajfinserv.in/finance) which contains all important public domain information including presentations made to the media, analysts and institutional investors. The website also contains information on matters concerning the shareholders and details of the corporate contact persons. All financial and other vital official news releases are also communicated to the concerned stock exchanges, besides being placed on the Company's website.

The Company also files the following information, statements, reports on websites specified by BSE Limited and National Stock Exchange of India Limited.

- Full version of the Annual Report including the Balance Sheet, Statement of Profit and Loss, Directors' Report and Auditors' Report, Cash Flow Statement and quarterly financial statements
- Corporate Governance Report
- Shareholding pattern

## Shareholders/Investors Grievance Committee

The Shareholders/Investors Grievance Committee has been constituted to specifically look into the shareholders/investors complaints on matters relating to transfer of shares, non-receipt of Annual Report, non-receipt of dividend etc. In addition, the Committee also looks into matters that can facilitate better investor services and relations.

Composition of the Committee as on 31 March 2014 was as under:

1. Sanjiv Bajaj, Chairman
2. Nanoo Pamnani
3. D S Mehta
4. Ranjan Sanghi

Anant Damle, company secretary has been appointed as compliance officer of the Company. During the year under review, the Committee met on 27 March 2014 to, *inter alia*, review the status of investors' services rendered. The secretarial auditors as well as the company secretary were also present. All the members of this Committee attended the meeting. The details regarding the shareholders' complaints received, not solved and pending are given in the 'General Shareholder Information' in this Annual Report.

## Unclaimed shares

According to clause 5A of listing agreement a demat account has been opened titled "Bajaj Finance Limited – Unclaimed Suspense Account" with HDFC Bank Limited, Pune to which nine hundred shares pertaining to nine members were transferred. These shares will be transferred to the concerned members on lodgment of the claim, after proper verification. Till such time, the voting rights on these shares will remain frozen. As of date, none of the said nine members have claimed their shares.

## Information on general body meetings

The last three annual general meetings of the Company were held at the registered office of the Company at Akurdi, Pune 411 035 on the following dates and time:

24th AGM	13 July 2011	at 12 noon
25th AGM	17 July 2012	at 12 noon
26th AGM	18 July 2013	at 12 noon

### Details of special resolution(s) passed at the last three years' annual general meetings (AGM) and postal ballot

I. Special resolution passed in the previous three annual general meetings:

At the 26th AGM held on 18 July 2013, no special resolution was passed.

At the 25th AGM held on 17 July 2012, two special resolutions were passed pertaining to:

- a) Raising of funds through issue of securities
- b) Payment of commission to non-executive directors

At the 24th AGM held on 13 July 2011, three special resolutions were passed pertaining to:

- a) Issue of equity shares to qualified institutional buyers
- b) Preferential issue of warrants to the promoter, Bajaj Finserv Limited, and
- c) Re-appointment of Rajeev Jain as 'Manager' under the Companies Act, 1956

II. Following two special resolutions were passed by the shareholders through postal ballot on 13 March 2014:

- a) Under section 180(1)(c) of the Companies Act, 2013, for increase in the borrowing powers of the Board of Directors from ₹ 20,000 crore to ₹ 30,000 crore
- b) Under section 180(1)(a) of the Companies Act, 2013, for creation of mortgages, charges, liens, hypothecation and/or other securities on the properties of the Company upto maximum of ₹ 30,000 crore



Shyamprasad D. Limaye, practising company secretary, was appointed as scrutinizer for conducting the postal ballot process in a fair and transparent manner. Details of voting on the aforesaid resolutions are as follows:

Resolution	Votes [No. of shares and (%)]	
	In favour	Against
a) under section 180(1)(c) of the Companies Act, 2013	3,70,05,482 (95.62%)	16,93,503 (4.38%)
b) under section 180(1)(a) of the Companies Act, 2013	3,69,97,891 (95.60%)	16,93,608 (4.38%)

III. No special resolution is proposed to be passed through postal ballot at this annual general meeting.

## CEO/CFO certification

Since CFO of the Company has resigned from the services of the Company, only the CEO has certified to the Board with regard to the financial statements and other matters as required by clause 49 of the listing agreement. The certificate is contained in this Annual Report.

## Report on corporate governance

This chapter, read together with the information given in the chapters on 'Management Discussion and Analysis' and 'General Shareholder Information', constitute the compliance report on corporate governance during FY2014. The Company duly submits the quarterly compliance report to the stock exchanges.

## Auditors' certificate on corporate governance

The Company has obtained a certificate from its statutory auditors regarding compliance with the provisions relating to corporate governance laid down in clause 49 of the listing agreement. This certificate is annexed to the Directors' Report and will be sent to the stock exchanges along with the Annual Report.

## Compliances regarding insider trading

Comprehensive guidelines in accordance with the SEBI regulations are in place. The code of conduct and corporate disclosure practices framed by the Company has helped in ensuring compliance with the requirements.

## Compliance of mandatory and non-mandatory requirements under clause 49

### Mandatory

The Company has complied with all the mandatory requirements of clause 49 of the listing agreement.

## Non-mandatory

The Company has also complied with most of the non-mandatory requirements as under:

### **The Board**

A chairman's office has been made available for the non-executive chairman. All independent directors of the Company, except D S Mehta, Ranjan Sanghi and Rajendra Lakhota have tenures not exceeding a period of 9 (nine) years on the Board. The Board believes that their contribution on the Board is in the Company's interest.

### **Remuneration Committee**

The Company has a Remuneration Committee. A detailed note on this Committee is given elsewhere in this report.

### **Shareholder rights**

A half-yearly declaration of financial performance, including summary of significant events in the preceding six months, is sent to all shareholders.

### **Audit qualifications**

There are no qualifications on the financial statements of the Company for FY2014.

### **Whistle blower policy**

The Company has whistle blower policy. This policy is to enable employees to report to the management their concerns about unethical behaviour, actual or suspected fraud or violation of Company's code of conduct or ethics policy. This mechanism provides safeguards against victimisation of employees, who avail of the mechanism. This also provides for direct access to the chairman of the audit committee in exceptional cases. The policy has been appropriately communicated to the employees within the organisation. The same has been put on the Company's website [www.bajajfinserv.in/finance](http://www.bajajfinserv.in/finance)

None of the employees has been denied access to the audit committee under this policy during the year under review.



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# General Shareholder Information

## 27th Annual General Meeting

Date	16 July 2014
Time	12 Noon
Venue	Registered office of the Company at Akurdi, Pune – 411 035

## Financial calendar for FY2015

Unaudited first quarter financial results	July 2014
Unaudited second quarter financial results	October 2014
Unaudited third quarter financial results	January 2015
Audited annual results	May 2015
Mailing of Annual Reports	June 2015
Annual general meeting	July 2015

## Dividend

The Board of Directors of the Company has proposed a dividend of ₹ 16 per equity share of the face value of ₹ 10 (160%) for FY2014, subject to approval by the members at the annual general meeting. Dividend paid in the previous year was ₹ 15 per equity share (150%).

## Dates of book closure

The register of members and share transfer books of the Company will remain closed from Saturday, 5 July 2014 to Wednesday, 16 July 2014 (both days inclusive).

## Date of dividend payment

Dividend on equity shares, if declared, at the annual general meeting, will be credited/dispatched between Monday, 21 July 2014 to Wednesday, 23 July 2014 as under:

- to all those beneficial owners holding shares in electronic form, as per the ownership data made available to the Company by National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL) as of the end-of-the day on Friday, 4 July 2014; and
- to all those members holding shares in physical form, after giving effect to all the valid share transfers lodged with the Company/share transfer agent (i.e. Karvy Computershare Private Limited) on or before the closing hours on Friday, 4 July 2014.

## Payment of dividend

Dividend will be paid by account payee/non-negotiable instruments or through the National Electronic Clearing Service (NECS)/Electronic Clearance Service (ECS), as notified by the SEBI through the stock exchanges. In view of the significant advantages and the convenience, the Company will continue to pay dividend through NECS wherever the facility is available to cover maximum number of members, as per applicable guidelines. Members are advised to refer to the notice of the annual general meeting for details of action required to be taken by them in this regard. For additional details or clarifications, members are welcome to contact the secretarial department of the Company.

## Unclaimed dividend

Unclaimed dividends upto FY1995 have been transferred to the general revenue account of the Central Government. Members who have not encashed their dividend warrants for the period prior to and including FY1995 are requested to claim the amount from Registrar of Companies, Maharashtra, Pune, PMT Building, Deccan Gymkhana, Pune 411 004.

Pursuant to section 205C of the Companies Act, 1956, any amount transferred by the Company to the unpaid dividend account and remaining unclaimed for a period of seven years from the date of such transfer shall be transferred to a fund called the Investor Education and Protection Fund set up by the Central Government. Accordingly, the unpaid/unclaimed dividend amounts for FY1996 to FY2006 were transferred by the Company to the said fund in the years 2003 to 2013, respectively.

Unpaid/unclaimed dividend for FY2007 shall become transferable to the said fund in September 2014. Members are requested to verify their records and send claim, if any, for FY2007, before the amount becomes due for transfer to the fund.

Pursuant to Investor Education and Protection Fund (Uploading of information regarding unpaid and unclaimed amounts lying with companies) Rules, 2012, the Company has uploaded the details of unclaimed dividend, unclaimed deposits and unclaimed interest on deposits, unclaimed interest on debentures and unclaimed share application money on the website of the Company [www.bajajfinserv.in/finance](http://www.bajajfinserv.in/finance) as well as the website specified by the Ministry of Corporate Affairs <http://www.iepf.gov.in/IEPF/services.html>

## Registrar and share transfer agent

The Company has appointed Karvy Computershare Private Limited, Hyderabad, as its share transfer agent. All physical transfers, transmission, transposition, issue of duplicate share certificate/s, issue of demand draft/s in lieu of dividend warrant/s etc. as well as requests for dematerialisation/rematerialisation are being processed at Karvy Computershare Private Limited. The work related to dematerialisation/rematerialisation is handled by Karvy Computershare Private Limited through its connectivity with National Securities Depository Limited and Central Depository Services (India) Limited.

## Share transfer system

Share transfers received by the Company and the share transfer agent are registered within 12 working days from the date of receipt, provided the documents are complete in all respects. Total number of shares transferred in physical category during FY2014 were 5,270 shares versus 5,666 shares during FY2013.

## Dematerialisation of shares

During FY2014, 21,875 shares were dematerialised compared to 34,047 shares during FY2013. Distribution of shares as on 31 March 2014 is given in Table 1.

**Table 1: Shares held in physical and electronic mode**

Particulars	Position as on 31 March 2014		Position as on 31 March 2013		Net change during FY2014	
	No. of shares	% of total shares	No. of shares	% of total shares	No. of shares	% of total shares
Physical	383,767	0.77	405,642	0.82	(21,875)	(0.05)
Demat:						
NSDL	48,882,376	97.49	48,550,107	97.53	332,269	(0.04)
CDSL	876,191	1.75	822,585	1.65	53,606	0.10
Sub Total	49,758,567	99.24	49,372,692	99.18	385,875	0.05
<b>Total</b>	<b>50,142,334</b>	<b>100.00</b>	<b>49,778,334</b>	<b>100.00</b>	<b>364,000</b>	

## Stock code

1. BSE Limited	500034
2. National Stock Exchange of India Limited	BAJFINANCE – EQ
3. ISIN for depositories (NSDL and CDSL)	INE296A01016

## Listing on stock exchanges

Name	Address
1 BSE Limited (BSE)	1st Floor, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001
2 National Stock Exchange of India Limited (NSE)	Exchange Plaza, Bandra – Kurla Complex, Bandra (E), Mumbai 400 051

Annual listing fees, as prescribed, have been paid to the above stock exchanges upto 31 March 2015.

## Market price data

Table 2 gives the monthly highs and lows of the Company's shares on the BSE Limited (BSE) and the National Stock Exchange of India Limited (NSE).

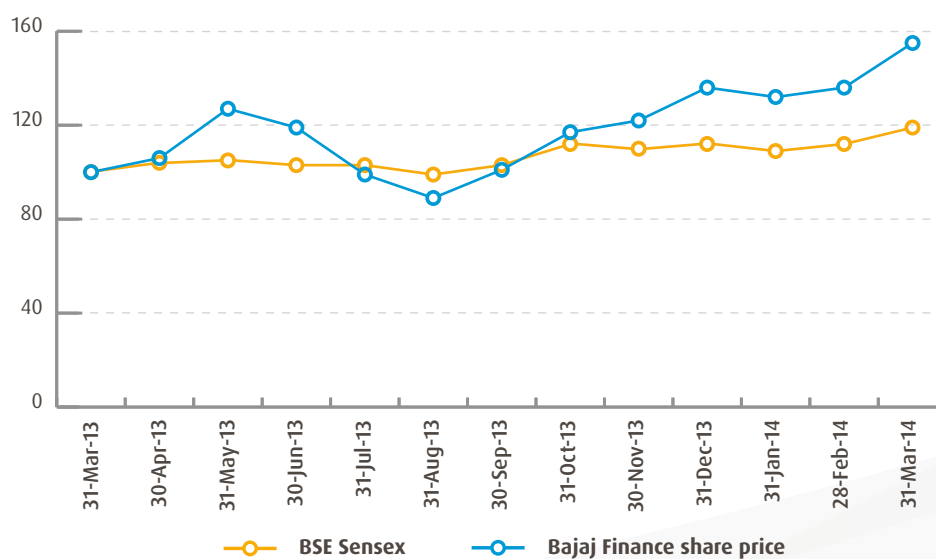
**Table 2: Monthly highs and lows of Bajaj Finance Limited shares during FY2014 (₹ vis-a-vis BSE Sensex)**

Month	BSE		NSE		Closing BSE Sensex
	High (₹)	Low (₹)	High (₹)	Low (₹)	
Apr - 13	1,290.35	1,107.10	1,290.50	1,110.70	19,504.18
May - 13	1,581.35	1,232.90	1,581.15	1,242.30	19,760.30
Jun - 13	1,500.90	1,351.90	1,503.35	1,341.50	19,395.81
Jul - 13	1,479.25	1,145.10	1,481.15	1,143.95	19,345.70
Aug - 13	1,243.25	985.30	1,244.00	984.25	18,619.72
Sept - 13	1,285.15	985.50	1,292.85	985.80	19,379.77
Oct - 13	1,350.65	1,154.15	1,353.05	1,155.50	21,164.52
Nov - 13	1,435.40	1,344.65	1,437.80	1,341.10	20,791.93
Dec - 13	1,574.25	1,404.65	1,581.25	1,406.20	21,170.68
Jan - 14	1,597.10	1,489.60	1,596.85	1,491.75	20,513.85
Feb - 14	1,568.65	1,467.70	1,571.50	1,465.60	21,120.12
Mar - 14	1,790.05	1,554.40	1,797.70	1,557.60	22,386.27

**Chart: Performance in comparison to BSE Sensex**

**Bajaj Finance Limited stock performance vs BSE Sensex, indexed to 100 on 31 March 2013**

**Bajaj Finance Limited vs BSE Sensex**



## Distribution of shareholding

Table 3 gives details about the pattern of shareholding among various categories as on 31 March 2014 and 31 March 2013, while Table 4 gives the data according to size classes as on 31 March 2014.

**Table 3: Distribution of shareholding across categories**

Categories	31 March 2014		31 March 2013	
	No. of Shares	% to total capital	No. of Shares	% to total capital
Promoters and Promoter Group	30,895,057	61.61	30,895,057	62.07
Resident Individuals	5,467,927	10.90	5,810,069	11.67
Domestic Companies	3,630,885	7.24	3,627,374	7.29
Financial Institutions/Banks/Mutual Funds	3,810,296	7.60	5,576,135	11.20
Foreign Institutional Investors	5,856,833	11.68	3,450,185	6.93
Non Resident Individuals	393,321	0.79	348,283	0.70
Others	88,015	0.18	71,231	0.14
<b>Total</b>	<b>50,142,334</b>	<b>100.00</b>	<b>49,778,334</b>	<b>100.00</b>

**Table 4: Distribution of shareholding according to size class as on 31 March 2014**

Range of holding	No. of members	% to total members	No. of shares held	% to total shares
1 – 100	12,299	66.26	641,110	1.28
101 – 500	4,662	25.12	974,227	1.94
501 – 1000	633	3.41	466,106	0.93
1001 – 10000	766	4.13	2,230,052	4.45
10001 – 50000	134	0.72	2,898,094	5.78
50001 – 100000	34	0.18	2,441,477	4.87
100001 and above	33	0.18	40,491,268	80.75
<b>Total</b>	<b>18,561</b>	<b>100.00</b>	<b>50,142,334</b>	<b>100.00</b>

## Shareholders and investors grievances

Shareholders/Investors Grievance Committee constituted by the Board of Directors, consisting of four directors, specifically looks into the shareholders/investors complaints on various matters. Queries/complaints received from members are promptly attended to and replied. Queries/complaints received during FY2014 related to non-receipt of shares/non-receipt of dividend. As on 31 March 2014, there were nil pending grievances.

During FY2014, ten complaints were received on various matters, which were duly resolved and no action remained to be taken.



## Nomination

Individual member holding shares in physical form can nominate a person in whose name the shares are to be transferred in the case of death. Members can avail the nomination facility by submitting the prescribed nomination form SH-13 (a copy of which is placed on the website of the Company [www.bajajfinserv.in/finance](http://www.bajajfinserv.in/finance)) to the registrar and transfer agent of the Company. The nomination form will be sent by registrar and transfer agent upon request. Nomination facility for shares held in electronic form is available with depository participant as per the bye-laws and business rules applicable to NSDL and CDSL.

## Outstanding convertible instruments/ ADR/GDR/warrants

The Company does not have any outstanding convertible instruments/ADR/GDR/warrants as on date.

## Address for correspondence

Investors and members can correspond with the share transfer agent or the Company at the following address:

### Share Transfer Agent

#### Karvy Computershare Private Limited

Unit: Bajaj Finance Limited  
Plot No.17 to 24, Near Image Hospital,  
Vittalrao Nagar, Madhapur,  
Hyderabad – 500 081

#### Contact persons

M S Madhusudhan  
Mohd.Mohsinuddin  
Tel No. (040) 44655000, Extn. 5152  
Fax No. (040) 44655024  
E-mail id: [mohsin.mohd@karvy.com](mailto:mohsin.mohd@karvy.com)  
Website: [www.karvy.com](http://www.karvy.com)

## Company

#### Registered Office

Akurdi, Pune – 411 035.

#### Corporate Office

Secretarial Department  
4th Floor, Bajaj Finserv Corporate Office,  
Off Pune – Ahmednagar Road,  
Viman Nagar, Pune 411 014  
Phone No. (020) 30405060  
Fax No. (020) 30405020/30  
E-mail id: [investor.service@bajajfinserv.in](mailto:investor.service@bajajfinserv.in)  
Website: [www.bajajfinserv.in/finance](http://www.bajajfinserv.in/finance)

## Additional information

1. The Company, during FY2014, has not sanctioned any loan to any of the directors and there is no outstanding towards loans to directors as on date.
2. None of the employees of the Company is related to any of the directors of the Company.
3. 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 FY2014.
4. Profile of fixed deposits as on 31 March 2014 was as under:

Period of deposit (months)	No. of depositors	Amount (₹ In Crore)	% to total deposits
12	1,447	47.56	22.57
24	387	8.63	4.10
36	6,143	148.38	70.42
48	12	0.22	0.10
60	250	5.92	2.81
<b>Total</b>	<b>8,239</b>	<b>210.71</b>	<b>100.00</b>

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# Directors' Report

The directors present their twenty seventh Annual Report and the audited statement of accounts for FY2014. Since this report pertains to financial year that commenced prior to 1 April 2014 the contents herein are governed by the relevant provisions/schedules/rules of the Companies Act, 1956, in compliance with General Circular No.08/2014 dated 4 April 2014 issued by the Ministry of Corporate Affairs.

## Business performance

The gross deployments of the Company for FY2014 were ₹ 26,024 crore as against ₹ 19,367 crore for FY2013.

## Financial results

Particulars	(₹ In Crore)	
	FY2014	FY2013
Income from Operations	4,031.42	3,092.01
Other Income	41.91	17.65
Total Income	4,073.33	3,109.66
Expenses	1,121.93	831.07
Loan Losses and Provisions	257.81	181.75
Finance Costs	1,573.24	1,205.68
Depreciation	29.19	19.56
Total Expenditure	2,982.17	2,238.06
Profit Before Taxation	1,091.16	871.60
Tax Expenses	372.15	280.29
Profit for the year after Taxation	719.01	591.31
Balance brought forward from previous year	764.36	441.31
Profit available for appropriations	1,483.37	1,032.62
<b>Appropriations:</b>		
Transfer to Reserve Fund	(144.00)	(119.00)
Transfer to General Reserve	(72.00)	(60.00)
Transfer to Infrastructure Reserve	(1.60)	(1.90)
Provision for Proposed Dividend	(80.23)	(74.67)
Provision for Dividend Tax	(13.63)	(12.69)
<b>Balance carried to Balance Sheet</b>	<b>1,171.91</b>	<b>764.36</b>

## Dividend

The directors recommend for the consideration of the members at the ensuing annual general meeting, payment of dividend of ₹ 16 per share of the face value of ₹ 10 (160%) for FY2014. The amount of dividend and tax thereon aggregate to ₹ 93.86 crore.

Dividend paid for FY2013 was ₹ 15 per share (150%). The amount of dividend and tax thereon aggregated to ₹ 87.36 crore.

## Increase in borrowing powers

During FY2014, pursuant to section 180(1)(c) of the Companies Act, 2013 and the Companies (Passing of the Resolution by Postal Ballot) Rules, 2011, the Company increased the limit on the borrowing powers of the Board of Directors from ₹ 20,000 crore to ₹ 30,000 crore, to meet its growing business needs.

## Working results

The Company, during FY2014, deployed an amount of ₹ 26,024 crore. As against this, during FY2013, the total amount deployed was ₹ 19,367 crore.

The receivables under financing activity as on 31 March 2014 were ₹ 22,971 crore as compared to ₹ 16,744 crore as on 31 March 2013, an increase of 37% over the previous year.

Total income during FY2014 increased to ₹ 4,073 crore from ₹ 3,110 crore during FY2013, an increase of 31% over the previous year.

The profit before tax for FY2014 was ₹ 1,091 crore, as against ₹ 872 crore in FY2013, an increase of 25% over the previous year. The profit after tax for the year was ₹ 719 crore as compared to ₹ 591 crore in FY2013, an increase of 22% over the previous year. This has been due to the Company's healthy net interest margins, operating efficiencies and prudent risk management.

The Company's current provisioning standards are more stringent than Reserve Bank of India (RBI) prudential norms. In line with its conservative approach, the Company continues to strengthen its provisioning norms beyond the RBI regulation by accelerating the provisioning to an early stage of delinquencies based on the past experience and emerging trends. Consequently, the additional provision over RBI norms and existing provisioning policies aggregates ₹ 38.4 crore for FY2014.

The Company had an excellent year aided by strong volume growth in consumer lending and SME lending. Commercial lending declined due to the Company's cautious stance on the infrastructure sector. During FY2014, the Company launched various new products and variants to strengthen its business model and continue its strong growth momentum.

The Company's loan loss and provisions increased from ₹ 182 crore in FY2013 to ₹ 258 crore in FY2014 taking into account the increased business. The current year loan loss provisions also included an accelerated provisioning of ₹ 38.4 crore to strengthen its provisioning standards. The Company ended FY2014 with a net NPA of 0.28%.

## Share capital

During FY2014, the Company allotted 364,000 equity shares to the trustees of BFL Employee Welfare Trust under Employee Stock Option Scheme, 2009.

As on 31 March 2014, the paid-up share capital of the Company stood at ₹ 501,423,340 consisting of 50,142,334 equity shares of face value of ₹ 10 each fully paid-up.

## Operations

The operations of the Company are elaborated in the annexed 'Management Discussion and Analysis Report'.

## Conservation of energy and technology absorption

The Company, being a non-banking finance company (NBFC), does not have any manufacturing activity. The directors, therefore, have nothing to report on 'conservation of energy and technology absorption'.

## Foreign currency

Foreign currency expenditure amounting to ₹ 4.41 crore (FY2013 ₹ 2.77 crore) was incurred during FY2014. The Company did not have any foreign exchange earnings.

## Employee stock option scheme

Details required to be provided under Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as amended, are set out in the annexure to this report.

## Fixed deposits

During FY2014, the Company launched a new fixed deposit programme at competitive rates of interest and has received ₹ 210.71 crore as of 31 March 2014.

There were no deposits which had matured but remained unclaimed.

## Credit rating

Despite a tough economic environment, the Company retained all its credit ratings owing to high capital adequacy, strong promoter support, tightened credit acceptance criteria and robust asset-liability management.

CRISIL has re-affirmed the highest rating of "FAAA/Stable" for the fixed deposit programme of the Company. ICRA ratings has also assigned "MAAAA/Stable" rating to the fixed deposit programme of the Company. These ratings indicate highest degree of safety with regard to timely payment of interest and principal. The Company is one of the very few NBFCs which enjoys the highest rating for its Fixed Deposit programme.

The Company also enjoys the highest rating of "CRISIL A1+" from CRISIL and "(ICRA) A1+" from ICRA for its short term debt programme for ₹ 3,500 crore and ₹ 2,000 crore respectively.

The long term non-convertible debentures have been assigned "CRISIL AA+/Stable" rating by CRISIL and "[ICRA] AA+(Stable)" by ICRA indicating high degree of safety with regard to timely payment of interest and principal for an amount of ₹ 3,350 crore and ₹ 3,000 crore respectively.

The Company has also been assigned "CRISIL AA+/Stable" rating by CRISIL and "[ICRA] AA+(Stable)" by ICRA for ₹ 700 crore lower tier-II bond programme.

As regards the bank loan ratings for the bank facilities stipulated by RBI, as a part of BASEL II guidelines, CRISIL has assigned "CRISIL AA+/Stable" rating for the Company's cash credit/working capital demand loan amounting to ₹ 2,050 crore and long term bank facilities amounting to ₹ 12,425 crore and "CRISIL A1+" rating for the short term bank facilities amounting to ₹ 1,525 crore.

## RBI guidelines

The Company continues to fulfill 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 15%, the capital adequacy ratio of the Company was 19.14% as on 31 March 2014.

In line with the RBI guidelines for asset-liability management (ALM) system for NBFCs, the Company has an asset-liability committee which meets monthly to review its ALM risks and opportunities.

## Corporate social responsibility

Section 135 of the Companies Act, 2013 along with the Rules thereunder and revised Schedule VII to the Act, concerning corporate social responsibility (CSR), have been notified on 27 February 2014 to come into effect from 1 April 2014.

The Company being covered under the provisions of the said section has taken necessary initial steps in this regard. A committee of the directors, titled 'Corporate Social Responsibility Committee', has been formed by the Board in its meeting held on 27 March 2014, consisting of the following Directors:

Rahul Bajaj, Chairman  
Nanoo Pamnani, Member  
Sanjiv Bajaj, Member

The Committee has formulated CSR policy for the Company and is in the process of finalisation of its implementation plan.

The said section being enacted with effect from 1 April 2014, necessary details as prescribed under the said section shall be presented to the members in the Annual Report for the year 2014-15.

Even when the said provisions were not mandated by the Ministry of Corporate Affairs, the Bajaj group continued its CSR initiatives in various fields, during the year 2013-14. Activities in this area are set out in detail in the annexed CSR Report.

## Directors

During FY2014 Sanjiv Bajaj, non-executive director, was elevated to the position of non-executive vice-chairman of the Company.

The Board of Directors at its meeting held on 27 March 2014, appointed Gita Piramal as an additional director in the capacity of independent director of the Company pursuant to clause 49 of the listing agreement. Gita Piramal will hold the office up to the date of the ensuing annual general meeting. The Company has received a notice under section 160 of the Companies Act, 2013, in respect of her candidature as a director at the ensuing annual general meeting. Necessary resolution is being proposed in the notice of the ensuing annual general meeting for the approval of the members for appointment of Gita Piramal as an independent director of the Company for a term of 5 consecutive years with effect from 16 July 2014 pursuant to section 149 of the Companies Act, 2013.

Pursuant to section 149 of the Companies Act, 2013, the Board of Directors has, at its meeting held on 27 March 2014, appointed the existing independent directors in terms of clause 49 of the listing agreement Nanoo Pamnani, vice-chairman, D S Mehta, D J Balaji Rao, Omkar Goswami, Dipak Poddar, Ranjan Sanghi and Rajendra Lakhota as independent directors for a term of 5 consecutive years with effect from 1 April 2014. The requisite resolutions for approval of their appointment as independent directors, are being proposed in the notice of the ensuing annual general meeting for the approval of the members.

According to the Companies Act, 2013, at least two-thirds of the total number of directors (excluding independent directors) shall be liable to retire by rotation. For this purpose, considering the composition of the Board of Directors, the status of Rahul Bajaj, chairman, and Rajiv Bajaj, the non-retiring directors, has been changed to directors liable to retire by rotation.

Rahul Bajaj, chairman, being the longest in the office amongst the three directors liable to retire by rotation, retires from the Board by rotation this year and, being eligible, has offered his candidature for re-appointment. Necessary resolution for this purpose is being proposed in the notice of the ensuing annual general meeting for the approval of the members.

As required under clause 49 of the listing agreement with the stock exchanges, the information on the particulars of directors proposed for appointment/re-appointment has been given in the notice of annual general meeting.

## Directors' responsibility statement

In compliance of section 217(2AA) of the Companies Act, 1956, the directors state that:

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) 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;
- (iii) 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;
- (iv) the directors have prepared the annual accounts on a going concern basis.

## Presentation of financial statements

The financial statements of the Company for the year ended 31 March 2014, as in the previous year, have been disclosed as per the revised schedule VI to the Companies Act, 1956, pursuant to notification dated 28 February 2011 and General Notice No.8/2014 dated 4 April 2014 issued by the Ministry of Corporate Affairs.

## Statutory disclosures

As required under the provisions of section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, particulars of employees are set out in the annexure to the Directors' Report. As per the provisions of section 219(1)(b)(iv) of the said Act, this report is being sent to all the members excluding the particulars of the employees. These particulars will be made available to any member on request.

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 (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 FY2014 is attached to the Balance Sheet.

During the year under review, pursuant to the new legislation "Prevention, Prohibition and Redressal of Sexual Harassment of Women at Workplace Act 2013" introduced by the Government of India, which came into effect from 9 December 2013, the Company has framed a Policy on Prevention of Sexual Harassment at Workplace. There were three cases reported during the year and the Sexual Harassment Committee formed by the Company under this Act found one employee to be guilty. The concerned employee was dismissed from services of the Company immediately.



## 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'.

SEBI vide its circular no. CIR/CFD/POLICY CELL/2/2014 dated 17 April 2014 has notified the revised clause 49 of the listing agreement to be applicable with effect from 1 October 2014. This report therefore stands complied against the previous clause 49 of the listing agreement.

All Board members and Senior Management personnel have affirmed compliance with the code of conduct for FY2014. A declaration to this effect signed by the Chief Executive Officer (CEO) of the Company is contained in this Annual Report.

The CEO has certified to the Board with regard to the financial statements and other matters as specified in clause 49 of the listing agreement and the said certificate is included in this Annual Report.

## Secretarial standards of ICSI

Secretarial standards issued by the Institute of Company Secretaries of India from time to time are currently recommendatory in nature. The Company is, however, complying with most of the same.

## Auditors' report

The observations made in the auditors' report read with the relevant notes thereon are self-explanatory and hence, do not call for any further comments under section 217 of the Companies Act, 1956.

## Auditors

The directors recommend the appointment of Dalal & Shah, Chartered Accountants, as auditors for the period from the conclusion of the ensuing 27th annual general meeting till the conclusion of the 30th annual general meeting and fixation of their remuneration for the year 2014-15.

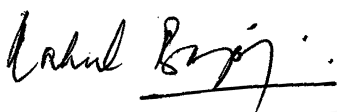
The Company has received a written consent from Dalal & Shah, Chartered Accountants, to their proposed appointment as auditors of the Company, along with a certificate to the effect that the appointment, if made, shall be in accordance with the prescribed conditions and that the firm is not disqualified for the proposed appointment under the Companies Act, 2013.

## Acknowledgement

The Board of Directors takes the opportunity to express its sincere appreciation for the support and co-operation from its members, Reserve Bank of India, banks, financial institutions and the debenture trustees.

The Board of Directors also place on record its sincere appreciation of the commitment and hard work put in by the Management and employees of the Company and thank them for another excellent year.

On behalf of the Board of Directors



Rahul Bajaj  
Chairman

Pune: 14 May 2014

## Annexure to the Directors' Report

Disclosure pursuant to the provisions of Securities and Exchange Board of India (Employee Stock Option and Employee Stock Purchase Scheme) Guidelines, 1999, as on 31 March 2014

1.	Options granted	1,609,080
2.	Pricing formula	Closing market price one day prior to the date of Grant on the stock exchange with the highest trading volume subject to the condition that exercise price will not be less than the face value of the shares
3.	Options vested	240,332
4.	Options exercised	393,419
5.	Total number of shares arising as a result of exercise of options	393,419
6.	Options lapsed/cancelled	116,824
7.	Variation of terms of options	Nil
8.	Money realised by exercise of options	₹ 23.37 Crore
9.	Total number of options in force	1,098,837
10.	Employee wise details of options granted	
	(i) Senior managerial personnel	
	Sr. No. Name	No. of options granted in
		Grant I Grant II Grant III Grant IV Grant V Grant VI
	1. Rajeev Jain	39,000 39,000 31,700 37,500 43,880 Nil
	(ii) Any other employee who receives a grant in any one year of option amounting to 5% or more of options granted during the year	Nil
	(iii) Identified employees who were granted options, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	Nil
11.	Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of options calculated in accordance with Accounting Standard (AS) 20 'Earning Per Share'	₹ 143.65
12.	Where the Company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognised if it had used the fair value of the options, shall be disclosed. The impact of this difference on profits and on EPS of the Company shall also be disclosed.	Had compensation cost for the stock options outstanding been determined based on fair value approach, the net profit and earnings per share would have been as per the proforma amounts indicated below:

## Annexure to the Directors' Report (Contd.)

Particulars	31 March 2014
Net profit (as reported) (₹ in crore)	719.01
Add: Stock based employee compensation expense included in net income (₹ in crore)	Nil
Less: Stock based compensation expense determined under fair value based method (pro forma) (₹ in crore)	14.98
Net Profit (pro forma) (₹ in crore)	704.03
Basic earnings per share (as reported) (₹)	144.79
Basic earnings per share (pro forma) (₹)	141.77
Diluted earnings per share (as reported) (₹)	143.65
Diluted earnings per share (pro forma) (₹)	140.66
13. Weighted average exercise price of options whose	
(i) Exercise price equals market price (₹)	1,379.05
(ii) Exercise price is greater than market price (₹)	Nil
(iii) Exercise price is less than market price (₹)	Nil
Weighted-average fair value of options whose	
(i) Exercise price equals market price (₹)	500.17
(ii) Exercise price is greater than market price (₹)	Nil
(iii) Exercise price is less than market price (₹)	Nil
14. A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted average information	The fair value has been calculated using the Black Scholes Option Pricing model. The assumptions used in the model are as follows:

Date of Grant	1 Nov 2013	15 May 2013	16 May 2012	28 July 2011	21 July 2010	12 Jan 2010
(i) Risk-free interest rate	8.71%	7.32%	8.36%	8.27%	7.42%	6.70%
(ii) Expected life	1-5 years	1-5 years	3.5-6.5 years	3.5-6.5 years	3.5-6.5 years	1-5 years
(iii) Expected volatility	32.83%	29.97%	49.58%	53.01%	55.38%	54.01%
(iv) Expected dividend yield	1.11%	1.09%	1.37%	1.42%	1.28%	0.62%
(v) The price of the underlying share in market at the time of option grant (₹)	1,353.05	1,380.35	876.10	705.15	542.00	358.70

## Auditors' certificate regarding compliance of conditions of corporate governance

To the members of  
Bajaj Finance Limited

We have examined the compliance of conditions of corporate governance by Bajaj Finance Limited, for the year ended 31 March 2014, as stipulated in clause 49 of the listing agreement(s) of the said Company with stock exchange(s) in India.

The compliance of conditions of corporate governance is the responsibility of the Company's management. Our examination was carried out in accordance with the guidance note on certification of corporate governance (as stipulated in clause 49 of the listing agreement), issued by the Institute of Chartered Accountants of India and was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

We certify that the Company has complied with the conditions of corporate governance as stipulated in the above mentioned listing agreement.

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

For Dalal & Shah  
Firm Registration Number: 102021W  
Chartered Accountants

Anish Amin  
Partner  
Membership Number: 40451

Pune: 14 May 2014

## Chief Executive Officer (CEO) Certification

To,

The Board of Directors,  
Bajaj Finance Limited

I, Rajeev Jain, CEO of Bajaj Finance Limited, certify:

1. That I have reviewed the financial statements and the cash flow statement for the year ended 31 March 2014 and that to the best of my 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 together 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 my 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 I accept responsibility for establishing and maintaining internal controls for financial reporting. I have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and have disclosed to the auditors and the audit committee, deficiencies in the design or operation of such internal controls, if any, of which I am aware and the steps that I have taken or propose to take to rectify the identified deficiencies; and
4. That I have informed the auditors and the audit committee of:
  - i. significant changes in internal control over financial reporting 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 I 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 over financial reporting.

Rajeev Jain  
Chief Executive Officer

Pune: 14 May 2014

## Declaration on Code of Conduct

To,

The Board of Directors,  
Bajaj Finance Limited

I, Rajeev Jain, Chief Executive Officer of Bajaj Finance Limited hereby declare that all the Board members and senior managerial personnel have affirmed, for the year ended 31 March 2014, compliance with the code of conduct of the Company laid down for them.

Pune: 14 May 2014

Rajeev Jain  
Chief Executive Officer

# Report on Corporate Social Responsibility (CSR)

## Preamble

The CSR activities of Bajaj Group are guided by the vision and philosophy of its Founding Father, late Shri Jamnalal Bajaj, who embodied the concept of trusteeship in business and common good and laid the foundation for ethical, value-based and transparent functioning.

The core elements of CSR activities include ethical functioning, respect for all stakeholders, protection of human rights and care for the environment.

The Bajaj Group generally implements the above initiatives through its employees, Welfare Funds and Group NGOs/Trusts/Charitable Bodies operating at various locations in the country. It also enlists the help of non-group NGOs, local authorities, business associations, social and philanthropic organisations of repute and civil society, wherever deemed necessary.

## Companies Act, 2013

Section 135(1) of the Companies Act, 2013 stipulates that every company having net worth of ₹ 500 crore or more or turnover of ₹ 1,000 crore or more or a net profit of ₹ 5 crore or more during any financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director.

Since the Company is covered under this provision, the Board at its meeting held on 27 March 2014 has constituted 'Corporate Social Responsibility Committee' (CSR Committee).

Further, as stipulated under section 135(3) of the Act, the terms of reference of the CSR Committee shall be, inter alia, to –

- (a) formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the Company as specified in Schedule VII to the Companies Act, 2013;
- (b) recommend the amount of expenditure to be incurred on the activities referred to in clause (a); and
- (c) monitor the Corporate Social Responsibility Policy of the company from time to time.

As per section 135(5), the Company needs to spend, in every financial year, at least 2% of the average net profits of the Company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy.

The CSR Committee, in its functioning, will take into account the provisions of Companies Act, 2013 and Companies (CSR Policy) Rules, 2014, which have come into force from 1 April 2014.

Since the mandatory CSR expenditure and other relevant provisions become effective only from the year 2014-15, the Report for the year 2013-14 is made as per practice followed in the previous years.

## Report

Some of the major initiatives that continued and/or that were taken up anew by the Bajaj group through its Trusts/Group NGOs/Social and Charitable Organisations during the year under review are summarised here:

### 1. Jamnalal Bajaj Seva Trust

Soon after the demise of Jamnalalji in 1942, as per his wishes, the first charitable Trust, Jamnalal Bajaj Seva Trust was established, with an initial corpus of ₹ 500,000, which was Jamnalalji's share of the family wealth.

#### International Sarvodaya Centre – Vishwaneedam

In 1960, at the suggestion of Acharya Vinoba Bhave, the Trust purchased about 400 acres of land on the outskirts of Bangalore to establish the International Sarvodaya Centre – Vishwaneedam to promote agriculture, dairy development, rural development and to train local women and youth for self-employment by providing them training in tailoring, computers and knitting. The Trust continued to run balwadis, gaushalas and English speaking courses.

#### Kamalnayan Bajaj Hall and Art Gallery

The Trust has also been contributing its share to the promotion of art and culture through the Kamalnayan Bajaj Hall and Art Gallery. Exhibitions, handicrafts displays as well as corporate meetings, conferences and seminars are held at the Kamalnayan Bajaj Hall. The art gallery is used to display the artistic works of painters and sculptors. It also provides an opportunity to budding artists to showcase their talents.

#### Balwadi

A 'Balwadi' is a pre-school, where underprivileged children are taught by trained teachers. The Trust continued to run nine Balwadis, i.e. Bal Sanskar Kendras, in rural areas for poor children below six years of age.

#### Hamaara Sapna project

The 'Hamaara Sapna' project initiated by the Trust endeavours to uplift the slum residents of South Mumbai. The project involves imparting skills training alongwith overall knowledge and hands-on experience to foster a better tomorrow. The key role of the projects is:

- To transform the lives of women beneficiaries residing in the slums of South Mumbai, through the application of the three 'Es': Education, Empowerment and Entrepreneurship.
- To create an effective and valuable attitudinal change.
- To foster the aspirations of women.
- To encourage and implement skill enhancement, livelihood and intervention programmes.
- To provide a platform to conduct small scale enterprises.
- To emphasise equal access for one and all.

## 2. Jannalal Bajaj Foundation (JBF–Foundation)

In 1976, the Jannalal Bajaj Foundation was established to promote Gandhian constructive programmes and assist constructive workers who have devoted themselves to the national cause.

### Awards

The Foundation gives four awards annually – each of the value of ₹ 5 lakh. Of these, three are given to individuals in India:

- For outstanding contribution in the field of constructive work on Gandhian lines,
- For application of science and technology for rural development, and
- For upliftment and welfare of women and children.

The fourth one is an international award given to individuals other than Indian citizens from foreign countries for their contribution to the promotion of Gandhian values outside India.

### Other charitable activities

The Foundation has given donations to various Institutions/NGOs from time to time for strengthening their various community welfare activities and charitable objects of welfare of general public utility based on Gandhian philosophy and ideals.

## 3. Jankidevi Bajaj Gram Vikas Sanstha (JBGVS)

### Rural and urban development activities of JBGVS

#### Introduction

The Group continued its rural and urban development activities through Jankidevi Bajaj Gram Vikas Sanstha (JBGVS) in 75 villages - 41 villages in Pune, 13 villages in Aurangabad and 10 in Wardha district, all in Maharashtra and 11 villages in Sikar district of Rajasthan. Those activities have touched the lives of 60,000 people living in rural areas, most from economically weaker sections of society comprising scheduled castes, scheduled tribes and other backward classes.

The first Samaj Seva Kendra (SSK) was formed by the Company in 1975, in Pune. It is now a part of JBGVS. It provides self-development facilities to the people, particularly women and children, of Akurdi, Chinchwad and Nigdi areas in Pune. In view of the positive response received by it, JBGVS has opened two more Samaj Seva Kendras, one at Aurangabad in Maharashtra and other at the village of Kashi ka Bas in Sikar district of Rajasthan.

### Rural development

#### Coverage

Improving the quality of life and economic well-being of people living in relatively isolated and sparsely populated areas has been the focus of JBGVS. JBGVS centres its implementation of integrated rural development broadly in five areas, viz;

- (1) Primary education,
- (2) Primary health care,
- (3) Economic development,
- (4) Environment, and
- (5) Social development.



The implementation of these activities is through partnership with villagers, gram panchayats and other village level institutions like co-operative dairy, women's self help groups, etc.

JBGVS plays a catalyst's role. The outsider may not fully understand the setting, culture and other things prevalent in the local area. To that extent, the villagers themselves participate in sustainable rural development which helps successful implementation. In order to maximise the flow of funds in the project villages, JBGVS brings together the villagers, local institutions and Government agencies. During the year, JBGVS co-partnered with 26,000 BPL and poor families and 20,000 SC/ST/NT/OBC families.

## Primary education

**Non-formal education:** JBGVS observed that even after near 100% enrolment in primary schools, there was a clear lack of engagement in schooling. Hence it felt the need for programmes of non-formal education. JBGVS used senior students in the villages for this purpose. As a result, it undertook such non-formal education activities that would generate sufficient interest among the students about schooling, as well as result in improvement in their IQ.

**School sanitation complex:** JBGVS constructed 11 school sanitation complexes, separate for boys and girls. This was done in partnership with the Government and other NGOs. Hearteningly, this has resulted in significant improvement in attendance, particularly by female students. Besides, a school child being educated about the benefits of sanitation and good hygiene behaviour is a conduit for carrying those messages far beyond the school walls, bringing lasting improvement to a community's hygiene practices.

**E-learning:** E-Learning is referred to as teaching and learning by using electronic media. This methodology supports the use of communications technology in teaching and learning. While conventional training has more immediate benefits, e-learning has its own positive impact and makes education pictorial, informative, elaborate, easier and hence more interesting for the students. JBGVS formulated a project to establish e-learning in 1,000 schools.

Inaugurated by Rahul Bajaj, Chairman, Bajaj Auto Ltd, on 25 February 2014, e-learning has already been introduced and installed in 50 schools in Pune, Aurangabad and Wardha until end of March 2014. These schools are provided with CDs of the entire school syllabus from 1st to 10th standard, a laptop and television projector. All concerned teachers have been trained in its operation. Expected to reduce absenteeism and/or the number of dropouts and heighten interest in schooling, the e-learning project has broad scope in the near future. JBGVS believes that it will definitely help fill the gap between educated developed cities and rural undeveloped areas.

**Ongoing activities:** JBGVS also undertook activities like debates, group discussions, drawing competitions, various sports competitions and outdoor camps. These activities reinforce JBGVS's belief in placing the child and its personality at the centre of the entire edifice of education.

## Primary health care (PHC)

**Polio-free India:** JBGVS believes that 'prevention is better than cure' and to that end it has been operating all its health care programmes in order to allow people access to better primary health care. JBGVS, through its Multi Purpose Workers (MPW) in the villages, actively assisted the Government health machinery in administering pulse polio doses. By visiting each household these MPWs ensured that every eligible child received the pulse polio dose. No polio case has been recorded in any of the villages where JBGVS operates.

**Mother and child health (MCH):** Health care of mothers and children needs major consideration. JBGVS undertook various activities like health check-up camps, mobile clinic services, hygiene and sanitation programmes, awareness and training programmes on malnutrition and use of nutritious food (using local materials), that supported the Village Child Development Centre (VCDC). JBGVS conducted 116 health camps that benefitted 4,550 patients. The activities, which ranged from training for adolescent girls, registration and regular check-up of pregnant mothers,

to delivery at hospitals, immunisation of infants and post-delivery care of the mother and the baby resulted in zero malnourishment. (IMR- 1:1000, CMR- Nil, MMR- 1:1 lakh)

**Training and subsidised treatment support to poor:** In Pune area (surrounding villages in Maval and Khed taluka), JBGVS provides mobile clinic services at the doorstep once a week. Patients are also referred to hospitals for further treatment.

JBGVS works closely with Vinoba Bhave Hospital at Wardha. Thirty five HIV/AIDS awareness programmes were organised in which 1,035 women participated. First Aid Training was also organised for 70 Multi Purpose Workers (MPWs) at Aditya Birla Hospital in Pune.

Linkages have also been established with local PHCs, Grameen Rugnalayas and hospitals like Acharya Vinoba Bhave Hospital, Kamalnayan Bajaj Hospital, Aurangabad and Aditya Birla Hospital, Pune for subsidised treatment for poor patients.

## Economic development

**NABARD Aamrai:** In order to promote sustainable rural and agricultural practices, JBGVS, in partnership with National Bank for Agriculture and Rural Development (NABARD), has been implementing a Tribal Development Project for 1,000 tribal families in Pune district. Nine hundred families have developed orchards (mango and aonla) on one acre of wasteland, each. The first lot of mango trees on 340 acres has started yielding fruits. The remaining 100 landless families have been given goats, cows and buffaloes to enhance their family income.

**Natural farming – Saving Mother Earth:** Natural farming, which can also be described as ecological farming, is an important initiative of JBGVS executed in partnership with Magan Sangrahalaya Samittee, Wardha, it aims at saving Mother Earth from the uncontrolled use of chemical fertilisers and pesticides. As many as 2,100 farmers in 15 villages in Wardha have taken to natural farming. This project has created a positive impact on the health of the farmland as well as on the economic status of the farmers.

**Non-farm agro based activities:** Erratic rainfall and drought push farmers to non-farm agro based activities, which often turn out to be a supplementary source of income. JBGVS promoted modern agricultural and horticultural practices, small irrigation systems, new types of seed and fertilisers, organic agriculture, dairy, goatery, etc. A total of 5,000 people have been benefitted. JBGVS has given 97 goats to very poor families and under the Kamdhenu project 11 high yielding cows were given to 11 farmers. 45 persons have been given seed money to start their own business.

**Vocational skill development training:** Vocational skill development training is an important instrument for improving productivity, working conditions and can provide better employment and self-employment opportunities. JBGVS organised 36 vocational training programmes in many areas, particularly in dairy, poultry, goatery and non-farm areas like tailoring, fashion designing, etc. A total of 520 youth participated in these training programmes.

## Environment

**Water conservation for drinking as well as irrigation:** It is important to seek out, find and start using all the innovative conservation solutions and methods that are available today and practice water conservation. JBGVS solved the drinking water problem of 1,650 families in six villages of Wardha. It undertook a project, dug ponds in the nullahs and created additional water storage capacity that helped increase water storage in the drinking water wells downstream. A total of 29 TCM of water storage capacity has been created.

JBGVS also undertook de-silting work in two Aurangabad village tanks to increase water storage capacity for irrigation; 4,400 tractor loads of silt was lifted and used in their farms.

**Tree plantation:** 70,000 forest and 19,000 fruit plants were planted.

## Social development

A receptive and participative community becomes fertile ground for implementation of development programmes. JBGVS conducted 75 training programmes in leadership training of the youth, panchayat members, members of daily co-operatives, school committees and members of self help groups. Mahila melavas (get-togethers of women) were organised to raise social issues and make them aware of the possible side effects of those issues. Twenty-three new self help groups consisting of 280 women were formed. As one of the income generation activities, 40 women in Sikar district of Rajasthan took loans from the Self Help Group Revolving Fund created by JBGVS.

## Urban development

Established in 1975, Samaj Seva Kendra (SSK) in Akurdi, Pune is a part of JBGVS. It continued to conduct various self-development programmes for women and children in particular, in Pimpri-Chinchwad, Nigdi and adjoining areas (all in Pune district). With a total membership of 1,140 families, SSK programmes cover education and training, social awareness and programmes for senior citizens.

**Education and training programmes:** Education and training are lifetime investments. Realising this, JBGVS conducted scores of programmes such as literacy classes, nursery classes and balbhavan; and courses in tailoring, yoga, karate, tabla and harmonium, classical as well as western dance, beauty parlour, etc. The summer camp was attended by over 200 children. JBGVS also started a well-equipped library for children, youth and women.

**Social awareness programmes:** Social awareness generates empathy, care and concern for others and develops better group dynamics. To encourage this, JBGVS conducted various programmes covering areas like women empowerment and their rights, environment, family health, some local cultural activities, medical check-up camps for children and senior citizens, annual day (of Samaj Seva Kendra) cultural programmes, processions and street plays by women and school children and celebrations for International Women's Day, and Environment Day.

**Senior citizen programmes:** With the aim of enabling senior citizens to continue being an integral part of the community, while keeping their dignity and sense of well-being, JBGVS organised five programmes for senior citizens (over 100 attended). The programmes included bhajan and kirtan singing, regular medical check-ups, study tours, lectures on daily issues and even appropriate sports.

## 4. Group trusts for colleges

### Shiksha Mandal

Shiksha Mandal was founded in 1914 by Shri Jamnalal Bajaj, who believed that sound education was essential for our nation's development. Initially a school, from the 1940s, it transformed itself into an institution for higher education.

Presently, it consists of seven institutions with a student strength of 8,750 and 287 teachers, of which 45 hold doctorates. At Wardha, it has a commerce college, a science college, an engineering polytechnic, a degree and diploma institution in agriculture and a college of rural services. It also runs a commerce college in Nagpur. Shiksha Mandal's mission is to provide high quality education at a low cost and to instil nationalistic and humane values in its students.

Its agriculture college, engineering polytechnic and science college are rated 'A' by external agencies. During the year, its science college was rated as an 'A' grade college by NAAC, a government body, with a NAAC score better than Pune University's. Its agriculture diploma course achieved a 100% result during 2012-13.

It has well developed infrastructure and a positive work culture. All its colleges, barring the one at Nagpur, run in a single shift to encourage greater student-teacher interaction and extra-curricular activities. It has over 700 computers with extensive internet access.

Thirteen of its students appeared in merit lists of the University. Its students also excel at sports; where 23 represented the state and 28 represented the University and three won medals at the national level. Its students are very active in extra-curricular activities.

For meritorious students, scholarships are also provided by Shiksha Mandal. Thus, no meritorious student is denied admission due to inability to pay fees.

Shiksha Mandal not only focuses on the academic and personal development of students, but also works on making them employable. It runs successful guidance programmes for Chartered Accountancy, Company Secretaryship (CS) and competitive exams for jobs in banks. One of its CS students ranked 24th at national level in the CS Foundation Examination.

It has started a major skills upgrade programme for commerce students in Nagpur, in consultation with Jaydeep Shah, ex-president of ICAI and an alumnus. Students are being provided 300 hours of classroom input, after which they will undergo a year of internship in CA firms and Company offices. This programme will be started in Wardha from 2015-16.

Shiksha Mandal is connected to the community it operates in. It has been running a Community Polytechnic since 1984 where school dropouts are trained, at Wardha and five village centres, in technical trades. It has been involved in a number of national level agricultural programmes.

A new building for its MBA programme at Nagpur, designed by Christopher Charles Benninger Architects, is under construction and will be ready by March 2015. It is expected to cost ₹ 9 crore.

Shiksha Mandal will celebrate its centenary during 2014. A centennial lecture series is planned, culminating in a centennial function in November 2014.

From 2014-15, it will provide increased support to CSR programmes of the Bajaj group in Wardha District.

Its non-recurring expenditure in 2014-15 will exceed ₹ 12 crore. This will be funded by Bajaj group trusts, external agencies and internal accruals. The Bajaj group trusts have contributed ₹ 26 crore in the last six years. (Refer weblink [www.shikshamandal.org](http://www.shikshamandal.org))

## Bajaj Science Centre

Started in 2007, Bajaj Science Centre nurtures a culture amongst school children of learning science through experiments. For its annual intake of 199 students, 770 students from 27 schools appeared for an entrance test. Admissions are merit based and inclusive, with access given to students from all mediums of instruction and income groups. Students come from places as far as 60 km away. It has 550 regular students.

Its students have been competing at the national level and winning accolades. During 2013-14:

1. Shraddha Burkunde was awarded the Kishor Vaidnyanik Protsahan Yojana Scholarship of 2013-14. Three other students of the Centre have been awarded this prestigious scholarship so far.
2. Students of the 9th standard won one Gold, two Silver and one Bronze medal at the Dr. Homi Bhabha Balvaidnyanik Competition. One student of the 6th standard, Prit Mhala, was awarded a Silver medal. Of the 19 students selected for the second level of the said competition, five students won medals.

3. Of the 303 students selected at the National Level for the second level examination of the Junior Science Olympiad, two were from Bajaj Science Centre.
4. Five students of the Centre appeared in the merit list of the National Mathematics Talent Search Examination.

The Centre conducted various activities to benefit students and teachers:

1. It conducted a crash course in science practicals for 69, mainly from rural area, 10th standard students.
2. A Teacher Learning Workshop was organised for 28 teachers.
3. It jointly arranged a summer workshop for 27 students from suicide affected families
4. It jointly arranged a district level workshop for the top 35 students of Wardha District.

Fee income is ₹ 2,000 per student per year and covers only 20% of its expenses. For 25% students, this fee is waived/reduced. Access to its services is merit based and income blind. Bajaj Trusts spent ₹ 30 lakh on the Centre during 2013-14.

## Institute of Gandhian Studies

Institute of Gandhian Studies (Gandhi Vichar Parishad), founded in memory of Late Shri Jamnalal Bajaj, was established in Wardha in 1987. The programmes organised by the Institute during the academic year 2013-14 include (a) Post Graduate Diploma Course in Gandhian Thought (recognised by Yashwantrao Chavan Maharashtra Open University, Nashik), which attracts students from all parts of India (b) Workshop on Gandhi: The Consummate Field for Interdisciplinary and Integrative Studies led by Prof. M. J. Lunine, of California State University, San Francisco (c) Special Meet on Shanti Sena in the context of growing violence against women as evidenced in the rape cases of Delhi and Mumbai and the violent incidents in Muzaffarnagar (d) Orientation Classes on Gandhian Thought for Medical Students of Mahatma Gandhi Institute of Medical Sciences, Sevagram, Wardha (e) University Students' Camp for students of various universities in India (f) Ravindra Varma Memorial Lecture on the theme 'Journey towards Antodaya: Some Realisations' (g) Inter Religious Study Course on the Concept, Principles and Practice of Non-violence at the Individual and the Societal Level in Five Main Religions, viz.; Hinduism, Jainism, Islam, Buddhism and Christianity (h) National Seminar on Deliberative Democracy, Public Sphere and the Politics of Alternatives in India sponsored by University Grants Commission, New Delhi (i) National Level Workshop on Social Service (j) Publications of books and research articles in journals of repute.

## 5. Marathwada Medical and Research Institute (MMRI) – a Trust

The Bajaj group gives substantial support to this Trust that runs the Kamalnayan Bajaj Hospital and Kamalnayan Bajaj Nursing College for B.Sc. Nursing degree course.

### Kamalnayan Bajaj Hospital

Kamalnayan Bajaj Hospital is located in the city of Aurangabad in the Marathwada region of the state of Maharashtra. With its 250-bed capacity, it provides super specialty and tertiary care medical facilities; which are not available elsewhere in this region.

Earlier people had to travel all the way to Pune/Mumbai, at great cost and inconvenience, to avail such high-end facilities. The Hospital is well-equipped and has up-to-date medical facilities, particularly in Cardiology (highest number of angioplasties and bypass surgeries in Marathwada),

Cardiac Surgery (only centre for minimally invasive cardiac surgery in the region), Lasik (most advanced laser technology in the world, first in India), Nuclear Medicine (first and only PET centre in Marathwada, equipped with latest generation machine), Radiation Oncology (120 Cancer patients treated daily), Urology (1,000 kidney transplants), Laparoscopy (advanced laparoscopic and thoracoscopic cancer surgery), Colorectal Surgery (100 cases a day), Joint Replacement and Trauma and ICU (recognised by ISCCM).

The Hospital has been providing relief annually to 81,912 patients on OPD basis and close to 12,114 inpatients, who were admitted for various treatments in the year 2013-14. It also has an intensive care unit and cardiac care unit with a capacity of 30 beds and an occupancy rate of more than 95%. The entire region has benefitted from treatment related to heart, cancer, kidney, urology, trauma and newer technology based super specialties.

The Hospital also runs a programme to provide relief to Below Poverty Line (BPL) and Economically Weaker Section (EWS) of society. While the treatment for BPL patients is free, for EWS, it is subsidised to the extent of 50%. Till date, the benefits of this scheme have been extended to 7,312 patients and ₹ 4 crore (approx.) has been spent on it.

The Kamalnayan Bajaj Hospital is collaborating with JBGVS (Jankidevi Bajaj Gram Vikas Sanstha) and Government authorities to hold camps in the villages of the district of Aurangabad for BPL patients who need treatment and would not otherwise come to the Hospital. This programme fulfils the need of the poor and deprived sections of society and does justice to the charity initiatives of donors and trustees by providing highest quality medical care in super specialties.

Apart from the above activities, the Hospital also organised 19 free camps involving 60 surgeries (58 in Cataract and 2 in Lasik) and 1382 patients, viz., 5 Cataract camps (329 patients), 2 Lasik camps (195 patients), 3 Orthopaedic and Physiotherapy camps (311 patients), 1 Dermatology camp (111 patients), 4 ECG camps (Medtronic-121 patients), 4 Rajiv Gandhi Jivandayee Arogya Yojana (RGJAY) camps (315 patients).

The Hospital is also enrolled with the Central Government RGJAY scheme for BPL and Lower Middle Class (EWS) patients. The Hospital takes care of all additional expenses. So far, the Trust has treated 3,488 patients and incurred expenditure of ₹ 23.22 lakh under the RGJAY scheme.

Engineering excellence has been the forte of Kamalnayan Bajaj Hospital. It was awarded the National Energy Conservation Award in the year 2012 in the category of Best Hospital.

## **Kamalnayan Bajaj Nursing College**

Kamalnayan Bajaj Hospital has been facing the paucity of nursing staff both in terms of quality and quantity and has therefore sought permission to start the Kamalnayan Bajaj Nursing College under MMRI Trust. The process of taking in the fourth batch will commence from August 2014 onwards. The aim of the Nursing College will be to help underprivileged children get high quality nursing education and provide services to the society. It is hoped that students coming out from this institution will set an example in the field of Nursing in the days to come. The present number of students is 106, against the total capacity being 160 as sanctioned by the Indian Nursing Council. The MMRI Trust extends scholarships to poor and needy students, who are meritorious and deserving.

## **6. Fuji Guruji Memorial Trust**

Fuji Guruji Memorial Trust has established Bauddha Mandir, Vishwa Shanti Stupa at Wardha for promotion of the thoughts and teachings of Lord Buddha, Mahatma Gandhi and other preachers preaching a similar ideology and to propagate the message of world peace, love, non-violence and equality of all religions. The Trust continued running nine Balwadis (Bal Sanskar Kendras) in rural areas for poor children below six years of age.

## 7. Kamalnayan Bajaj Charitable Trust

Kamalnayan Bajaj Charitable Trust runs Gitai Mandir, Puja Jamnalal Bajaj Exhibition and Vinoba Darshan Complex, Audio-video Hall at Wardha. It also runs a library with literature and books on Mahatma Gandhi, Vinoba Bhave, Puja Jamnalal Bajaj, Smt. Jankidevi Bajaj and other freedom fighters.

The Gitai Mandir was inaugurated by Vinobaji on 7 October 1980, the 50th anniversary of the completion of the writing of Gitai. It stands on 36 acres of land at the site of Jamnalalji's Samadhi in Gopuri, Wardha. A unique monument, it has no idol, sanctum sanctorum or even a roof. It is enclosed by granite slabs. Each slab has a shloka inscribed on it, covering all the 18 chapters of the Gitai.

## 8. Gita Pratisthan

Gita Pratisthan was established for propagating the message of the Gita and its marathi version, Gitai, which was rendered by Vinobaji in the year 1930 and published for the first time by Jamnalalji. Since then, the Pratisthan has been conducting a scheme of examinations on different chapters of the Gita and Gitai, for primary and high school students.

### General

The Bajaj Group has over 40 public charitable trusts, which are also engaged in many topical and socially relevant CSR activities and initiatives. This Report is only illustrative; it gives a brief idea of the importance given by the Company and the Group towards its Social Responsibilities.

Refer web links:

<http://www.bajajauto.com/csr.asp>

<http://www.bajajelectricals.com/beyond-profits.aspx>

<http://www.jamnalalbajajfoundation.org/>

<http://www.narishakti.org/>

<http://www.shikshamandal.org/>

For more information, please contact: [csr@bajajauto.co.in](mailto:csr@bajajauto.co.in)





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# Financials

## Independent Auditors' Report

To the members of **Bajaj Finance Limited**

### Report on the financial statements

1. We have audited the accompanying financial statements of Bajaj Finance Limited (the "Company"), which comprise the Balance Sheet as at 31 March 2014, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information, which we have signed under reference to this report.

### Management's responsibility for the financial statements

2. The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 (the "Act") read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditors' responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence, about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

6. In our opinion, and to the best of our information and according to the explanations given to us, the accompanying financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2014;
  - b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
  - c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

### Report on other legal and regulatory requirements

7. As required by 'the Companies (Auditors' Report) Order, 2003', as amended by 'the Companies (Auditors' Report) (Amendment) Order, 2004', issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act (hereinafter referred to as the "Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

## Independent Auditors' Report (Contd.)

8. As required by section 227(3) of the Act, we report that:

- a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
- b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- d) In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this report comply with the Accounting Standards notified under the Companies Act, 1956 read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013;
- e) On the basis of written representations received from the directors as on 31 March 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

For Dalal & Shah  
Firm Registration Number: 102021W  
Chartered Accountants

Anish Amin  
Partner  
Membership Number 40451  
Pune: 14 May 2014

## Annexure to Independent Auditors' Report

### Referred to in paragraph 7 of the Independent Auditors' Report of even date to the members of Bajaj Finance Limited on the financial statements for the year ended 31 March 2014

1. a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.  
b) The fixed assets are physically verified by the Management according to a phased programme designed to cover all the items over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the Management during the year and no material discrepancies have been noticed on such verification.  
c) In our opinion, and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the year.
2. The Company is in the business of financing, and consequently, does not hold any inventory. Therefore, the provisions of clause 4 (ii) of the said order are not applicable to the Company.
3. The Company has not granted/taken any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under section 301 of the Act. Therefore, the provisions of clause 4 (iii) [(b),(c) and (d)/(f) and (g)] of the said order are not applicable to the Company.
4. In our opinion, and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and for the sale of services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across, nor have been informed of, any continuing failure to correct major weaknesses in the aforesaid internal control system.
5. a) According to the information and explanations given to us, we are of the opinion that the particulars of all contracts or arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.  
b) In our opinion, and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of rupees five lakh in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. In our opinion, and according to the information and explanations given to us, the Company has complied with the provisions of sections 58A and 58AA or any other relevant provisions of the Act and the 'Companies (Acceptance of Deposits) Rules, 1975' with regard to the deposits accepted from the public. According to the information and explanations given to us, no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal on the Company in respect of the aforesaid deposits.
7. In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
8. The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Act for any of the products of the Company.
9. a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues, including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty and other material statutory dues, as applicable, with the appropriate authorities.  
b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of sales tax, employee state insurance and service tax as at 31 March 2014 which have not been deposited on account of a dispute are as follows:

(₹ In Crore)

Name of the statute	Nature of dues	Amount	Period to which the amount relates	Forum where the dispute is pending
Sales Tax	Value Added Tax liability	2.48	Year 2005-06 to 2012-13	Commissioner Appeals
ESIC	Employee State Insurance Corporation	4.46	Year 1999-2000 to 2006-07	Employee State Insurance Court
	Employee State Insurance Corporation	0.68	Year 1991-92 to 2002-03	Deputy Director Employee State Insurance Corporation
Central Excise	Service Tax	0.76	Year 2007-08 to 2011-12	Customs, Excise and Service Tax Appellate Tribunal

## Annexure to Independent Auditors' Report (Contd.)

10. The Company has no accumulated losses as at the end of the financial year and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
11. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the Balance Sheet date.
12. In our opinion, the Company has maintained adequate documents and records in the cases where it has granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. As the provisions of any special statute applicable to chit fund/nidhi/mutual benefit fund/societies are not applicable to the Company, the provisions of clause 4(xiii) of the Order are not applicable to the Company.
14. In our opinion, the Company has maintained proper records of transactions and contracts relating to dealing or trading in shares, securities, debentures and other investments during the year and timely entries have been made therein. Further, such securities have been held by the Company in its own name or are in the process of transfer in its name, except to the extent of the exemption granted under section 49 of the Act.
15. In our opinion, and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year. Accordingly, the provisions of clause 4(xv) of the Order are not applicable to the Company.
16. In our opinion, and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained.
17. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that the no funds raised on short-term basis have been used for long-term investment.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act during the year. Accordingly, the provisions of clause 4(xviii) of the Order are not applicable to the Company.
19. The Company has created security in respect of debentures issued and outstanding at the year-end.
20. The Company has not raised any money by public issues during the year. Accordingly, the provisions of clause 4(xx) of the Order are not applicable to the Company.
21. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company was noticed or reported during the year, although there have been few instances of loans becoming doubtful of recovery consequent upon fraudulent misrepresentation by borrowers, the amounts whereof are not material in the context of the size of the Company and the nature of its business and which have been provided for.

For Dalal & Shah  
Firm Registration Number: 102021W  
Chartered Accountants

Anish Amin  
Partner  
Membership Number 40451  
Pune: 14 May 2014

## Balance Sheet as at 31 March

(₹ In Crore)			
Particulars	Note No.	2014	2013
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
Share capital	2	49.75	49.54
Reserves and surplus	3	3,941.11	3,302.44
		3,990.86	3,351.98
<b>Non-current liabilities</b>			
Long-term borrowings	4	10,477.76	7,503.08
Other long-term liabilities	5	57.35	41.99
Long-term provisions	6	110.47	64.61
		10,645.58	7,609.68
<b>Current liabilities</b>			
Short-term borrowings	7	5,472.78	2,080.14
Trade payables	8	195.92	174.78
Other current liabilities	8	4,186.85	4,496.81
Short-term provisions	6	126.01	92.88
		9,981.56	6,844.61
<b>Total</b>		<b>24,618.00</b>	<b>17,806.27</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets	9		
Tangible assets		196.84	164.43
Intangible assets		23.03	11.78
		219.87	176.21
Non-current investments	10	-	5.26
Deferred tax assets (net)	11	139.16	90.37
Receivables under financing activity	12	13,852.42	9,548.19
Long-term loans and advances	13	112.44	72.80
		14,323.89	9,892.83
<b>Current assets</b>			
Current investments	10	28.21	-
Receivables under financing activity	12	9,118.53	7,195.45
Cash and bank balances	14	776.81	416.37
Short-term loans and advances	13	291.84	233.42
Other current assets	15	78.72	68.20
		10,294.11	7,913.44
<b>Total</b>		<b>24,618.00</b>	<b>17,806.27</b>

Statement of significant accounting policies

1

The accompanying notes are an integral part of the financial statements

In terms of our report of even date

For Dalal & Shah

Firm Registration Number: 102021W

Chartered Accountants

Anish Amin

Partner

Membership Number: 40451

Pune: 14 May 2014

Rajeev Jain  
Chief Executive Officer

Anant Damle  
Company Secretary

Rahul Bajaj  
Chairman

Sanjiv Bajaj  
Vice Chairman

Nanoo Pamnani  
Vice Chairman and  
Chairman - Audit Committee

**Statement of Profit and Loss** for the year ended 31 March

(₹ In Crore)			
Particulars	Note No.	2014	2013
<b>Revenue</b>			
Revenue from operations	16	4,031.42	3,092.01
Other income	17	41.91	17.65
<b>Total revenue (I)</b>		<b>4,073.33</b>	<b>3,109.66</b>
<b>Expenses</b>			
Employee benefits expense	18	340.81	245.15
Finance costs	19	1,573.24	1,205.68
Depreciation and Amortisation	9	29.19	19.56
Loan losses and provisions	20	257.81	181.75
Other expenses	21	781.12	585.92
<b>Total expenses (II)</b>		<b>2,982.17</b>	<b>2,238.06</b>
<b>Profit before tax (I - II)</b>		<b>1,091.16</b>	<b>871.60</b>
Tax expenses:			
Current tax		421.00	301.50
Deferred tax expense/(credit)		(48.79)	(21.21)
Tax adjustments of earlier years		(0.06)	-
<b>Total tax expense</b>		<b>372.15</b>	<b>280.29</b>
<b>Profit for the year</b>		<b>719.01</b>	<b>591.31</b>
Earnings per share:	22		
(Face value per share ₹ 10/-)			
Basic (₹)		144.79	135.88
Diluted (₹)		143.65	134.56

Statement of significant accounting policies

1

The accompanying notes are an integral part of the financial statements

In terms of our report of even date

For Dalal & Shah

Firm Registration Number: 102021W

Chartered Accountants

Anish Amin

Partner

Membership Number: 40451

Pune: 14 May 2014

Rajeev Jain  
Chief Executive Officer

Anant Damle  
Company Secretary

Rahul Bajaj  
Chairman

Sanjiv Bajaj  
Vice Chairman

Nanoo Pamnani  
Vice Chairman and  
Chairman - Audit Committee

## Cash Flow Statement for the year the ended 31 March

(₹ In Crore)

Particulars	2014	2013
<b>A) Cash flow from operating activities</b>		
Profit before tax	1,091.16	871.60
Adjustments for:		
Depreciation	29.19	19.56
Amortisations	0.15	0.14
Finance costs	1,573.24	1,205.68
Provision for doubtful debts and advances, net	138.40	65.47
Provision for diminution in value of investments, net	(0.24)	(0.09)
	1,740.74	1,290.76
Less: Investment income/(loss) included above		
Interest on Government securities	0.63	0.59
Loss on sale of tangible assets, net	(0.43)	(0.05)
Loss on sale of investments, net	-	(0.10)
Investments written off	(0.24)	-
Assets written off	(0.07)	-
	(0.11)	0.44
Cash from operations	2,832.01	2,161.92
Changes in working capital:		
Increase/(decrease) in trade payables	21.14	0.59
Increase/(decrease) in short-term provisions	2.93	1.09
Increase/(decrease) in other current liabilities	(552.61)	418.05
Increase/(decrease) in other long-term liabilities	15.36	13.45
(Increase)/decrease in long-term loans and advances	(2.45)	10.69
(Increase)/decrease in short-term loans and advances	(58.49)	(6.33)
(Increase)/decrease in other current assets	(10.52)	7.81
	(584.64)	445.35
	2,247.37	2,607.27
Taxes paid (net of refunds)	(434.78)	(313.24)
Finance costs paid	(1,579.73)	(1,048.90)
	(2,014.51)	(1,362.14)
	232.86	1,245.13
(Increase)/decrease in receivables under financing activity, current	(2,015.20)	(1,517.02)
(Increase)/decrease in receivables under financing activity, non-current	(4,304.23)	(2,978.98)
	(6,319.43)	(4,496.00)
<b>Net cash generated from operations</b>	<b>(6,086.57)</b>	<b>(3,250.87)</b>
Carried forward	(6,086.57)	(3,250.87)



**Cash Flow Statement** for the year the ended 31 March (Contd.)

		(₹ In Crore)	
Particulars		2014	2013
	Brought forward	(6,086.57)	(3,250.87)
<b>B) Cash flow from investing activities</b>			
Capital expenditure		(73.98)	(57.49)
Sale proceeds of assets/adjustments to gross block		0.63	0.46
(Increase)/decrease in investments		(23.09)	0.07
Investment income:			
Interest on Government securities		0.63	0.59
<b>Net cash from investing activities</b>		<b>(95.81)</b>	<b>(56.37)</b>
<b>C) Cash flow from financing activities</b>			
Dividends paid		(74.58)	(49.44)
Dividend Distribution Tax		(12.69)	(8.04)
Increase/(decrease) in long-term borrowings		2,974.68	1,095.22
Increase/(decrease) in short-term borrowings		3,392.64	(714.42)
Increase/(decrease) in current maturities of long-term debts		249.04	2,526.00
Increase/(decrease) in share capital		0.21	8.22
Increase/(decrease) in share premium, net		13.52	827.56
Increase/(decrease) in money received against share warrants		-	(21.32)
<b>Net cash from financing activities</b>		<b>6,542.82</b>	<b>3,663.78</b>
<b>Net increase in cash and cash equivalents</b>		<b>360.44</b>	<b>356.54</b>
<b>Cash and cash equivalents at the beginning of the year*</b>		<b>416.37</b>	<b>59.83</b>
<b>Cash and cash equivalents at the end of the year*</b>		<b>776.81</b>	<b>416.37</b>

\* Includes earmarked balances with banks (against fixed deposit maturities and unclaimed dividend) ₹ 0.74 crore (previous year ₹ 0.69 crore)

In terms of our report of even date

For Dalal & Shah  
Firm Registration Number: 102021W  
Chartered Accountants

Anish Amin  
Partner  
Membership Number: 40451

Pune: 14 May 2014

Rajeev Jain  
Chief Executive Officer

Anant Damle  
Company Secretary

Rahul Bajaj  
Chairman

Sanjiv Bajaj  
Vice Chairman

Nanoo Pamnani  
Vice Chairman and  
Chairman - Audit Committee

Notes to financial statements for the year ended 31 March 2014

## 1. Statement of significant accounting policies

### Basis of preparation

These financial statements have been prepared in accordance with the generally accepted accounting principles in India under the historical cost convention on accrual basis. Consequent to the clarification issued by the Ministry of Corporate Affairs vide GC no. 8 dated 4 April 2014, these financial statements have been prepared in accordance with the provisions of the Companies Act, 1956. Accordingly, these financial statements have been prepared to comply in all material aspects with the accounting standards notified under section 211(3C) [Companies (Accounting Standards) Rules, 2006, as amended] and the other relevant provisions of the Companies Act, 1956 and Reserve Bank of India Regulations in relation to Non Banking Finance Companies to the extent applicable to the Company.

All assets and liabilities have been classified as current or non-current as per the criteria set out in the Revised Schedule VI to the Companies Act, 1956.

### A) System of accounting:

- i) The Company follows the mercantile system of accounting and recognises income and expenditure on an accrual basis except in case of significant uncertainties.
- ii) Financial statements are based on historical cost. These costs are not adjusted to reflect the impact of changing value in the purchasing power of money.
- iii) The preparation of financial statements in conformity with generally accepted accounting principles requires the Management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent liabilities as on the date of financial statements. The estimates and assumptions used in the accompanying financial statements are based upon Management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

### B) Fixed assets, depreciation and amortisation:

- I) i) Fixed assets are carried at cost of acquisition.
- ii) Depreciation:
  - a) Depreciation on own tangible assets other than leasehold Improvements, is being provided on "written down value method" at the rates specified in Schedule XIV to the Companies Act, 1956.
  - b) Depreciation on leasehold improvements is provided for on straight line method over the primary period of lease of premises.
  - c) Depreciation on addition to assets and assets sold during the year is being provided for, at their respective rates on a prorate basis with reference to the month in which such asset is added or sold as the case may be.
- II) On Intangible assets and amortisation thereof:

Intangible assets, representing Specialised Software etc., are recognised consistent with the criteria specified in Accounting Standard - 26 "Intangible assets" as prescribed by Companies (Accounting Standards) Rules, 2006. The same is amortised over a period of 60 months, being the estimated useful life of the software.

### C) Investments:

- i) Investments maturing within twelve months from the date of acquisition and investments made with the specific intention to dispose off within twelve months from the date of acquisition are classified as short-term/current investments and are carried at their cost or market value/realisable value, whichever is lower. Investments maturing within 3 months from the date of acquisition are classified as cash equivalents if they are readily convertible into cash.

Notes to financial statements for the year ended 31 March 2014 (Contd.)

**1. Statement of significant accounting policies (Contd.)**

- ii) Investments other than short-term/current investments are carried at their cost of acquisition. Provision for diminution in value of investments, if any, is made if, in the opinion of the Management, such diminution is other than temporary.
- iii) Fixed income securities are stated at cost less amortisation of premium/discount as the case may be. (Refer D (ii) below)

**D) Income from:**

- i) Financing activity:

Interest, finance charges, service charges etc. are recognised as income on accrual basis with reference to the terms of contractual commitments and finance agreements entered into with hirers, as the case may be, except in the case of Non- Performing Assets.

- ii) Investment:

- a. Dividend is accrued when the right to receive is established i.e. when declared by the investee entity.
- b. Interest on securities is accounted for on accrual basis except where the ultimate collection cannot be established with reasonable certainty.
- c. In order to reflect the contracted yield as interest income, the premium/discount on fixed income securities is amortised with reference to the "yield to maturity" prevailing on acquisition.

- iii) Other income:

Other income is mainly accounted on accrual basis, except in case of significant uncertainties.

**E) Receivables under financing activity:**

- i) Receivables under financing activity represent principal and matured finance charges outstanding at the close of the year but net of amount written off.
- ii) The Company assesses all receivables for their recoverability and accordingly makes provisions for non-performing assets as considered necessary. Further, the Company has enhanced its provisioning norms by accelerating provision to an early stage based on past experience, emerging trends and estimates. However, the Company ensures that the said provisions are not lower than the provisions stipulated in the applicable Reserve Bank of India Regulations/Guidelines.
- iii) A general provision is also made by the Company on the standard assets outstanding and disclosed under "Long-term provisions" in note no. 6 in the financial statements as required and considered necessary.

**F) Employee Benefits:**

- i) Gratuity: Payment for present liability of future payment of gratuity is being made to the Approved Gratuity funds, which cover the same under cash accumulation policy of the Life Insurance Corporation of India. However, any deficits in plan assets managed by LIC as compared to actuarial liability are recognised as a liability.
- ii) Superannuation: Defined contribution to superannuation fund is being made as per the scheme of the Company.
- iii) Provident fund contributions are made to Bajaj Auto Limited Provident Fund Trust. Deficits, if any, of the fund as compared to aggregate liability is additionally contributed by the Company and recognised as an expense. Shortfall in fund assets over present obligation determined by an appointed actuary is recognised as a liability.

Notes to financial statements for the year ended 31 March 2014 (Contd.)

## 1. Statement of significant accounting policies (Contd.)

- iv) Privilege leave: Privilege leave entitlements are recognised as a liability, in the calendar year of rendering of service, as per the rules of the Company. As accumulated leave can be availed and/or encashed at any time during the tenure of employment the liability is recognised at the actuarially determined value by an appointed actuary.
- v) Defined contribution to Employees' Pension Scheme, 1995 is made to Government Provident Fund Authority.

### G) Taxation:

Provision for taxation is made on the basis of the taxable profits computed for the current accounting period in accordance with the Income Tax Act 1961. Deferred tax resulting from timing differences between book profits and tax profits is accounted for at the current rate of tax or the substantially enacted rate of tax to the extent the timing differences are expected to crystallise, in case of deferred tax liabilities with reasonable certainty and in case of deferred tax assets with reasonable certainty that there would be adequate future taxable income against which deferred tax assets can be realised. However, deferred tax asset arising on account of unabsorbed depreciation and business losses are recognised only if there is virtual certainty supported by convincing evidence that there would be adequate future taxable income against which the same can be realised/set off.

### H) Provisions and contingent liabilities:

The Company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a realisable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

### I) Employee Stock Option Scheme:

The Company operates its Employee Stock Option Scheme through a Trust formed for the purpose. Equity shares are issued to the Trust on the basis of the Company's expectation of the options being exercised by employees. Cost of benefit, if any, is recognised as an expense by the Company. The balance equity shares not exercised and held by the Trust are disclosed as a reduction from the Share Capital and Securities Premium account with an equivalent adjustment to the subscription loan advanced to the Trust. – See note no. 28

## 2. Share Capital

Particulars	As at 31 March	
	2014	2013
<b>Authorised</b>		
75,000,000 (75,000,000) equity shares of ₹ 10 each	75.00	75.00
<b>Issued</b>		
50,142,334 (49,778,334) equity shares of ₹ 10 each	50.14	49.78
<b>Subscribed and paid up:</b>		
50,142,334 (49,778,334) equity shares of ₹ 10 each fully called up and paid up	50.14	49.78
Less: 393,581 (237,957) equity shares of ₹ 10 each held in a Trust for employees under ESOP Scheme (see foot note 'e' below)	0.39	0.24
	<b>49.75</b>	<b>49.54</b>

Notes to financial statements for the year ended 31 March 2014 (Contd.)

## 2. Share Capital (Contd.)

### a) Reconciliation of the shares outstanding at the beginning and at the end of the year

Particulars	As at 31 March		As at 31 March	
	2014		2013	
	Nos.	₹ In Crore	Nos.	₹ In Crore
Equity shares				
At the beginning of the year (subscribed and paid up)	49,778,334	49.78	41,319,076	41.32
Add: Issued during the year - Employee Stock Option Plan	364,000	0.36	390,000	0.39
Add: Allotment on conversion of preferential warrants	-	-	1,310,000	1.31
Add: Issue of shares on rights basis	-	-	6,759,258	6.76
	50,142,334	50.14	49,778,334	49.78
Less: Equity shares held in trust for employees under ESOP scheme (See foot note 'e' below)	393,581	0.39	237,957	0.24
Outstanding at the end of the year	49,748,753	49.75	49,540,377	49.54

### b) Terms/rights attached to equity shares

The Company has only one class of equity shares having a par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. The dividend proposed by the Board of Directors and approved by the shareholders in the Annual General Meeting is paid in Indian Rupees. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders. Equity shares allotted on conversion of preferential warrants, i.e. 4,690,000 and 1,310,000 equity shares are restricted from transfer other than inter se promoter group upto 28 March 2015 and 10 December 2015 respectively.

### c) Shares held by holding company (Face value ₹ 10)

Particulars	As at 31 March		As at 31 March	
	2014		2013	
	Nos.	₹ In Crore	Nos.	₹ In Crore
Bajaj Finserv Limited	30,856,613	30.86	30,856,613	30.86

### d) Details of shareholders holding more than 5% shares in the Company

Particulars	As at 31 March		As at 31 March	
	2014		2013	
	Nos.	% Holding	Nos.	% Holding
Equity shares of ₹ 10 each fully paid				
Bajaj Finserv Limited	30,856,613	61.54%	30,856,613	61.99%

### e) Shares reserved for issue under Employee Stock Option Plan:

1,829,803 Equity Shares (i.e. 5% of the then paid up equity share capital) have been approved/reserved for issue under Employee Stock Option Plan, 2009 of the Company drawn in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (SEBI guidelines)), of which 1,609,080 (upto 31 March 2013: 1,194,450) equity shares have been granted as per the scheme and 787,000 (upto 31 March 2013: 423,000) thereof have been issued and allotted to ESOP trust, viz. BFL Employee Welfare Trust, upto 31 March 2014. Consequent to the opinion expressed by the "Expert Advisory Committee" of the Institute of Chartered Accountants of India on the applicability of clause 22A.1 of the SEBI guidelines, the balance unexercised equity shares held by the trust at the close of the year amounting to 393,581 (as at 31 March 2013: 237,957) have been reduced against the share capital of the Company as if the trust is administered by the Company itself. The securities premium related to the unexercised equity shares held by the trust as at the close of the year aggregating ₹ 290,098,680 (as at 31 March 2013: ₹ 148,153,326) has also been reduced from securities premium account and adjusted against the Loans outstanding from the Trust. See note no. 28 for further details.

Notes to financial statements for the year ended 31 March 2014 (Contd.)

### 3. Reserves and surplus

Particulars	(₹ In Crore)	
	As at 31 March	
	2014	2013
<b>Share premium</b>		
As per last account	1,898.50	1,056.12
Add: Received during the year:		
– On issue of rights equity shares	–	736.76
– On issue of shares under Employee Stock Option Plan	27.71	23.12
– On issue of shares by way of conversion of warrants	–	83.97
	27.71	843.85
Less: Share issue expenses as per section 78 of the Companies Act, 1956	–	1.47
	1,926.21	1,898.50
Less: Premium on unexercised equity shares held in trust for employees under the ESOP scheme (See note no. 2 footnote 'e')	29.01	14.82
Closing balance	1,897.20	1,883.68
<b>Capital reserve</b>		
Amount previously received on forfeited equity shares re-issued (₹ 5,000)		
<b>Reserve fund in terms of section 45IC(1) of the Reserve Bank of India Act, 1934</b>		
As per last account	340.75	221.75
Add: Set aside during the year	144.00	119.00
Closing balance	484.75	340.75
<b>General reserve</b>		
As per last account	311.60	251.60
Add: Set aside during the year	72.00	60.00
Closing balance	383.60	311.60
<b>Infrastructure reserve in terms of section 36 (1) (viii) of the Income Tax Act, 1961</b>		
As per last account	2.05	0.15
Add: Set aside during the year	1.60	1.90
Closing balance	3.65	2.05
<b>Surplus in the Statement of Profit and Loss</b>		
As per last account	764.36	441.31
Profit for the year	719.01	591.31
	1,483.37	1,032.62
Less: Appropriations:		
Transfer to reserve fund in terms of section 45IC(1) of the Reserve Bank of India Act, 1934	144.00	119.00
Transfer to general reserve	72.00	60.00
Transfer to infrastructure reserve in terms of section 36 (1) (viii) of the Income Tax Act, 1961	1.60	1.90
Proposed dividend	80.23	74.67
Provision for dividend tax on dividend	13.63	12.69
Total appropriations	311.46	268.26
Closing balance	1,171.91	764.36
	<b>3,941.11</b>	<b>3,302.44</b>

Notes to financial statements for the year ended 31 March 2014 (Contd.)

#### 4. Long-term borrowings

(₹ In Crore)

Particulars	Non-current		Current	
	As at 31 March		As at 31 March	
	2014	2013	2014	2013
<b>A) Secured</b>				
Privately placed redeemable non convertible debentures secured by pari passu charge by mortgage of Company's Flat No. 103, Nayan Co-operative Hsg Society, CTS 2718, Plot No. 11, ICS Colony, Shivaji Nagar, Pune - 411016 and/or Company's office at Unit No. 806 admeasuring 2280 sq. ft. 8th Floor, Block A of Wing Delta, Raheja Towers, Anna Salai, Mount Road, Chennai - 600002 and book debts/loan receivables under financing activity as stated in the respective information memorandum.	3,762.30	2,341.90	963.00	1,630.00
From Banks, against hypothecation of assets under finance, book debts and other receivables	5,816.67	4,365.00	2,478.33	1,555.00
	9,578.97	6,706.90	3,441.33	3,185.00
Less: Shown under other current liabilities (See note no. 8)			(3,441.33)	(3,185.00)
<b>Total (A)</b>	9,578.97	6,706.90	-	-
<b>B) Unsecured</b>				
Privately placed redeemable non convertible debentures	-	310.00	310.00	364.80
Privately placed Subordinated (Tier II) redeemable non convertible debentures of ₹ 0.10 crore each	535.80	485.80	-	-
Term loans from banks	200.00	-	-	-
Fixed deposits	162.99	0.38	47.72	0.21
	898.79	796.18	357.72	365.01
Less: Shown under other current liabilities (See note no. 8)	-	-	(357.72)	(365.01)
<b>Total (B)</b>	898.79	796.18	-	-
<b>Total (A+B)</b>	<b>10,477.76</b>	<b>7,503.08</b>	<b>-</b>	<b>-</b>

Notes to financial statements for the year ended 31 March 2014 (Contd.)

#### 4. Long-term borrowings (Contd.)

##### C) Details of privately placed secured redeemable non convertible debentures

(₹ In Crore)

Date of maturity	Repayment schedule	Of face value ₹ 1 crore	Of face value ₹ 10 crore	Non-current	
				As at 31 March	
				2014	2013
Jan 19	Bullet repayment	-	50.00	50.00	-
May 18	Bullet repayment	-	159.00	159.00*	-
Apr 18	Bullet repayment	-	175.00	175.00*	-
Jan 18	Bullet repayment	595.00	-	595.00*	595.00
Oct 17	Bullet repayment	125.00	-	125.00*	125.00
Mar 17	Bullet repayment	-	68.80	68.80	-
Jan 17	Bullet repayment	-	260.00	260.00*	-
Dec 16	Bullet repayment	-	10.50	10.50	-
Oct 16	Bullet repayment	-	360.00	360.00*	-
May 16	Bullet repayment	-	110.00	110.00	-
Apr 16	Bullet repayment	-	100.00	100.00	-
Jan 16	Bullet repayment	-	125.00	125.00	-
Nov 15	Bullet repayment	250.00	-	250.00	250.00
Oct 15	Bullet repayment	100.00	-	100.00	100.00
Jul 15	Bullet repayment	50.00	-	50.00	50.00
Jun 15	Bullet repayment	-	5.70	5.70	5.70
May 15	Bullet repayment	-	210.20	210.20	50.00
Apr 15	Bullet repayment	-	1,008.10	1,008.10	203.20
Mar 15	Bullet repayment	-	-	-	149.00
Feb 15	Bullet repayment	-	-	-	13.00
Oct 14	Bullet repayment	-	-	-	225.00*
Sep 14	Bullet repayment	-	-	-	215.00*
Aug 14	Bullet repayment	-	-	-	300.00*
Apr 14	Bullet repayment	-	-	-	61.00
				<b>3,762.30</b>	<b>2,341.90</b>

**Note:**

- As on 31 March 2014, of the total non current secured zero coupon bonds issued, ₹ 1,159.00 crore are to be redeemed at a premium.
- \* Related parties are current holders of ₹ 175 crore of the mentioned issue (previous year ₹ 140 crore)
- Interest rates range from 8.70% p.a. to 10.08% p.a. as at 31 March 2014



Notes to financial statements for the year ended 31 March 2014 (Contd.)

#### 4. Long-term borrowings (Contd.)

##### D) Terms of repayment of bank loans - secured

(₹ In Crore)

		Non-current	
		As at 31 March	
Date of maturity	Repayment schedule	2014	2013
Dec 18	Bullet repayment	200.00	-
	4 quarterly payments of ₹ 25 crore starting Jun 18	100.00	-
	4 quarterly payments of ₹ 25 crore starting May 18	100.00	-
	4 quarterly payments of ₹ 25 crore starting Apr 18	100.00	-
Mar 18	Bullet repayment	100.00	-
Dec 17	Bullet repayment	100.00	-
	4 quarterly payments of ₹ 100 crore starting Dec 17	400.00	-
	4 semi annual payments of ₹ 25 crore starting Sep 17	100.00	-
	4 semi annual payments of ₹ 12.50 crore starting Sep 17	50.00	-
	4 semi annual payments of ₹ 25 crore starting Sep 17	100.00	-
	4 semi annual payments of ₹ 37.50 crore starting Sep 17	150.00	-
	4 semi annual payments of ₹ 25 crore starting Aug 17	100.00	-
	4 semi annual payments of ₹ 37.50 crore starting Jun 17	150.00	-
	4 semi annual payments of ₹ 25 crore starting Jun 17	100.00	-
Mar 17	Bullet repayment	150.00	-
Dec 16	Bullet repayment	400.00	-
Nov 16	Bullet repayment	300.00	-
Aug 16	Bullet repayment	150.00	-
Jul 16	Bullet repayment	400.00	-
Jun 16	Bullet repayment	50.00	-
May 16	Bullet repayment	50.00	-
	4 quarterly payments of ₹ 50 crore starting Mar 16	200.00	-
Dec 15	Bullet repayment	50.00	50.00
Nov 15	Bullet repayment	100.00	100.00
Oct 15	Bullet repayment	50.00	50.00
	7 quarterly payments of ₹ 14.2857 crore starting Aug 15	100.00	-
Sep 15	Bullet repayment	50.00	50.00
Jul 15	Bullet repayment	175.00	75.00
Jun 15	Bullet repayment	375.00	325.00
May 15	Bullet repayment	250.00	250.00
Apr 15	Bullet repayment	350.00	350.00
	3 semi annual payments of ₹ 33.334 crore starting Mar 15	66.67	50.00
Mar 15	Bullet repayment	-	150.00
	4 quarterly payments of ₹ 25 crore starting Feb 15	75.00	100.00
Jan 15	Bullet repayment	-	400.00
Dec 14	Bullet repayment	-	400.00
Nov 14	Bullet repayment	-	100.00

Notes to financial statements for the year ended 31 March 2014 (Contd.)

#### 4. Long-term borrowings (Contd.)

##### D) Terms of repayment of bank loans - secured (Contd.)

(₹ In Crore)

		<b>Non-current</b>	
		As at 31 March	
<b>Date of maturity</b>	<b>Repayment schedule</b>	<b>2014</b>	<b>2013</b>
Oct 14	Bullet repayment	-	250.00
Sep 14	Bullet repayment	-	150.00
Aug 14	Bullet repayment	-	50.00
	4 quarterly payments of ₹ 25 crore starting Jul 14	25.00	100.00
	3 annual payments of ₹ 26.667 crore starting Jun 14	53.33	-
	3 annual payments of ₹ 73.334 crore starting Jun 14	146.67	220.00
Jun 14	Bullet repayment	-	100.00
	4 quarterly payments of ₹ 12.5 crore starting Jun 14	-	50.00
	5 semi annual payments of ₹ 30 crore starting May 14	90.00	150.00
	5 semi annual payments of ₹ 10 crore starting Mar 14	20.00	40.00
	5 semi annual payments of ₹ 20 crore starting Feb 14	40.00	80.00
	4 quarterly payments of ₹ 50 crore starting Jan 14	-	150.00
	4 quarterly payments of ₹ 25 crore starting Dec 13	-	50.00
	4 quarterly payments of ₹ 50 crore starting Dec 13	-	100.00
	3 annual payments of ₹ 100 crore starting Aug 13	100.00	200.00
	16 quarterly payments of ₹ 18.75 crore starting May 13	150.00	225.00
		<b>5,816.67</b>	<b>4,365.00</b>

**Note:**

- Interest rates range from 10.05% p.a. p.m. to 10.55% p.a. p.m. as at 31 March 2014

##### E) Details of privately placed unsecured redeemable non convertible debentures

(₹ In Crore)

				<b>Non-current</b>	
				As at 31 March	
<b>Date of maturity</b>	<b>Repayment schedule</b>	<b>Of face value ₹ 1 crore</b>	<b>Of face value ₹ 10 crore</b>	<b>2014</b>	<b>2013</b>
Jan 15	Bullet repayment	-	37.00	-	37.00
Oct 14	Bullet repayment	10.00	-	-	10.00
Jun 14	Bullet repayment	6.00	-	-	6.00
Apr 14	Bullet repayment	200.00	57.00	-	257.00
				<b>-</b>	<b>310.00</b>

**Note:**

- As on 31 March 2014, of the total non current unsecured zero coupon bonds issued, ₹ 37 crore were issued at a discount
- Interest rates range from 9.22% p.a. to 10.45% p.a. as at 31 March 2014

Notes to financial statements for the year ended 31 March 2014 (Contd.)

#### 4. Long-term borrowings (Contd.)

##### F) Details of privately placed unsecured redeemable non convertible debentures - subordinated debt issued at face value of ₹ 0.10 crore

(₹ In Crore)

Date of maturity	Repayment schedule	Non-current	
		As at 31 March	
		2014	2013
Apr 23	Bullet repayment	50.00	-
Jan 23	Bullet repayment	49.70*	49.70
Aug 22	Bullet repayment	157.40	157.40
May 21	Bullet repayment	50.00	50.00
Oct 20	Bullet repayment	36.20*	36.20
Sep 20	Bullet repayment	27.50	27.50
Jul 20	Bullet repayment	50.00	50.00
Jun 20	Bullet repayment	50.00*	50.00
Apr 20	Bullet repayment	65.00	65.00
		<b>535.80</b>	<b>485.80</b>

**Note:**

- Interest rates range from 9.45% p.a. to 10.21% p.a. as at 31 March 2014
- \* Related parties are current holders of ₹ 2.5 crore of the mentioned issue (previous year ₹ 2.5 crore)

##### G) Terms of repayment of bank loans - unsecured

(₹ In Crore)

Date of maturity	Repayment schedule	Non-current	
		As at 31 March	
		2014	2013
Nov 16	Bullet repayment	75.00	-
Jul 15	Bullet repayment	125.00	-
		<b>200.00</b>	<b>-</b>

**Note:**

- Interest rates range from 9.95% p.a. p.m. to 10.15% p.a. p.m. as at 31 March 2014

##### H) Terms of repayment of fixed deposits

(₹ In Crore)

Maturing upto	Non-current	
	As at 31 March	
	2014	2013
Mar 15	-	0.16
Mar 16	8.85	0.22
Mar 17	148.01	-
Mar 18	0.22	-
Mar 19	5.91	-
	<b>162.99</b>	<b>0.38</b>

**Note:**

- Interest rates range from 7% p.a. to 10% p.a. as at 31 March 2014

Notes to financial statements for the year ended 31 March 2014 (Contd.)

## 5. Other long-term liabilities

(₹ In Crore)

Particulars	As at 31 March	
	2014	2013
Trade payables	35.20	22.71
Others:		
– Security deposits	18.28	15.94
– Other payables	3.87	3.34
	<b>57.35</b>	<b>41.99</b>

## 6. Provisions

(₹ In Crore)

Particulars	Long-term		Short-term	
	As at 31 March		As at 31 March	
	2014	2013	2014	2013
Provision for employee benefits	–	–	8.20	5.27
	–	–	8.20	5.27
Other provisions				
Proposed dividend {See (i) below}	–	–	80.23	74.67
Tax on proposed dividend	–	–	13.63	12.69
General provision on standard assets {See (ii) below}	101.72	57.48	0.60	0.25
Provision for restructured standard assets	1.62	–	–	–
Provision for interest sacrifice on re-structured assets	7.13	7.13	–	–
Provision for tax (net of advance tax)	–	–	23.35	–
	110.47	64.61	117.81	87.61
	<b>110.47</b>	<b>64.61</b>	<b>126.01</b>	<b>92.88</b>

- i) During the year ended 31 March 2014, the dividend proposed for distribution to equity shareholders was ₹16/- per share (previous year ₹15/- per share).
- ii) Consequent to the communication by RBI dated 12 December 2012 of its intent to amend the Prudential Regulatory Framework applicable to NBFCs in a phased manner, the Company has, in preparedness, implemented the proposed revisions to be implemented in the first phase, of enhancing the general provisions in standard assets to 0.40% from the current requirement of 0.25%. As a result, the general provision on standard assets is higher by ₹23.24 crore

Notes to financial statements for the year ended 31 March 2014 (Contd.)

## 7. Short-term borrowings

(₹ In Crore)

Particulars	As at 31 March	
	2014	2013
<b>A) Secured</b>		
From Banks, against hypothecation of assets under finance, book debts and other receivables:		
– Cash credit and demand loans	1,674.65	498.76
– Overdraft facility	–	249.82
– Other short-term loans	1,200.00	–
<b>Total (A)</b>	<b>2,874.65</b>	<b>748.58</b>
<b>B) Unsecured</b>		
From banks:		
– Overdraft facility	15.88	24.56
– Term loans	–	250.00
	15.88	274.56
Borrowings by issue of Commercial Papers	2,582.25	1,057.00
<b>Total (B)</b>	<b>2,598.13</b>	<b>1,331.56</b>
<b>Total (A+B)</b>	<b>5,472.78</b>	<b>2,080.14</b>

### Terms of repayment of secured short-term loans

(₹ In Crore)

Date of maturity	As at 31 March	
	2014	2013
Nov 14	120.00	–
Oct 14	540.00	–
Sep 14	220.00	–
Aug 14	160.00	–
Jul 14	60.00	–
Jun 14	100.00	–
	<b>1,200.00</b>	<b>–</b>

**Note:**

- Interest rates stood at 10.25% p.a. p.m. as at 31 March 2014

### Terms of repayment of unsecured short-term loans

(₹ In Crore)

Date of maturity	As at 31 March	
	2014	2013
Apr 13	–	250.00
	<b>–</b>	<b>250.00</b>

**Note:**

- Interest rate is 10.25% p.a. p.m. as at 31 March 2013

Notes to financial statements for the year ended 31 March 2014 (Contd.)

## 7. Short-term borrowings (Contd.)

### Terms of repayment of commercial papers

Date of maturity	As at 31 March	
	2014	2013
Feb 15	392.70	-
Jan 15	457.40	-
Dec 14	187.75	-
Nov 14	254.00	-
Oct 14	174.40	-
Sep 14	107.00	-
Jul 14	415.00	-
Jun 14	303.00	-
May 14	50.00	-
Apr 14	241.00	-
Jan 14	-	25.00
Oct 13	-	60.00
Sep 13	-	60.00
Aug 13	-	196.00
Jul 13	-	205.00
Jun 13	-	156.00
May 13	-	130.00
Apr 13	-	225.00
	<b>2,582.25</b>	<b>1,057.00</b>

**Note:**

- Interest rates range from 8.66% p.a. to 10.95% p.a. as at 31 March 2014

## 8. Current liabilities

Particulars	As at 31 March	
	2014	2013
Trade payables	195.92	174.78
Other current liabilities		
Current maturities of long-term borrowings (See note no. 4)		
- Secured loans	3,441.33	3,185.00
- Unsecured loans	357.72	365.01
	3,799.05	3,550.01
Interest accrued but not due	305.10	311.57
Interest accrued and due	0.01	0.02
Income received in advance	0.24	0.83
Unclaimed dividend	0.63	0.54
Unclaimed matured fixed deposits Nil (previous year ₹ 25,000/-)	-	
Others		
- Temporary overdraft as per books only	1.66	564.29
- Statutory dues	15.47	12.82
- Security deposits	3.94	5.77
- Employee benefits payable	28.12	24.77
- Other/miscellaneous payables	32.63	26.19
	<b>4,186.85</b>	<b>4,496.81</b>

Notes to financial statements for the year ended 31 March 2014 (Contd.)

9. Fixed assets

(₹ In Crore)

Particulars	Gross block at cost			As at 31 March 2014	Depreciation			As at 31 March 2014	Net block	
	As at 31 March 2013	Additions	Deductions/ adjustments		As at 31 March 2013	Deductions/ adjustments	For the Year (b)		As at 31 March 2013	As at 31 March 2014
<b>A) Tangible assets (b):</b>										
Assets relating to leasing business:										
Plant and Machinery	17.64	-	-	17.64	17.64	-	-	17.64	-	-
Leasehold improvements	-	9.22	-	9.22	-	-	1.43	1.43	7.79	-
Other assets:										
Land freehold (d)	2.26	-	-	2.26	-	-	-	-	2.26	2.26
Building (a)	148.80	8.92	-	157.72	14.77	-	6.88	21.65	136.07	134.03
Computers	31.48	12.72	1.93	42.27	23.53	1.86	6.39	28.06	14.21	7.95
Office equipments	8.73	11.94	0.93	19.74	3.09	0.74	2.18	4.53	15.21	5.64
Furniture and fixtures	17.90	10.60	1.86	26.64	8.51	1.47	4.12	11.16	15.48	9.39
Vehicles	7.59	2.86	1.16	9.29	2.43	0.68	1.72	3.47	5.82	5.16
<b>Total (A)</b>	<b>234.40</b>	<b>56.26</b>	<b>5.88</b>	<b>284.78</b>	<b>69.97</b>	<b>4.75</b>	<b>22.72</b>	<b>87.94</b>	<b>196.84</b>	<b>164.43</b>
Previous year	186.49	51.95	4.04	234.40	58.36	3.53	15.14	69.97	164.43	
<b>B) Intangible assets:</b>										
Specialised software (c)	11.78	17.72	6.47 (e)	23.03	-	-	-	-	23.03	11.78
<b>Total (B)</b>	<b>11.78</b>	<b>17.72</b>	<b>6.47</b>	<b>23.03</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23.03</b>	<b>11.78</b>
Previous year	10.66	5.54	4.42 (e)	11.78						

a) Includes cost of shares in co-operative society ₹ 250/-

b) See Note No. 1 (B) (I)

c) See Note No. 1 (B) (II)

d) Represents share in undivided portion of land, on purchase of office premises

e) Amount amortised as expense

f) Depreciation and amortisation, recognised in the Statement of Profit and Loss:

For the year ended 31 March

	2014	2013
Depreciation	22.72	15.14
Amortisation of intangible assets	6.47	4.42
	29.19	19.56

Notes to financial statements for the year ended 31 March 2014 (Contd.)

## 10. Investments

(₹ In Crore)

Particulars	Non-current		Current	
	As at 31 March		As at 31 March	
	2014	2013	2014	2013
<b>A) In Government and trust securities:</b>				
<b>Other than trade:</b>				
<b>Unquoted</b>				
<b>Long-term</b>				
11.83% Government of India Stock, 2014 of the face value of ₹ 5 crore	-	6.37	6.37	-
Less: Amortisation of premium {Refer note no. 1 (C) (iii)}	-	(1.11)	(1.26)	-
	-	5.26	5.11	-
<b>Short-term</b>				
Treasury Bills - 364 day TB 05032015	-	-	23.10	-
<b>Total (A)</b>	-	5.26	28.21	-
<b>B) In fully paid equity shares:</b>				
<b>Other than trade:</b>				
<b>Quoted</b>				
<b>Long-term</b>				
@ - (38,700) Shares of ₹ 10 each in Akai Impex Limited	-	0.23	-	-
75 Shares of ₹ 10 each in Bajaj Holdings and Investments Limited ₹ 19,646/-			-	-
- (40) Shares of ₹ 10 each in Dion Global Solutions Limited				
@ - (Previous year ₹ 1,435/-)	-		-	-
- (52) Shares of ₹ 10 each in Midwest Leasing Limited				
@ - (Previous year ₹ 450/-)	-		-	-
- (50) Shares of ₹ 10 each in Mazda Industries and Leasing Limited				
@ - (Previous year ₹ 500/-)	-		-	-
- (50) Shares of ₹ 10 each in MCC Finance Limited				
@ - (Previous year ₹ 1,665/-)	-		-	-
- (50) Shares of ₹ 10 each in Nagarjuna Finance Limited				
@ - (Previous year ₹ 713/-)	-		-	-
- (100) Shares of ₹ 10 each in P L Finance and Investment Limited				
@ - (Previous year ₹ 1,500/-)	-		-	-
150 Shares of ₹ 10 each in Bajaj Auto Limited ₹ 7685/-			-	-
@ - (310) Shares of ₹ 10 each in Southern Fuels Limited	-	0.01	-	-
		0.24	-	-
Less: Provision for diminution in value of Investments	- @	(0.24)	-	-
<b>Total (B)</b>		-	-	-
<b>Total (A + B)</b>		<b>5.26</b>	<b>28.21</b>	<b>-</b>

(₹ In Crore)

Particulars	Book value		Market value	
	As at 31 March		As at 31 March	
	2014	2013	2014	2013
Quoted	- *		0.04	0.03
Unquoted	-	5.26	-	-

\* At cost ₹ 27,331/- (Previous year Book Value ₹ 27,619/-)

@ Diminution in value provided for earlier now written off during the year



Notes to financial statements for the year ended 31 March 2014 (Contd.)

## 11. Deferred tax assets (net)

(₹ In Crore)

Particulars	As at 31 March	
	2014	2013
<b>A) Deferred tax liability</b>		
On account of timing difference in		
Depreciation and amortisation	(10.53)	(7.47)
Other liabilities	(1.54)	(1.52)
Gross deferred tax liability <b>Total (A)</b>	<b>(12.07)</b>	<b>(8.99)</b>
<b>B) Deferred tax asset</b>		
On account of timing difference in		
Disallowance u/s 43B of the Income Tax Act, 1961	1.68	1.24
Provision for doubtful debts	132.34	85.30
Other assets	17.21	12.82
Gross deferred tax asset <b>Total (B)</b>	<b>151.23</b>	<b>99.36</b>
<b>Total (A+B)</b>	<b>139.16</b>	<b>90.37</b>

## 12. Receivables under financing activity (Good unless otherwise stated)

(₹ In Crore)

Particulars	Non-current		Current	
	As at 31 March		As at 31 March	
	2014	2013	2014	2013
<b>(A) Secured</b>				
i) a) Against hypothecation of automobiles, equipments, durables etc. (Includes overdue installments ₹ 272.20 crore) [Previous year ₹ 189.75 crore]	1,297.07	1,583.78	5,454.05	4,415.23
b) Stock of repossessed vehicles under finance agreements at estimated realisable/balance value	-	-	14.80	13.97
	1,297.07	1,583.78	5,468.85	4,429.20
c) Overdue installments under finance agreements considered doubtful	-	-	177.22	116.81
Less: Provision:				
i) Against non performing assets (NPAs)	-	-	(129.53)*	(100.87)*
ii) Against loss estimations of delinquent receivables not yet NPAs	-	-	(47.69)*	(15.94)*
	-	-	-	-
Carried forward	1,297.07	1,583.78	5,468.85	4,429.20

Notes to financial statements for the year ended 31 March 2014 (Contd.)

## 12. Receivables under financing activity (Good unless otherwise stated) (Contd.)

(₹ In Crore)

Particulars	Non-current		Current	
	As at 31 March		As at 31 March	
	2014	2013	2014	2013
Brought forward	1,297.07	1,583.78	5,468.85	4,429.20
ii) Against equitable mortgage of immovable property under finance agreements (Includes overdue installments ₹ 0.70 crore) [Previous year ₹ 1.05 crore]				
Good	8,964.19	5,610.85	313.72	181.45
Doubtful	-	-	4.06	1.13
Less: Provision:				
i) Against non performing assets (NPAs)	-	-	(4.06)*	(1.13)*
ii) Against loss estimations of delinquent receivables not yet NPAs	-	-	-*	-*
	-	-	-	-
	8,964.19	5,610.85	313.72	181.45
iii) Infrastructure Finance:				
Against joint hypothecation of plant and machinery, immovable property and other assets (Includes overdue installments ₹ 29.20 crore) [Previous year Nil]				
Good	442.88	304.04	81.98	134.50
Doubtful	-	-	1.94	-
Less: Provision:				
i) Against non performing assets (NPAs)	-	-	(1.94)*	-*
	-	-	-	-
	442.88	304.04	81.98	134.50
iv) Loan against shares (secured by pledge of shares)	74.60	26.30	772.74	622.66
<b>Total (A)</b>	<b>10,778.74</b>	<b>7,524.97</b>	<b>6,637.29</b>	<b>5,367.81</b>
<b>(B) Unsecured +</b>				
i) Loans at agreement values less installments received (Includes overdue installments ₹ 93.64 Crore) [Previous year ₹ 64.54 crore]				
Good	3,073.68	2,023.22	2,481.24	1,827.64
Doubtful	-	-	93.12	66.28
Less: Provision:				
i) Against non performing assets (NPAs)	-	-	(76.29)*	(52.67)*
ii) Against loss estimations of delinquent receivables not yet NPAs	-	-	(16.83)*	(13.61)*
	-	-	-	-
	3,073.68	2,023.22	2,481.24	1,827.64
<b>Total (B)</b>	<b>3,073.68</b>	<b>2,023.22</b>	<b>2,481.24</b>	<b>1,827.64</b>
<b>Total (A + B)</b>	<b>13,852.42</b>	<b>9,548.19</b>	<b>9,118.53</b>	<b>7,195.45</b>

\* See note 1E

+ Includes receivables from related parties amounting to ₹ 14.36 crore (previous year ₹ 33.93 crore)

Notes to financial statements for the year ended 31 March 2014 (Contd.)

### 13. Loans and advances, unsecured, good (unless otherwise stated)

(₹ In Crore)

Particulars	Non-current		Current	
	As at 31 March		As at 31 March	
	2014	2013	2014	2013
Capital advances	3.41	1.45	-	-
Security deposits	11.95	6.94	-	3.00
Advances to related parties	-	-	9.23	9.36
Advance tax, net of provision for taxation	96.62	59.43	-	-
Advances to dealers	-	-	120.07	151.43
Discount on Commercial Papers/NCDs raised representing interest paid in advance	-	-	122.18	37.43
Advances recoverable in cash or kind:				
- Secured considered good	-	-	-	-
- Unsecured considered good	0.46	4.98	40.36	32.20
- Doubtful	-	-	1.34	1.27
Less: Provision	-	-	(1.34)	(1.27)
	-	-	-	-
	0.46	4.98	40.36	32.20
	<b>112.44</b>	<b>72.80</b>	<b>291.84</b>	<b>233.42</b>

### 14. Cash and bank balances

(₹ In Crore)

Particulars	Current	
	As at 31 March	
	2014	2013
<b>Cash and cash equivalents</b>		
Cash on hand (Previous year ₹ 30,226/-)	1.66	-
Cash with collecting agents	42.40	32.91
Cash equivalents:		
- Bank balance in cash credit/current accounts	157.11	113.95
- Certificates of deposits (maturity less than 3 months from date of acquisition)	574.90	268.82
	776.07	415.68
<b>Other bank balances</b>		
Earmarked balances with bank (against fixed deposit maturities and unclaimed dividend)	0.74	0.69
	0.74	0.69
	<b>776.81</b>	<b>416.37</b>

Notes to financial statements for the year ended 31 March 2014 (Contd.)

## 15. Other current assets

Particulars	(₹ In Crore)	
	As at 31 March	
	2014	2013
Interest receivable on investments	1.89	0.84
Other finance charges receivable	70.46	61.19
Receivables from related parties	2.35	2.26
Other receivables	4.02	3.91
	<b>78.72</b>	<b>68.20</b>

## 16. Revenue from operations

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2014	2013
Finance activity		
a) Financing charges	2,705.88	2,146.16
b) Interest on loans	925.81	668.30
c) Service and administration charges	156.86	108.62
	<b>3,788.55</b>	<b>2,923.08</b>
Other operating revenue:		
i) Interest		
a) On deposits	4.28	0.62
b) Penal and others	111.22	71.66
	<b>115.50</b>	<b>72.28</b>
ii) Profit on sale of current investments, net*	63.21	21.67
iii) Bad debt recoveries	22.50	25.10
iv) Miscellaneous charges and receipts	41.66	49.88
	<b>242.87</b>	<b>168.93</b>
	<b>4,031.42</b>	<b>3,092.01</b>

\* Consequent to deployment of temporary idle funds to defray cost of borrowings, hence classified under "Other operating revenue".

Notes to financial statements for the year ended 31 March 2014 (Contd.)

## 17. Other Income

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2014	2013
Interest:		
On Government and trust securities, non-current investments	0.63	0.59
Amortisation of premium/discount	(0.15)	(0.14)
	0.48	0.45
Dividend from non-current (₹ 6,750/-, previous year ₹ 42,911/-)		
Miscellaneous income	0.34	0.22
Provisions no longer required	24.21	12.88
Sundry credit balances appropriated	7.96	4.01
Interest on income tax refunds, net	8.68	-
Provision for diminution in value of investments written back, net	0.24	0.09
	<b>41.91</b>	<b>17.65</b>

## 18. Employee benefits expense

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2014	2013
Employees' emoluments: (Includes manager's remuneration)		
Salaries, wages and bonus	313.94	226.95
Contribution to provident and other funds	15.19	9.27
Staff welfare expenses	11.68	8.93
	<b>340.81</b>	<b>245.15</b>

## 19. Finance costs

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2014	2013
Interest expenses	1,246.71	954.26
Discount in respect of "commercial papers"	312.66	241.55
Other financing costs	13.87	9.87
	<b>1,573.24</b>	<b>1,205.68</b>

Notes to financial statements for the year ended 31 March 2014 (Contd.)

## 20. Loan losses and provisions

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2014	2013
Bad debts written off	119.41	116.28
Provision release on account of bad debts written off	(61.71)	(75.17)
Provision for standard assets	44.59	25.23
Provision for interest sacrifice on re-structured assets	–	7.13
Provision for delinquencies	155.52	108.28
	<b>257.81</b>	<b>181.75</b>

## 21. Other expenses

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2014	2013
Insurance	0.55	0.23
Rent	11.44	7.18
Commission to non-executive directors	1.36	1.25
Communication expenses	21.36	16.64
Outsourcing/back office expenses	108.63	76.03
Service tax	22.04	20.69
Travelling expenses	36.14	26.38
Information technology expenses	29.53	20.90
Marketing commission	92.76	82.18
Recovery costs	167.85	119.58
Bank charges	18.43	15.05
Rates and taxes	1.47	0.29
Auditors' remuneration	0.46	0.29
Loss on sale of investments, net	–	0.10
Loss on sale of assets, net	0.43	0.05
Investments written off	0.24	–
Assets written off	0.07	–
Dealer incentive	137.93	100.48
Sundry expenses	130.43	98.60
	<b>781.12</b>	<b>585.92</b>

Notes to financial statements for the year ended 31 March 2014 (Contd.)

## 21. Other expenses (Contd.)

(₹ In Crore)

Particulars	For the year ended 31 March	
	2014	2013
<b>Payment to auditor (net of service tax credit availed)</b>		
As auditor:		
– Audit fee	0.30	0.20
– Tax audit fee	0.04	0.01
– Limited review	0.06	0.04
In other capacity:		
– Other services (certification fees)	0.05	0.03
– Reimbursement of expenses	0.01	0.01
	<b>0.46</b>	<b>0.29</b>

## 22. Computation of Earnings per Share (EPS)

(₹ In Crore)

Particulars	For the year ended 31 March	
	2014	2013
<b>A) Basic</b>		
i) Computation of profit (Numerator) :		
– Net Profit attributable to shareholders	719.01	591.31
ii) Computation of weighted average number of shares (Denominator) :		
– Number of shares outstanding at the beginning of the year	49,540,377	41,291,576
Weighted average number of equity shares issued and outstanding during the year	118,634	298
Weighted average number of equity shares issued prior to record date for rights issue of shares	–	457,737
Weighted average number of rights shares	–	555,555
Proportionate addition to opening number of shares due to adjustment factor	–	1,210,730
Adjusted weighted average equity shares	49,659,011	43,515,896
EPS (Basic) (₹)	144.79	135.88
<b>B) Diluted</b>		
i) Computation of Profit (Numerator):		
Net Profit attributable to shareholders	719.01	591.31
ii) Computation of weighted average number of shares (Denominator):		
Number of shares outstanding as above/at the beginning of the year	49,540,377	41,291,576
Weighted average number of equity shares issued and outstanding during the year	118,634	298
Weighted average number of equity shares issued prior to record date for rights issue of shares	–	457,737
Weighted average number of rights shares	–	555,555
Proportionate addition to opening number of shares due to adjustment factor	–	1,210,730
Number of options outstanding at the close of the year*	393,304	428,365
Adjusted weighted average equity shares	50,052,315	43,944,261
EPS (Diluted) (₹)	143.65	134.56

\* Dilutive equity shares under warrants outstanding and ESOPs

Notes to financial statements for the year ended 31 March 2014 (Contd.)

### 23. Contingent liability not provided for

Particulars	(₹ In Crore)	
	As at 31 March	
	2014	2013
Disputed claims against the Company not acknowledged as debts	6.56	4.57
VAT matter under appeal	3.43	6.05
ESI matter under appeal	5.14	5.14
Service tax matter under appeal	0.95	–
Income tax matters:		
– Appeals by the Company	15.85	29.59
– Appeals by the income tax department	22.31	5.74
Guarantees given on behalf of the Company	–	4.44

### 24. Capital and other commitments

Particulars	(₹ In Crore)	
	As at 31 March	
	2014	2013
A) Capital commitments		
Estimated amount of Contracts remaining to be executed on capital account not provided for (Net of advances)	2.62	4.66
B) Other commitments:		
The Company has capital commitments amounting to ₹ 51.31 crore (previous year ₹ 202.84 crore)		

### 25. Expenditure in foreign currency

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2014	2013
Travelling expenses	0.18	0.06
Software expenses	4.23	2.66
Other expenses	–	0.05

- 26.** The Company is engaged primarily in the business of financing and accordingly there are no separate reportable segments as per Accounting Standard-17 as prescribed by Companies (Accounting Standards) Rules, 2006, dealing with Segment Reporting.



Notes to financial statements for the year ended 31 March 2014 (Contd.)

27. Liability for employee benefits has been determined by an actuary, appointed for the purpose, in conformity with the principles set out in the Accounting Standard 15 (Revised) as prescribed by Companies (Accounting Standards) Rules, 2006, the details of which are as hereunder.

#### A) Gratuity

(₹ In Crore)		
Particulars	2014	2013
<b>Amount to be recognised in Balance Sheet</b>		
Present value of funded obligations	16.39	9.89
Fair value of plan assets	(23.34)	(15.97)
Amount not recognised as an asset (limit in para 59 (b))	2.21	1.42
<b>Net Liability</b>	<b>(4.74)</b>	<b>(4.66)</b>
<b>Amounts in Balance Sheet</b>		
Liability	3.36	1.10
Assets	(8.10)	(5.76)
<b>Net Liability/(Asset)*</b>	<b>(4.74)</b>	<b>(4.66)</b>
<b>Expense to be recognised in the Statement of Profit and Loss</b>		
Current service cost	2.39	1.51
Interest on defined benefit obligation	0.95	0.66
Expected return on plan assets	(1.19)	(0.87)
Net actuarial losses/(gains) recognised in year	3.03	1.38
Effect of the limit in para 59 (b)	0.77	(0.45)
Premium allocation difference and other charges transferred	-	-
<b>Total, included in "employee benefits expense"</b>	<b>5.95</b>	<b>2.23</b>
Actual return on plan assets	1.56	1.06
<b>Reconciliation of benefit obligations and plan assets for the period</b>		
<b>Change in defined benefit obligation</b>		
Opening defined benefit obligation	9.89	6.39
Current service cost	2.39	1.51
Interest cost	0.95	0.66
Actuarial losses/(gain)	3.39	1.57
Benefits paid	(0.23)	(0.24)
Closing defined benefit obligation	16.39	9.89
<b>Change in fair value of assets</b>		
Opening fair value of plan assets	15.97	11.45
Expected return on plan assets	1.20	0.87
Actuarial gain/(losses)	0.36	0.19
Contributions by employer*	6.04	3.70
Benefits paid	(0.23)	(0.24)
Closing fair value of plan assets	23.34	15.97

\* includes advance contribution to be adjusted in subsequent years.

Notes to financial statements for the year ended 31 March 2014 (Contd.)

**A) Gratuity (Contd.)**

Particulars	2014	2013
<b>Summary of the actuarial assumptions</b>		
Discount rate	9.35%	8.05%
Expected rate of return on assets	7.50%	7.50%
Salary escalation rate - Senior staff	10.00%	8.00%
Salary escalation rate - Junior staff	10.00%	8.00%

(₹ In Crore)

Particulars	2010	2011	2012	2013	2014
<b>Experience adjustments</b>					
Defined benefit obligation	2.92	4.47	6.39	9.89	16.39
Plan assets	5.30	7.89	11.45	15.97	23.34
Surplus/(deficit)	2.38	3.42	5.06	6.08	6.95
Experience adjustments on plan liabilities	0.08	0.30	0.80	0.87	2.18
Experience adjustments on plan assets	0.07	0.15	0.16	0.19	0.36

**B) Compensated absences**

(₹ In Crore)

Particulars	2014	2013
Present value of unfunded obligations	8.20	5.27
Expense recognised in the Statement of Profit and Loss	6.71	3.94
Discount Rate (p.a.)	9.35%	8.05%
Salary escalation rate (p.a.) - Senior staff	10.00%	8.00%
Salary escalation rate (p.a.) - Junior staff	10.00%	8.00%

Casual leave and earned leave which is considered as a short-term benefit, is valued at its encashment value amounting to ₹ Nil (Previous year ₹ Nil)

Notes to financial statements for the year ended 31 March 2014 (Contd.)

**c) Provident fund**

In case of certain employees, the provident fund contribution is made to Bajaj Auto Limited Provident Fund Trust. In terms of the guidance note issued by the Institute of Actuaries of India, the actuary has provided a valuation of Provident Fund liability based on the assumptions listed below and determined that there is no shortfall as at 31 March 2014. The assumptions used in determining the present value of obligation of the interest rate guarantee under deterministic approach are:

	(₹ In Crore)	
Particulars	2014	2013
<b>Amount to be recognised in Balance Sheet</b>		
Present value of funded obligations	71.84	51.93
Fair value of plan assets	71.84	51.93
<b>Net liability</b>	-	-
<b>Amounts in Balance Sheet</b>		
Liability	-	-
Assets	-	-
<b>Net liability/(asset)</b>	-	-
<b>Expense to be recognised in the Statement of Profit and Loss</b>		
Current service cost	7.27	5.52
Interest on defined benefit obligation	4.60	3.58
Expected return on plan assets	(5.07)	(3.71)
Net actuarial losses/(gains) recognised in year	0.47	0.13
<b>Total, included in "employee benefits expense"</b>	7.27	5.52
<b>Reconciliation of benefit obligations and plan assets for the period</b>		
<b>Change in defined benefit obligation</b>		
Opening defined benefit obligation	51.93	37.42
Current service cost	7.27	5.52
Interest cost	4.60	3.58
Actuarial losses/(gain)	0.81	0.21
Employees contribution	11.26	8.36
Liabilities assumed on acquisition/(settled on divestiture)	-	-
Benefits paid	(4.03)	(3.16)
Closing defined benefit obligation	71.84	51.93
<b>Change in fair value of assets</b>		
Opening fair value of plan assets	51.93	37.42
Expected return on plan assets	5.07	3.71
Actuarial gain/(losses)	0.34	0.08
Employer contributions during the period	7.27	5.52
Employee contributions during the period	11.26	8.36
Assets acquired on acquisition/(distributed on divestiture)	-	-
Benefits paid	(4.03)	(3.16)
Closing fair value of plan assets	71.84	51.93

Notes to financial statements for the year ended 31 March 2014 (Contd.)

**C) Provident fund (Contd.)**

Particulars	2014	2013
<b>Summary of the actuarial assumptions</b>		
Discount rate	9.35%	8.05%
Expected rate of return on assets	9.01%	8.56%
Discounting rate for remaining term to maturity of investment (p.a)	9.00%	8.05%
Average historic yield on investment (p.a.)	8.66%	8.56%
Guaranteed rate of return (p.a.)	8.75%	8.50%

## 28. Employee stock option plan

The Board of Directors at its meeting held on 14 October 2009, approved an issue of Stock Options upto a maximum of 5% of the issued equity capital of the Company aggregating to 18,29,803 equity shares in a manner provided in the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999 subject to the approval of the shareholders under section 81(1A) of the Companies Act, 1956. The shareholders of the Company vide their special resolution passed through postal ballot on 15 December 2009 approved the issue of equity shares of the Company under one or more Employee Stock Option Scheme(s).

The Remuneration and Nomination Committee has approved the following grants to select senior level executives of the Company in accordance with the Stock Option Scheme. Under the scheme, six grants have been made, details of which as on 31 March 2014 are given as under:

Grant date	Exercise price (in ₹)	Options granted	Options vested and exercisable	Options unvested	Options exercised	Options cancelled	Options outstanding
12 Jan 10	358.70	132,000	56,125	-	72,125	3,750	56,125
21 Jul 10	542.00	326,750	68,157	70,125	161,094	27,374	138,282
28 Jul 11	705.15	376,200	70,275	162,500	116,100	27,325	232,775
16 May 12	876.10	359,500	45,775	241,500	44,100	28,125	287,275
15 May 13	1,380.35	394,930	-	364,680	-	30,250	364,680
01 Nov 13	1,353.05	19,700	-	19,700	-	-	19,700
<b>Total</b>		<b>1,609,080</b>	<b>240,332</b>	<b>858,505</b>	<b>393,419</b>	<b>116,824</b>	<b>1,098,837</b>

Notes to financial statements for the year ended 31 March 2014 (Contd.)

## 28. Employee stock option plan (Contd.)

### Method used for accounting for share based payment plan

The Company has elected to use intrinsic value method to account for the compensation cost of stock options to employees of the Company. Intrinsic value is the amount by which the quoted market price of the underlying share exceeds the exercise price of the option.

The fair value of options used to compute pro-forma net profit and earnings per share have been estimated on the date of grant using the Black – Scholes Model. The key assumptions used in the Black – Scholes Model for calculating fair value as on the date of grant are:

Variables	1 Nov 2013	15 May 2013	16 May 2012	28 July 2011	21 July 2010	12 Jan 2010
1) Risk free interest rate	8.71%	7.32%	8.36%	8.27%	7.42%	6.70%
2) Expected life	1-5 years	1-5 years	3.5-6.5 years	3.5-6.5 years	3.5-6.5 years	1 -5 years
3) Expected volatility	32.83%	29.97%	49.58%	53.01%	55.38%	54.01%
4) Dividend yield	1.11%	1.09%	1.37%	1.42%	1.28%	0.62%
5) Price of the underlying share in the market at the time of the option grant (₹)	1,353.05	1,380.35	876.10	705.15	542.00	358.70

### Impact on fair value method on net profit and earnings per share

Had compensation cost for the stock option plans outstanding been determined based on the fair value approach, the net profit and earnings per share would have been as per the pro-forma amounts indicated below:

Particulars	(₹ In Crore)	
	2014	2013
Net profit (as reported)	719.01	591.31
Add: Stock – based employee compensation expense included in net income	–	–
Less: Stock based compensation expense determined under fair value based method (pro forma)	14.98	12.85
Net Profit (pro forma)	704.03	578.46
Basic Earnings per share (as reported)	144.79	135.88
Basic Earnings per share (pro forma)	141.77	132.93
Diluted Earnings per share (as reported)	143.65	134.56
Diluted Earnings per share (pro forma)	140.66	131.64

29. During the year, the Company transferred assets through direct assignment of cash flows and the underlying securities to four banks. The disclosure as required by the revised Guidelines on Securitisation Transactions issued by RBI on 21 August 2012 is given as under:

(₹ In Crore)

Assets transferred during FY2014	Amount
1. Gross amount of assets assigned including exposure retained by the seller	943.31
2. Total amount of exposure retained by the NBFC to comply with MRR — In form of on-Balance Sheet retention of assets	94.33
3. Total amount of exposure retained by NBFC other than MRR — In form of on-Balance Sheet retention of Assets	74.18
4. Net amount of assets transferred through direct assignment in FY2014	774.80
5. The cumulative amount of assets transferred through direct assignment, outstanding as on 31 March 2014	1,090.41

30. The disclosures required in terms of Paragraph 13 of the Non Banking Financial (Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 are given in the Annexure forming part of these Financial Statements.

Notes to financial statements for the year ended 31 March 2014 (Contd.)

### 31. Disclosure of restructured accounts as per Notification No. DNBS (PD) No. 271/CGM (NSV)-2014 dated January 23, 2014 of the Reserve Bank of India

(₹ In Crore)

Sr. No.	Type of restructuring Asset Classification Details	Under CDR Mechanism				Under SME Debt Restructuring Mechanism				Others				Total			
		Standard	Sub-standard	Doubtful	Loss	Total	Standard	Sub-standard	Doubtful	Loss	Total	Standard	Sub-standard	Doubtful	Loss	Total	Total
1.	No of borrowers	1	-	-	-	1	-	-	-	-	-	1	13	-	-	14	15
	Restructured Accounts as on April 1 of the FY (opening figures)	55.50	-	-	-	55.50	-	-	-	-	-	33.00	19.27	-	-	52.27	107.77
	provision thereon	-	-	-	-	-	-	-	-	-	-	-	5.10	-	-	5.10	5.10
2.	No of borrowers	-	-	-	-	-	-	-	-	-	-	-	2	-	-	2	2
	Fresh restructuring during the year	1.37\$	-	-	-	1.37	-	-	-	-	-	-	8.21	-	-	8.21	9.58
	Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	0.82	-	-	0.82	0.82
3.	No of borrowers	-	-	-	-	-	-	-	-	-	-	3	(3)	-	-	-	-
	Upgradations to restructured standard category during the FY	-	-	-	-	-	-	-	-	-	-	2.19	(6.28)	-	-	(4.09)	(4.09)
	Amount outstanding	-	-	-	-	-	-	-	-	-	-	0.06	(1.08)	-	-	(1.02)	(1.02)
4.	No of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Restructured standard advances which cease to attract higher provisioning and/or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5.	No of borrowers	-	-	-	-	-	-	-	-	-	-	(1)	1	-	-	-	-
	Downgradations of restructured accounts during the FY	-	-	-	-	-	-	-	-	-	-	(19.24)	19.24	-	-	-	-
	Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	(19.24)	-	-	-	-
6.	No of borrowers	-	-	-	-	-	-	-	-	-	-	-	1.92	-	-	1.92	1.92
	Write-offs of restructured accounts during the FY #	(0.30)	-	-	-	(0.30)	-	-	-	-	-	(13.76)	(5.23)	-	-	(18.99)	(19.29)
	Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	(0.06)	-	-	(0.06)	(0.06)
7.	No of borrowers	1	-	-	-	1	-	-	-	-	-	3	9	-	-	12	13
	Restructured Accounts as on March 31 of the FY (closing figures*)	56.57	-	-	-	56.57	-	-	-	-	-	2.19	35.21	-	-	37.40	93.97
	Amount outstanding	-	-	-	-	-	-	-	-	-	-	0.06	6.70	-	-	6.76	8.32

\* Provision made @ 2.75% consequent to Notification No. DNBS (PD) No. 271/CGM (NSV)-2014 dated 23 January 2014 of the Reserve Bank of India

# Represents recoveries from restructured advances

\$ Represents funded interest component pursuant to CDR arrangement

Notes to financial statements for the year ended 31 March 2014 (Contd.)

## 32. Related parties

(₹ In Crore)

		2014		2013	
Name of related party and Nature of relationship	Nature of transaction	Transaction value	Outstanding amounts carried in Balance Sheet	Transaction value	Outstanding amounts carried in Balance Sheet
A) Holding company and fellow subsidiaries					
1. Bajaj Finserv Limited (Holding company)	Dividend paid	46.29	-	30.23	-
	Business support charges paid	6.94	-	6.39	-
	Other revenue expenses	0.08	-	0.10	-
	Preferential warrants application and allotment money/ conversion of warrants	-	-	(21.32)	-
	Equity contribution received (including premium)	-	-	563.95	-
2. Bajaj Allianz Life Insurance Company Limited (Fellow subsidiary)	Advance premium	238.66	2.59	153.91	6.94
	Insurance premium adjusted	243.01	-	153.96	-
	Infrastructure fees	2.66	-	6.27	-
	Advertisement fees	0.88	-	2.09	-
	Business co-operation fees	10.42	-	24.54	-
	Commission income	5.27	1.92	1.76	1.10
	Commercial papers	-	-	30.00	-
	Secured non convertible debentures	100.00	155.00	55.00	55.00
	Unsecured non convertible debentures	-	2.50	-	2.50
	Interest paid on non convertible debentures	4.10	-	1.26	-
3. Bajaj Allianz General Insurance Company Limited (Fellow subsidiary)	Asset/medical/vehicle/travel insurance	0.53	-	1.06	-
	Advance premium	42.66	5.49	7.36	2.42
	Insurance premium adjusted	39.59	-	5.93	-
	Commission income	4.36	0.43	0.87	0.33
	Secured non convertible debentures	-	85.00	70.00	85.00
	Interest paid on non convertible debentures	7.27	-	0.83	-
4. Bajaj Financial Solutions Limited (Fellow subsidiary)	Business support charges paid	0.37	-	-	-
	Assets purchased	0.60	-	-	-
5. Bajaj Financial Securities Limited (Fellow Subsidiary)	Business support charges paid	0.07	-	-	-
	Fixed deposits	0.24	0.24	-	-
B) Individuals controlling voting power/ exercising significant influence and their relatives					
1. Rahul Bajaj (Chairman)	Sitting fees	0.02	-	0.01	-
	Commission	0.05	0.05	0.04	0.04
2. Madhur Bajaj (Director)	Sitting fees	0.01	-	0.01	-
	Commission	0.04	0.04	0.03	0.03
3. Rajiv Bajaj (Director)	Sitting fees	0.01	-	0.01	-
	Commission	0.03	0.03	0.03	0.03
C) Non-executive Director					
Nanoo Pamnani (Vice Chairman)	Sitting fees	0.03	-	0.03	-
	Commission	0.83	0.83	0.82	0.82
D) Key Managerial Personnel					
Rajeev Jain (CEO)	Remuneration	3.67	1.65	3.02	1.16
	ESOPs exercised	1.14	-	4.51	-

Notes to financial statements for the year ended 31 March 2014 (Contd.)

### 32. Related parties (Contd.)

(₹ In Crore)

		2014		2013	
Name of related party and Nature of relationship	Nature of transaction	Transaction value	Outstanding amounts carried in Balance Sheet	Transaction value	Outstanding amounts carried in Balance Sheet
E) Enterprises over which anyone in (B) and (D) exercises significant influence					
1. Bajaj Auto Limited	Interest subsidy received	3.88	-	4.07	0.21
	Business support cost paid	12.46	-	8.19	0.91
	Business support cost received	1.49	-	0.62	0.03
2. Bajaj Holdings & Investments Limited	Business support cost paid	2.36	-	0.09	-
3. Mukand Limited	Loan given	-	14.36	-	33.93
	Principal repayment received	19.57	-	11.94	-
	Income received	3.13	-	5.41	-
4. Hind Musafir Agency Limited	Services received	8.78	0.45	6.26	1.17
	Advance for services	-	1.60	-	-
5. Bajaj Electricals Limited	Assets purchased	0.63	0.14	-	-

Name of the related party and nature of the related party relationship where control exists have been disclosed irrespective of whether or not there have been transactions between the related parties. In other cases, disclosure has been made only when there have been transactions with those parties.

Related parties as defined under clause 3 of the Accounting Standard-18- "Related Party Disclosures" have been identified based on representations made by key managerial personnel and information available with the Company.

- 33.** On the basis of information available with the Company as regards the registration of its vendors under the Medium, Small and Micro Enterprises Development Act 2006, there are no dues outstanding beyond the prescribed credit period and consequently no interest payable under the said Act.
- 34.** Previous year's figures have been regrouped, wherever necessary, to make them comparable with those of the current period.
- 35.** Amounts less than ₹ 50,000/- have been shown at actual against respective line items statutorily required to be disclosed.

#### Signatures to Notes '1' to '35'

In terms of our report of even date

For Dalal & Shah  
Firm Registration Number: 102021W  
Chartered Accountants

Anish Amin  
Partner  
Membership Number: 40451

Pune: 14 May 2014

Rajeev Jain  
Chief Executive Officer

Anant Damle  
Company Secretary

Rahul Bajaj  
Chairman

Sanjiv Bajaj  
Vice Chairman

Nanoo Pamnani  
Vice Chairman and  
Chairman - Audit Committee



Annexure (Forming part of the financial statement)

### Schedule to Balance Sheet

[As required in terms of paragraph 13 of Non-Banking Financial (Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007]

		(₹ In Crore)	
Particulars	Amount Outstanding	Amount Overdue	
<b>Liabilities Side:</b>			
<b>1) Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid</b>			
a) Debentures: Secured (including interest accrued thereon ₹ 240.26 crore)	4,965.56	-	
Unsecured (including interest accrued thereon ₹ 61.08 crore)	906.88	-	
(Other than falling within the meaning of public deposit*)			
b) Deferred credits	-	-	
c) Term loans (including interest accrued thereon ₹ 0.99 crore)	8,495.99	-	
d) Inter-corporate loans and borrowings	-	-	
e) Commercial paper	2,582.25	-	
f) Public deposits* (including interest accrued thereon ₹ 1.28 crore)	211.99	-	
g) Other loans (Short-term Loans, cash credit and working capital demand loan-including interest accrued thereon ₹ 1.28 crore)	2,891.81	-	
* Please see note 1			
<b>2) Break-up of (1)(f) above (Outstanding public deposits inclusive of interest accrued thereon but not paid)</b>			
a) In the form of unsecured debentures	-	-	
b) In the form of partly secured debentures i.e. debentures where there is a shortfall in the value of security	-	-	
c) Other public deposits*	211.99	-	
* Please see note 1			
Particulars	Amount Outstanding		
<b>Asset Side</b>			
<b>3) Break - up of loans and advances including bills receivables (other than those included in (4) below)</b>			
a) Secured		10,650.11	
b) Unsecured		6,037.92	
<b>4) Break up of leased assets and assets under finance and hypothecation loans counting towards asset finance activities</b>			
i) Lease assets including lease rentals under sundry debtors			
a) Financial lease		-	
b) Operating lease		-	
ii) Stock under finance including financing charges under sundry debtors			
a) Assets under finance, net of unmatrued finance charges and advance EMI		6,751.12	
b) Repossessed assets		14.80	
iii) Hypothecation loans counting towards asset financing activities			
a) Loans where assets have been repossessed		-	
b) Loans other than (a) above		-	

Annexure (Forming part of the financial statement) (Contd.)

**Schedule to Balance Sheet** (Contd.)

(₹ In Crore)

Particulars	Amount Outstanding
<b>5) Break up of investments</b>	
<b>Current investments</b>	
1. Quoted:	
i) Shares: a) Equity	-
b) Preference	-
ii) Debentures and bonds	-
iii) Units of mutual funds	-
iv) Government securities (including trust securities)	-
v) Others (please specify)	-
2. Unquoted:	
i) Shares: a) Equity	-
b) Preference	-
ii) Debentures and bonds	-
iii) Units of mutual funds	-
iv) Government securities	28.21
v) Others (please specify)	-
<b>Long-term investments</b>	
1. Quoted:	
i) Shares: a) Equity	-
b) Preference	-
ii) Debentures and bonds	-
iii) Units of mutual funds	-
iv) Government and trust securities	-
v) Others (please specify)	-
2. Unquoted:	
i) Shares: a) Equity	-
b) Preference	-
ii) Debentures and bonds	-
iii) Units of mutual funds	-
iv) Government securities	-
v) Others (please specify)	-

**6) Borrower group-wise classifications of all leased assets, stock under financing and loans and advances** (Please see note 2)

Category	Amount net of provision		
	Secured	Unsecured	Total
1. Related parties**			
a) Subsidiaries	-	-	-
b) Companies in the same group	-	11.58	11.58
c) Other related parties	-	14.36	14.36
2. Other than related parties	17,416.03	6,011.98	23,428.01
	<b>17,416.03</b>	<b>6,037.92</b>	<b>23,453.95</b>

Annexure (Forming part of the financial statement) (Contd.)

**Schedule to Balance Sheet** (Contd.)

**7) Investor group-wise classification of all investments (current and long-term in shares and securities (Both quoted and unquoted))**

Please see note 3

(₹ In Crore)

Category	Market value/break up or fair value or NAV <sup>§</sup>	Book value (net of provisions)
1. Related parties**		
a) Subsidiaries	-	-
b) Companies in the same group	-	-
c) Other related parties	-	-
2. Other than related parties	28.25	28.21
	<b>28.25</b>	<b>28.21</b>

\*\* As per Accounting Standard of ICAI (Please see note 3)

§ Government securities valued cost less amortisation of premium

**8) Other information**

(₹ In Crore)

Particulars	Amount
<b>Gross Non-Performing Assets</b>	
i) Gross non-Performing assets	
a) Related parties	-
b) Other than related parties	279.61
<b>Net Non-Performing Assets</b>	
ii) Net non-performing assets	
a) Related parties	-
b) Other than related parties	66.45
iii) Assets acquired in satisfaction of debt	-

**Notes:**

- As defined in paragraph 2 (1) (xii) of the Non Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998.
- Provisioning norms shall be applicable as prescribed in the Non Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 2007.
- All accounting standards and guidance notes issued by ICAI are applicable including for valuation of investments and other assets as also assets acquired in satisfaction of debts. However, market value in respect of quoted investments and break up/fair value/NAV in respect of unquoted investments should be disclosed irrespective of whether they are classified as long-term or current in column (5) above.

### Note





## **Bajaj Finance Limited**

Regd. Office: Akurdi, Pune - 411 035

Tel: (020) 30405060 Fax: (020) 30405020/30

[www.bajajfinserv.in/finance](http://www.bajajfinserv.in/finance)

FORM A

Format of covering letter of the annual audit report to be filed with the Stock Exchange

1	Name of the Company	Bajaj Finance Limited
2	Annual financial statements for the year ended	31 March 2014
3	Type of Audit observation	Unqualified
4	Frequency of observation	Not Applicable
5	<p>To be signed by-</p> <p>Shri Nanoo Pamnani, Chairman of Audit Committee</p> <p>Shri Rajeev Jain, CEO</p> <p>CFO</p> <p>Shri Anish Amin Partner, M/s Dalal &amp; Shah, Chartered Accountants Auditors of the Company</p>	<p><i>Nanoo Pamnani</i></p> <p><i>Rajeev Jain</i></p> <p>- (CFO resigned from the services of the Company)</p> <p><i>Anish Amin</i></p> 